

Chimo Financial Services Inc.

Ten Timely Tax Tips For Small Businesses, Publishers, and Authors

Tax Me! I'm Canadian!

Let me start with a short prayer.

“Lord! So far so good: I have not boasted, used foul language, made any obscene gestures, nor even had any ill thoughts about anyone. But the big test is coming, Lord, and I need your assistance. You see, now I have to get up and go to work.”

About a year ago I gave a short talk on “Tax Strategies for Small Publishers and Authors.” There are a few points from it that I would like to review.

- Taxing goes way back. It is mentioned regularly in the bible. Archeologists have found clay tablets with cuneiform inscriptions—long before the use of paper.
- Bookkeepers came into being “lo these many years ago.” It was necessary for the farmer to keep meticulous records of the harvest. It was imperative to record exactly how many bushels of “corn,” meaning grain, so the tax collector could take 10% for the Pharaoh-king. If you could not satisfy the collector, he would estimate your productivity and that calculation would not be in your favor. In fact, after penalties, you might have been lucky if they left enough for seeding next year’s crop.

So now! What has changed?

Here are some things to remember.

The tax department is not there to help us minimize our taxes. Their purpose is to collect as much as they can get. *People regularly over pay taxes.*

Your accountant is an extension of the tax collector's office, by law. Accounting firms have been made liable for anything you do that is not acceptable to the tax department. That's why you are required to sign a disclaimer accepting the responsibility and vouchsafing the accountant.

Tax saving techniques are not for the timid. There are gray areas that you must be careful about using.

If you are in litigation with the department, it's not whether you win or lose that counts—it's how much it costs you to play their game. They set the rules and they have an unlimited number of your tax dollars to play with against you.

Too much of any good will cause trouble. If you go from tax pig to tax hog you may get slaughtered. My accountant uses rules of thumb. If the expense is too large for the income there must be a good reason. However, sometimes part of the expensed item can be moved into another category.

For every loophole in the law there is a cost—a gotcha. There is no free lunch.

Any interpretation of the tax law that looks too good to be true—probably is.

When in doubt, deficit it out. However, gray areas.... There are many legitimate areas of uncertainty in the tax laws. *A good strategy is to act on those areas in which you have little to lose and a lot more to gain.*

Stand up for principles as long as it doesn't cost more than you can stand.