

Business Basics

Agenda

1. Legal Business Structures
2. Registrations & Licenses
3. GST & PST
4. Bookkeeping/Tax
5. Financing
6. Community Futures Support
7. Questions?

Legal Structures

Sole Proprietor

A for profit business owned and run by one individual with no distinction between the business and the owner. The owner is entitled to all profits and is responsible for all of the business's debts.

Pros:

- Low cost to form
- Ease of formation
- Easy bookkeeping
- Lower cost year-end
- Easy to close/exit

Cons:

- Harder to raise capital
- Succession can be harder
- No capital gains exemption
- Higher income tax rate
- Separation of business/ personal finances
- 100% liability

Legal Structures

Partnership

A for profit business owned and run by more than one individual with no distinction between the business and the owners. The owners are entitled to all profits and are jointly & severally responsible for all of the business's debts.

Pros & Cons are the same for Partnership businesses as for Sole Proprietors

Things to consider:

- *Do you really need to be in a partnership?*
- *A detailed Partnership Agreement is ESSENTIAL*
 - *Decision making*
 - *Ownership %*
 - *Conflict resolution*
 - *Roles and responsibilities*
 - *Buy out, etc.*

Legal Structures

Corporation

A Corporation is a legal entity that is separate and distinct from its owners. Corporations have the right to enter into contracts, loan and borrow money, sue and be sued, hire employees, own assets and pay taxes. Can be for profit or non-profit.

Benefits:

- Separate business/personal
- Lower tax rate
- More tools to minimize taxes
- Raise funds through share investments
- Succession - avoid capital gains
- Perceived professionalism
- Perceived stability
- Limited liability

Detriments:

- Cost to form
- Ongoing year-end cost
- Reporting requirements
- Minute Books
- Bookkeeping is more complex
- Need an accountant!

Legal Structures

Co-operative

Co-ops are a separate legal entity where each member has an equal vote no matter how much they've invested in the co-op.

Can be either for profit or non-profit.

Local Resource:

www.uccc.coop

Legal Structures

Non-Profit Organization

A non-profit organization is an organization that uses its surplus revenues to further achieve its purpose or mission, rather than distributing its surplus income to the organization's directors or members.

Non-Profits can be Association; Society; Corporation; Co-op

- Separate legal entity
- Volunteer board of directors (minimum of three)
- Can have paid staff
- Generally has a social/environmental/economic cause
- Access to grant funding
- Can generate a limited profit
- May carry on business activities to generate profit to support their cause = Social Enterprise

Registrations & Licenses

Provincial

1. If using your “personal name” - NO NAME SEARCH OR REGISTRATION REQUIRED
2. Name Search ~\$30
3. Registration ~ \$40
4. Can use One Stop Business Registry system or the Government Agents
5. One Stop Business Registry allows you to sign up for all other provincial, municipal or federal registrations in “one stop”
6. Other provincial registration includes: Worksafe, Health Certification, etc.

Registrations & Licenses

Municipal

1. Business License - home based & commercial locations
2. Annual Fee (Jan - Dec)
3. Municipal Bylaws must be followed - noise, traffic, signage, employees, etc.
4. RDCK addresses do not require business license but can't direct sell in municipality without a license
5. Businesses at Markets/Trade Fairs/events are covered by the events license

Registrations & Licenses

Federal

1. Federal government #'s are tied to owner - not a business name - unless a Corporation
2. No cost to register
3. Will need to register federally if:
 - A Corporation
 - Voluntary or Mandatory GST
 - Importing or Exporting (international)
 - Payroll
4. Can use “One Stop” or Canada Revenue Agency website or phone

PST

Provincial Sales Tax

You must register to collect PST if you

Sell or lease taxable goods; sell services that repair, restore or maintain taxable goods; provide legal or telecommunication services; provide software; provide 4 or more units of accommodation

You do not register if you

Sell only non-taxable or exempt goods or services; are a wholesaler who does not make retail sales

PST

Small Seller

Small Sellers do not need to register if ALL the following apply

1. You are home based **and**
2. You sell taxable goods or services **and**
3. You make \$10,000 or less in gross revenue from taxable sales **and**
4. You are not a lessor, an independent sales contractor or you don't offer more than 4 units of accommodation.

PST

PST - Provincial Sales Tax

1. Most taxable items/services are taxed at 7% but exceptions exist i.e., liquor 10%, accommodation 8%, etc.
2. You do not get reimbursed for what you spend.
3. You earn a small commission for collection
4. For more info or to register:
Gov.bc.ca/pst

GST

Goods & Services Tax (Federal)

1. Registration is optional until gross sales reach \$30,000 in any four quarter period (not based on calendar or fiscal year)
2. Most goods and services sold in British Columbia are subject to GST
3. GST % is 5%
4. Once registered, business gets reimbursed for all GST paid out
5. Remittances or refund requests must be submitted on schedule (quarterly remittances recommended)
6. Do not charge GST unless registered

Bookkeeping

1. Revenue Canada requirement to keep a set of books and all receipts/records for 7 years.
2. You are allowed to “write off” the costs of doing business against the revenue you earn. Including: Equipment, Tools, Supplies, Inventory, Raw Materials, Vehicle Expenses, Travel, Meals, Shared Home Expenses, etc., so keep EVERYTHING!
3. Income Tax and CPP will be calculated on NET INCOME (Revenue-Expenses)

FINANCING

Ideas

1. Boot strap - start small and build
2. Friends family and fools
3. Crowdsource
4. Angels / Venture Capitalists
5. Traditional lenders -not likely
6. Non traditional lenders like:
 - Community Futures
 - Futurepreneur
 - Women's Enterprise Centre
 - Aboriginal Loans, etc.

SUPPORT

Community Futures offers:

1. Free counselling appointments
2. Resource Library
3. Business Workshops
4. Business Loans
5. SE Program (eligibility criteria)
6. Basin Business Advisor Program