



# NEW BUSINESS OWNERS

Congratulations on taking the plunge. You have left the “job” behind and no longer work for the “man”. You are now the boss. You have freedom. You have independence... now what do you do?

## SELF-EMPLOYED

### THINGS TO DO! STUFF TO KNOW! THE TRAPS TO WATCH OUT FOR!

This is for the newly self-employed. You love what you do. You are good at it, respected for it, and people pay you for what you do. But there are LOTS of different things about running a business

that nobody tells you about. In many cases, you learn by trial by error. It is my hope, that these tips will save you some time, grief and aggravation.

## THINGS TO DO

### 1. ORGANIZATION

– *Staying on top things*

Running a business is not about spending 100% of your time with clients. You also have to deal with administration, marketing, accounting, and client management. If you spend 5 full days per week with clients, are you willing to use your weekend to manage these other responsibilities? Pick and spend one day per week working on your business, not in your business

### 2. REGISTRATION

– *Are you licensed?*

There is more to operating a business than just hanging a sign that says “Open for business”. You need a business license. Is your business name registered? Do you have business liability insurance? You may also be required to register with the Canada Revenue Agency (CRA) for a GST and payroll numbers; with the Ministry of Finance for a PST number; and with WorksafeBC for WCB coverage.

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*For any questions... give me a call.*

## STUFF TO KNOW

### 3. KEEP YOUR BUSINESS AND PERSONAL AFFAIRS SEPARATE!

When I say separate, I mean draw a line down the middle, keep in either one bucket or the other type of separate! This is perhaps one of the most important actions you can do for yourself in keeping control over your business and numbers. Granted, it is unexciting and mind-numbing, and for some people this is not your best skill set. Do yourself a favour, hire a bookkeeper. It is easier to maintain your numbers on a continuous basis rather than having to sort through a mountain of loose receipts at the end of each year.

### 4. OPEN A BUSINESS BANK ACCOUNT.

Deposit all your billings into this account and only pay your business related expenses from this account. Pay using business cheques, the business debit card, or through the online functions of your bank account. Obviously, you have to pay yourself as well. You have a life outside of work. You have bills to pay, rent, car payments, student loan payments, etc, etc. Transfer funds from your business to your personal bank accounts as needed before making these payments.

### 5. GET A BUSINESS CREDIT CARD

Get a business credit card, or use one of your existing credit cards but exclusively for business related transactions. With each statement, pay off this balance using funds from your business bank account. You are required to keep the individual receipts with each credit card transaction as support for the transaction. Oh, and in case anyone asks, you have to keep them for 7 years.

## TRAPS TO WATCH OUT FOR

### 6. TAXES

The single biggest surprise that self-employed individuals typically face is a significant tax bill every April. Make no mistake about it, if you are self-employed, you will probably owe something.

In your former life as an employee, your employer paid you every two weeks. You got a regular pay cheque, and at the end of February, you would get a T4 for your taxes. That's not happening anymore. You get paid when your clients pay you and you use that money to pay your bills. Do you see the word "taxes" anywhere?

That's because it isn't there.

When you got a pay cheque from your job, your employer withheld a portion of income taxes, CPP and EI with each cheque and remitted to the CRA on your behalf. By the end of each year, you had already accumulated a balance with the CRA.

Do not be surprised if you end up having to pay thousands (if not tens of thousands) of dollars the following year. To put things into perspective, if you net \$50,000 (net meaning everything you collected less all your business expenses), be prepared to cut a cheque of about \$12,500 in April for taxes.

That is a lot of money to pay all at once, and something most people are unprepared to do. I advise all my clients to put aside 20 to 25% of what you invoice as future taxes. If you end up owing less than that, great, but at least you are prepared.

Once you have registered for GST, be prepared to add an extra 5% on top of that.

Being self-employed can be very rewarding. Great clients, flexible hours, and doing what you love are only a small part of the whole picture. Hopefully these little tips will help make it that much more rewarding.