
Tax Saving Strategies for Sole Proprietors

Jun 12 2023

Sole proprietorships are the most basic form of business organization. They are actually an extension of the person and are taxed as such. Due to its simplicity, many business start-ups begin as this form of organization. As your business grows, there are numerous taxation benefits to setting it up as a corporation. Speaking to a qualified financial professional can help you decide on the most advantageous business organization for your situation.

Tax planning strategies for home-based businesses

Due to economic shifts that occurred during the past few years, many individuals established home-based (gig) businesses. Some are following a long-held dream to 'run their own show' while others are just trying to make a living. Whatever the circumstances, effective tax reduction planning is critical to getting the most from your efforts.

Home-based businesses offer unique challenges from a tax perspective. The business climate is constantly changing and so is the tax legislation to deal with it. Home offices, outsourced services, and the Internet marketplace continue to present new challenges to tax authorities and business owners alike. Keeping abreast of the changing landscape in regards to taxation are best left to the professionals.

Most sole proprietors are aware of the basic deductions allowed under the tax act. You must save your business receipts and record who, what, where, and why along with the date, and file them in an organized fashion. Things get a little tricky when you start considering deductions for home office expenses, the finer aspects of capital cost allowance (CCA), vehicle expenses, meals and entertainment, and asset acquisitions and dispositions.

Due to these complexities, it's not surprising that the Canada Revenue Agency keeps a watchful eye on these deductions. A well thought out tax plan can help provide peace of mind that these transactions are handled correctly.

Shelter your profits

Once you have established your business and are showing a profit, it may be time to begin a program of sheltering these profits. After working too many 16 hour days, you most likely don't want to hand over a large portion of your profits to the Canada Revenue Agency. In addition to maximizing RRSP contributions, additional tax planning strategies can help keep more of your money for financing future business growth.

A financial services professional can help you organize your business for growth and profit. They can provide expert advice on whether to continue on with a sole proprietorship or to take advantage of the limited liability and tax benefits of incorporation.

There are income-splitting opportunities that may reduce your tax burden and asset acquisition strategies to take advantage of. Wise tax strategies should always be a major component in any business owner's wealth building program.

If you have questions about your tax savings strategy, [you can connect with us today](#) [1] to get started.

Copyright © 2023 AdvisorNet Communications Inc. All rights reserved. This article is provided for informational purposes only and is based on the perspectives and opinions of the owners and writers only. The information provided is not intended to provide specific financial advice. It is strongly recommended that the reader seek qualified professional advice before making any financial decisions based on anything discussed in this article. This article is not to be copied or republished in any format for any reason without the written permission of the AdvisorNet Communications. The publisher does not guarantee the accuracy of the information and is not liable in any way for any error or omission.

Tags: [tax planning](#) [2]

Source URL: <https://distinction-purple.advisornet.ca/e-newsletter/2023/2023-06/article-1.htm>

Links

[1] <https://distinction-purple.advisornet.ca/contact-us> [2] <https://distinction-purple.advisornet.ca/taxonomy/term/14>