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# ARTBOOKS

A DIVISION OF LOOSE CHANGE INC

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## Greetings Fellow Taxpayer!

Artbooks was launched twenty years ago as Canada's first organization dedicated to financial management in the arts. As well as Income Tax Preparation, we also offer Business Management Consulting, Budgeting and Cash Flow Techniques.

At Artbooks we try to provide a relaxing atmosphere. A big friendly Golden Retriever named Martha will be present unless you specifically ask that she stay at home for the day.

## Income Tax Preparation

Artbooks works as a team. You and a preparer will work together for at least a hour. At the end of this time you should have a pretty good idea of the damage. After your meeting we provide three levels of checking before the return is xeroxed and copies are sent to Ottawa and you. We will keep one on file.

## Prepare to Meet Your Preparer

We have enclosed a checklist of what to bring, a GST checklist, a sample of categories and a fee schedule. If you have several years of taxes to catch up, we suggest five basic steps to organize yourself:

1. Gather all the bits of paper that might pertain to the task.  
Don't forget that storage locker or the pile in the junk drawer.  
*Rest.*
2. Sort the pile by year.  
*Rest.*
3. Sort the first year into envelopes, lunch bags or baggies by category.  
*Rest.*
4. Borrow an adding machine with a tape and add the contents of each envelope.  
*Rest.*
5. Go over the tax check list and see if there is anything that you are missing and begin to track it down. (Especially RRSP receipts, T4 slips and large medical receipts)

If, as a model citizen, you have only one year to prepare, you can follow the above steps skipping the second one.

If you wish to cancel an appointment please give us at least two working days notice or we will apply a cancellation fee equal to the fee for completing your return.

We look forward to working with you.

Yours in bureaucratic servitude.



Amanda Mills

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# ARTBOOKS TAX CHECKLIST

## Most Important

- Bring a picture of yourself in the throes of preparing for your appointment.  
A prize for the most amusing photograph will be awarded.
- While preparing for your meeting at Artbooks, consume a good bottle of wine
- Listen to some music

## Slips and Receipts - Where Applicable

- All T4's (if you had a 'job' job we can't do a thing without these)
- T4A's (all of 'em)
- T4E (unemployment)/T4RSP (RRSP cashed)
- T3/T5's (interest & dividends)

You need to actually submit receipts with your tax return if you are claiming a deduction for the following items:

- RRSP Contributions
- Union dues (just in case)
- Charitable & Political donations
- Tuition & Education deduction (T2202A)

## Other Things You Will Need

- Your **\*\*Notice of Assessment\*\*\*** for last year's taxes from CRA (the government)
- RRSP Deduction Limit form from CRA (on the Notice of Assessment)
- Cheque(s) ready to leave with us to pay your taxes, your GST, and your accounting bill
- A copy of last year's return if we did not prepare it
- Your rent or property taxes - address(es), landlord(s), amount(s)
- Amount spent on monthly transit passes (4 weekly passes in succession = 1 month)

## NEW! Home Renovation tax credit

If you have Home Reno's that you will be claiming for a tax-credit, please records your receipts on the Home Reno Sheet BEFORE your tax meeting. Download Artbooks' **Home Reno Sheet**.

## Medical Expenses

When claiming your medical expenses you may use **ANY** 365 time period that ends in the tax year, i.e. January 3, 2007 to January 2, 2008. Therefore choose the 365 day period during which you spent the most on medical bills.

For each receipt please list:

- The date of the treatment or purchase
- Total amount spent
- The amount (if any) that was reimbursed by insurance
- Your share of the cost
- The name of the patient
- The name of the practitioner or supplier
- The treatment or service provided

At the head of the list write the time period covered & at the bottom write total. Download **Medical Expense Sheet**.

## Childcare Expenses

If you are claiming childcare expenses please list **for each child**:

- The name of the childcare provider
- The SIN Number of the childcare provider (for individual babysitters only)
- The address of the childcare provider
- The amount paid for childcare
- For camps, please include the number of days
- Bring in a list of what you spent on each of your children's fitness

Download **Artbooks' Childcare Expense Sheet**.

## ARTBOOKS TAX CHECKLIST - 2

### For Both Medical & Childcare Expenses

For years the oodles of receipts have been the bane of our dispatcher's existence. So if you have more than 3 receipts, *please* attach your originals and make photocopies yourself to keep at home.

#### Your Business

- A complete revenue listing.
- A complete breakdown of expenses using the **SAME** categories that you used last year.\*
- Don't forget that meals are only 50% deductible so don't lump them in with anything like promotion or other types of travel expenses.
- Interest expenses - on your mortgage or on business loans.  
(Note: this is not the mortgage or loan payment which includes some portion of the principal)
- Any reimbursements for your expenses.

\* You will find these categories on the left side of last year's red folder. It's called your income statement and has a blue corner. I can't tell you how many of you reinvent your categories every year & this costs both of us a ton of extra time. Please feel free, however, to add or retire categories.

\* If you're new to Artbooks, you can download a P & L (Profit and Loss) form [HERE](#).

#### Partners, Offspring and Sundry Individuals

- Your (spouse or common-law) partner's SIN & Date-of-Birth
- Your (spouse or common-law) partner's Net Income from Line 236

Decide with your partner who will be claiming the following goodies:

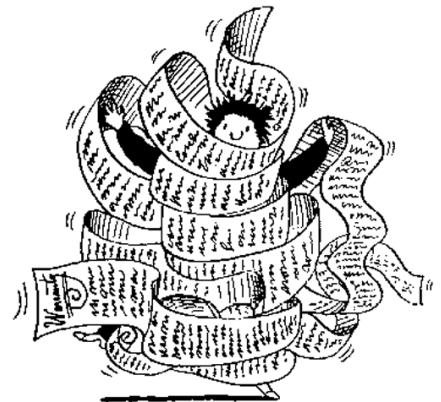
- ◆ Sales Tax Credit, Tuition Expense, Medical Expenses, Donations, Rent Credit, GST Credit, transit passes
  - ◆ How much of the following Business Deductions will your partner be claiming – percentage of the home, percentage of car. Are you claiming that you're paying each other?
  - ◆ The credits for children including the Federal & Provincial credits for children, tuition, child fitness expenses, Equivalent-to-Married deduction.
- For each child, bring date-of-birth, also SIN & income if applicable, the RC62 Universal Childcare Benefit slip

#### Investment Income

- A statement of Capital Gains & Losses (you can ask your broker to do this for you.)
- If you have more three T3's or T5's, please summarize the slips.
- Rental Property totals including rent collected, mortgage interest (NOT mortgage payments), heat, light, water, property taxes, insurance, advertising, repairs & maintenance, capital purchases and any expenses you pay on behalf of your tenants.

#### Other things you may need?

- Your separation agreement, child support payments, alimony
- Moving expense receipts
- Form T2200 if you are claiming employment expenses
- Proof of installment payments
- Financial Statements from other businesses or partnerships owned by you.



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# ARTBOOKS

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## GET THE HST\* OUT OF YOUR POCKET AND OUT OF YOUR HAIR!

\* NOTE: Wherever you see HST we mean HST/GST

In 1991, GST was a new, regressive and ridiculously expensive tax. Little did we know that the original 7% GST would jump to 13% HST in 2010. Paying HST on everything from cab fare to false teeth is bad enough, worse is that freelancers build debt every time we earn a dime.



There are ways of making the HST process fairly painless – both in the paying and in the reporting. Your tax preparer will be happy to suggest ways to minimize the administration, the debt and the frustration.

At Artbooks we prefer not to charge for assistance with HST preparation - just to tuck it in as part of the income tax service. Because of this we do not keep copies of your HST returns but simply hand you copies of the completed form for you to pop into the mail yourself and to keep a copy in your files.

The only exception is Long method HST registrants (CRA calls it the Regular method) who have not taken the time to pull the HST out of each of their revenues and expenses. We do charge to pull HST out of your numbers if you haven't had a chance to do this: \$50 for most years but in a year with a rate change in the middle of the year like 2006 and 2010, this is very difficult and time consuming and the fee is therefore \$75.

### When you come to your appointment, please bring:

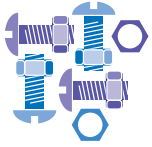
- ▲ Your questions about registering for HST in this year
- ▲ Your HST number
- ▲ Your Method: Quick or Long/Regular
- ▲ Your filing status: annually or quarterly (& how many quarters filed this year so far) and bring copies of any HST reports filed so far this year
- ▲ If you are on the Long Method, whether you have factored HST out of your expense totals
- ▲ If you need to talk about HST in your appointment, make sure to mention this to your tax preparer

### For HST non-registrants

CCRA or The Agency is now scanning tax returns to see who bills more than \$30,000 and then cross referencing them with GST registrants to make sure that everyone who should be registered is in fact out there doing their bit to collect GST taxes from the population at large.

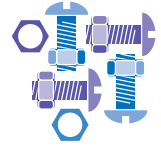
So be careful! If you are close to the thirty mark, consider the concept of registering now.

Often when our income shoots up for the first time we are too busy to initiate anything so anxiety provoking as a new GST status.



## HST\* - THE NUTS & BOLTS

\* NOTE: Wherever you see HST we mean HST/GST



### For all HST registrants, both Quick & Long methods

- ▲ List all HST taxable revenues
- ▲ List all Non-HST taxable revenues
- ▲ List all HST that you charged
- ▲ Bring copies of all the HST returns that you filed (Quarterly filers only!)
- ▲ Bring a list of payments to and refunds from HST (not including the personal rebate cheques)
- ▲ *For 2006 and 2010 tax returns only:* Divide your revenues between the first and second half of the year

### For Quick Method Registrants

- ▲ List your new assets with the HST noted and factored out
- ▲ *For 2006 and 2010 tax returns only:* Divide your new assets between the assets purchased in the first half of the year and those purchased in the second half of the year.

### For Long Method Registrants (Do this and save yourself \$50!!)

- ▲ In addition to your revenues, total your expenses for each category excluding HST (factor it out!)
- ▲ And total your HST for each category of expenses
- ▲ And bring to your appointment all three lists of totals:
  - 1 Grand Total for each category
  - 2 HST Total for each category  
**Note:** It is this total that we need for the preparation of your HST return
  - 3 Net Total (expenses without HST) for each category  
**Note:** It is this Net Total that we need for the preparation of your tax return
- ▲ *For 2006 and 2010 tax returns only:* If you are using Artbooks to pull out your HST, separate everything (revenues, expenses, assets purchased) from January 1st to June 30th and add it up. Do it again for July 1st to December 31st. If you are fairly sure that a particular category of expenses is evenly spread over the year (50% in the first half and 50% in the second), then you can simply add that category up for the year and apply an average 9% to factor it out.

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## HST\* - THE NUTS & BOLTS *Continued*

If you are trying to deal with the GST from an earlier period, it's not as consistent. Here are some useful formulas you can use to help you pull the GST out of a bill when the actual amount of GST is not stated. The formula depends on how much provincial tax is levied.

For example:

	GST @ 5%	<i>or</i>	GST @ 6%	<i>or</i>	GST @ 7%
Cab	Total x 5 ÷ 105	<i>or</i>	Total x 6 ÷ 106	<i>or</i>	Total x 7 ÷ 107
Copying	Total x 5 ÷ 113	<i>or</i>	Total x 6 ÷ 114	<i>or</i>	Total x 7 ÷ 115
Bar Tab	Total x 5 ÷ 113	<i>or</i>	Total x 6 ÷ 116	<i>or</i>	Total x 7 ÷ 117

Now that HST has come to Ontario, the formula to pull it out of a total is consistent across most expenses:

$$\text{Total Amount} \times 13 \div 113. = \text{HST}$$

What an expensive tax the HST is! I guess the saving grace is that now the math is easier.

### HST place of supply rules

When an artist who is registered for either HST or GST offers services entirely in one province, the tax rate for that province applies. Therefore a registered artist working in an HST province must be paid the HST regardless of the location of the principle residence of the artist.

#### Examples

A writer in Manitoba is hired to teach a course at U of T. The writer is a GST registrant and collects GST on contracts originating in Manitoba and for services provided in Manitoba (and other GST only provinces). The writer travels to Toronto, where he/she resides for two months while teaching the course. The writer would charge the University of Toronto HST and remit along with any GST collected when filing a GST remittance.

A Toronto based actor, registered to collect HST, spends two months working and performing in a play at the Citadel Theatre in Edmonton. Therefore at least 90% of the work on this contract is performed in Alberta. Alberta does not charge HST, therefore the actor collects GST and remits it along with HST charged for services provided in Ontario and other participating provinces.

### HST/GST Rates as of July 1, 2010

PROVINCE/TERRITORY	HST/GST
Alberta, Manitoba, Northwest Territories, Nunavut, Prince Edward Island, Saskatchewan and the Yukon	<b>No Change:</b> GST only, tax remains at 5%
British Columbia	<b>New:</b> HST will be 12%
New Brunswick, Newfoundland and Labrador	<b>No Change:</b> HST is 13% (8% PST + 5% GST)
Nova Scotia	<b>New Rate:</b> HST will be 15% (10% PST + 5% GST)
Ontario	<b>New:</b> HST will be 13% (8% PST + 5% GST)
Quebec	<b>No Change:</b> QST is 7.5% and GST is 5%. It should be noted that QST applies on the GST included price.

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# GST/HST Methods

## Long or Regular Method

- 1) You collect GST/HST → Send it to Ottawa  
 2) You spend GST/HST ← Get it back from Ottawa

### For Example

Total Income	\$30,000	
Total GST/HST Collected	= 30,000 x .13 =	\$3,900
Total GST/HST Spent	GST/HST paid on expenses	(\$1,300)
<b>YOU PAY THE NET</b>		<b>\$2,600</b>

## Quick Method

- 1) You collect 13% GST/HST  
 2) You send 8.8% to Ottawa minus 2 things

### For Example

Total Income	\$30,000	\$30,000
Total GST/HST Collected	= 30,000 x .13 =	\$3,900
Entire Amount (GST/HST Collected and Income)		<u>\$33,900</u>
Take 8.8% of entire amount	= 33,900 x .088 =	\$2,983
Less 1% of income up to 30K		(\$300)
Less GST/HST paid on new assets (eg. computer)		(\$195)
<b>YOU PAY THE NET</b>		<b><u>\$2,488</u></b>

## HISTORICAL PERCENTAGES

	Long/Regular Method	Quick Method
1991 - June 30, 2006	7%	5%
June 30, 2006 - Dec 31, 2007	6%	4.3%
Jan 2008 - June 30, 2010	5%	3.6%
June 30, 2010 - present	13%	8.8%

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## Fee Schedule

At Artbooks, your tax return goes through a minimum of 8 stages and at least 5 pairs of hands before we mail out the final version. The real work of processing your return cannot begin until we receive your last piece of information. This is much easier to do earlier in the season, simply because we have more time.

This year, instead of basing your pricing time zone on the date of your appointment, it will be based on the date you get your last piece of information into our office. This change better reflects the level of pressure placed on your accounting team.

We are not only trying to encourage you to come in as early as possible, but also to get your missing information in quickly. This way we can process your file before our workload quadruples and time pressures mount as we approach the dreaded April 30th deadline.

TIME ZONES	Returning Clients	NEW Clients	Short Appt*	Simple T4**	T4 + (Rental Income)
Before April 1	\$ 260	\$ 285	\$ 210	\$ 115	\$ 185
April 1 (+ \$25)	\$ 285	\$ 310	\$ 235	\$ 140	\$ 210
April 15th (+ \$25)	\$ 310	\$ 335	\$ 260	\$ 165	\$ 235
April 22nd (+ \$25)	\$ 335	\$ 360	\$ 285	\$ 190	\$ 260
May - Feb	\$ 260	\$ 285	\$ 210	\$ 115	\$ 185

Appointments with Amanda are subject to a \$35 premium.

Be aware that the schedule will fill up fairly quickly so book your appointment early. Please note that we require 2 full business days' notice to cancel an appointment or the full fee for that appointment will apply.

**\*NOTE:** Short appointments are by invitation only.

**\*\*NOTE:** Simple (or complex) T4 returns do NOT include meetings with a preparer. If you wish an appointment to discuss your finances consider booking a Loose Change session after the tax season.

# Medical Expenses from \_\_\_\_\_ / \_\_\_\_\_ to \_\_\_\_\_ / \_\_\_\_\_

Taxpayer's Name: \_\_\_\_\_ SIN # \_\_\_\_\_

Date	Total	Reimbursed By Insurance	Net	Patient	Practitioner	Treatment
_____	_____	_____	\$ _____	_____	_____	_____
_____	_____	_____	\$ _____	_____	_____	_____
_____	_____	_____	\$ _____	_____	_____	_____
_____	_____	_____	\$ _____	_____	_____	_____
_____	_____	_____	\$ _____	_____	_____	_____
_____	_____	_____	\$ _____	_____	_____	_____
_____	_____	_____	\$ _____	_____	_____	_____
_____	_____	_____	\$ _____	_____	_____	_____
_____	_____	_____	\$ _____	_____	_____	_____
_____	_____	_____	\$ _____	_____	_____	_____
<b>Total Paid by Taxpayer:</b>			<b>\$ _____</b>			

