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CANADA

FREE SMALL-BUSINESS GUIDE, PLAIN LANGUAGE

The Bookkeeping Starter Kit

Set up simple books once, give them an hour a month, and tax season stops being a season.

Nobody starts a business to do bookkeeping. Yet nearly every expensive tax problem we untangle — the reassessment, the denied expense, the panicked April — began life as a small bookkeeping problem nobody noticed. This kit is the hour-a-month system that keeps you off that road.

The five bookkeeping mistakes that become tax bills — how many live in your books?

1	**Mixing personal and business money.** One card for everything feels efficient. It also means every claim needs untangling later, and a reviewer sees your groceries sitting next to your invoices. Separation is the cheapest protection a business can buy.
2	**Treating the bank statement as your records.** A statement proves money moved. It does not prove what you bought or why it was for business. Without the receipt behind it, a legitimate expense can still be denied years later.
3	**Leaving the sorting for tax time.** Twelve months of mystery transactions cannot be reconstructed honestly in one weekend. Guesses creep in — and guesses are what CRA reviews are made of.
4	**Booking your own pay as an expense.** Money you take out for yourself is not a business cost. Coding your own transfers wrong overstates expenses, understates profit, and unravels the moment anyone looks closely.
5	**Never reconciling.** If your books and your bank do not agree to the penny, one of them is wrong — and you do not know which. A monthly reconciliation catches errors while they are still small and fixable.

This kit teaches the system, not the numbers — thresholds and rules move over time. Confirm current record-keeping rules at canada.ca, try the free small-business calculators at taxfilings.ca/tools, or ask a professional.

01 Ten accounts are enough to start

Bookkeeping software ships with a hundred categories. You need about ten. A short chart of accounts you actually understand beats a long one you avoid opening. Start with these, and add a new one only when something truly will not fit:

- [ ] Sales: everything customers pay you, before any costs come off
- [ ] Cost of sales: what you buy to deliver the work — materials, subcontractors, direct supplies
- [ ] Software and subscriptions: the monthly tools that quietly pile up
- [ ] Office and supplies: the small stuff — postage, stationery, low-cost equipment
- [ ] Phone and internet: the business share of each bill, not the whole thing
- [ ] Vehicle: fuel, insurance, repairs — claimed by business-use share, backed by a trip log
- [ ] Home office: the workspace share of home costs if you regularly work from home
- [ ] Advertising: ads, website, listings — whatever brings customers through the door
- [ ] Professional fees: accountant, bookkeeper, lawyer
- [ ] Bank fees and interest: easy to forget, fully countable

> THE ONE-TIME SETUP THAT PAYS FOREVER
>
> Open a business-only bank account and card this week, and run every business dollar through them from now on. From that day forward your bank feed is a nearly complete draft of your books — and your personal life stays out of your tax file.

02 The one-hour monthly close

Once a month, on the same day every month, do three things in order. The first close takes an afternoon. By the third, it fits inside an hour.

1. Reconcile

Match the books to the bank until they agree to the penny. Every unmatched line is either a missing entry or an error — find out which now, not next April.

2. Categorize

Give every transaction its account while you still remember what it was for. One minute per mystery today saves an archaeology dig later.

3. Review

Read three numbers: sales, costs, and what is left. If the profit looks wrong, your books are telling you something. Listen while the trail is fresh.

> WHY MONTHLY, NOT YEARLY
>
> GST/HST filings, instalment payments and loan applications all run on deadlines that assume your numbers are current. Books that close monthly are always ready; books that close yearly are always late. Pick a fixed date — the first Friday of each month works well — and defend it like a client meeting.

03 Receipts: six years, one habit

The rule: records live for six years

The CRA can ask you to back up a return for six years after the tax year it relates to — confirm the current record-keeping rules at canada.ca. Design for that lifespan: paper fades, and a thermal receipt from three summers ago is often a blank strip.

The habit: photograph it before you pocket it

Snap the receipt at the counter, or forward the email version to one folder. Ten seconds, preserved for six years. This habit works precisely because it never depends on willpower later.

What a receipt has to show

Who you paid, when, how much, the sales tax charged, and what you bought. A card statement line shows almost none of that — it supports the receipt; it does not replace it.

The one-minute test

Everything lives in one place: a folder per year in your software or cloud drive. Could you pull last March's fuel receipts in under a minute? Try it tonight — the answer tells you where you stand.

> WHERE CLEANUP JOBS COME FROM
>
> Every catch-up engagement we see starts the same way: a bank feed full of uncoded lines and a shoebox that never got scanned. The books were always going to get done — just later, at several times the price, under a deadline someone else set.

04 Set the software up once, properly

- [ ] Connect the bank feed: transactions flow in on their own instead of being typed
- [ ] Create rules: teach it once that the phone bill is Phone, and every future one codes itself
- [ ] Turn on receipt capture: photograph a receipt and the app pins it to the matching transaction
- [ ] Set your sales tax codes: GST/HST tracked from the first invoice, never rebuilt afterwards
- [ ] Number your invoices: one unbroken sequence keeps your income complete and provable
- [ ] Check the export: know how to download everything — your books should never live in one login

05 Keep it yourself, or hand it off?

Keep doing it while

Transactions are few, one bank account covers everything, and the monthly hour genuinely happens. Doing your own books early teaches you your business — that education is worth the hour.

Hand it off when

An hour of your billable work now out-earns the bookkeeping hour, payroll or inventory has arrived, or the close has slipped two months running. Handing off late costs more — cleanup is always pricier than upkeep.

> WHAT CLEAN BOOKS BUY YOU
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> Cheaper, faster year-end filing, expense claims that survive questions, same-day answers for lenders, and a business you can steer between tax seasons. If you would rather skip straight there, fixed monthly plans are on the bookkeeping page at taxfilings.ca/services, with prices listed openly at taxfilings.ca/pricing.

06 The two-minute books check-up

Give yourself one point for every YES.

1. My business money and personal money live in separate accounts.	YES / NO
2. I could find the receipt behind any expense in about a minute.	YES / NO
3. My books agreed with my bank statement, to the penny, at the end of last month.	YES / NO
4. Every transaction from last month already has a category.	YES / NO
5. My invoices follow one unbroken number sequence.	YES / NO
6. Sales tax is tracked in my books as I go, not worked out afterwards.	YES / NO
7. I know last month's profit without guessing.	YES / NO

6–7 · Green
Your books are an asset. Guard the monthly date and they will stay one.

3–5 · Yellow
Half a system is running. Add the separate account and the monthly close first — the rest follows.

0–2 · Red
A tax problem is quietly assembling itself. A catch-up cleanup now costs far less than a reassessment later — see catch-up bookkeeping at taxfilings.ca/services.

07 Your one-month setup plan

Week 1
Open the business-only bank account and card. Move every business payment and deposit onto them.

Week 2
Pick your software, connect the bank feed, and build the ten starter accounts from page 2.

Week 3
Turn on receipt capture. Photograph every receipt this week and set your first auto-coding rules.

Week 4
Run your first close: reconcile, categorize, review. Then book next month's close date in your calendar.

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Editorial policy. Every guide is researched against primary sources — the Income Tax Act, CRA publications and CPA Canada materials — fact-checked by Udit Gupta, and updated when the rules change.

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