



Tips for starting a successful home-based business

There are plenty of good reasons to work from home: flexible hours, a one-minute commute, being your own boss, writing off business expenses. If you have the right set of skills and some business acumen, it could be the start of something big.

STARTING YOUR BUSINESS

First of all, find out what permits, licenses, certificates or memberships you may need to conduct your business, and obtain them. How to do so will vary depending on your line of business – for some kinds of businesses, there may be no requirements at all. Make inquiries to be sure.

Next, decide what kind of organizational structure is right for your business. Will you be a sole proprietorship or a partnership? Will you incorporate? Explore the pros and cons; some of the websites listed below discuss them at greater length.

If you're using any name other than your own for your business, then your next step is registering your business to make the name legal for use. You'll receive a business identification number.

If you'll have annual income or taxable sales of \$30,000 or more, you'll need to collect GST – so you'll need to get a GST number. Getting the number is free of charge. If you have a business number, this is also your GST number.

TAX TIPS

You can deduct a variety of business expenses from your income, such as pro-rated amounts for your utilities and mortgage interest. You can also deduct amounts for business-related expenses, such as office furniture, computers and equipment, your telephone line and Internet connection.

What you shouldn't do is claim capital cost allowance (known as CCA) on the portion of your home used for business. CCA basically means "depreciation," and when you assign it to the part of your home that is





used as an office, you're encroaching on your principal residence. That can produce a tax bill if you later sell your house for a profit, since the portion of your home designated as office space would be deemed to be a business asset which has yielded a taxable capital gain. You will also have to include any previously claimed CCA as "recaptured" income.

If you have a spouse or older children who participate in your business, you can take advantage of income splitting by paying them an income from your business. This can save taxes by placing you in a lower tax bracket. For example, three people earning \$33,300 each would have a lower total tax bill than one person earning \$100,000 – yet your total family income remains the same.

The caveat is that the family employees have to do real work, and you must pay them reasonable compensation.

Plenty of resources exist for people interested in launching a home-based business. Try some of these:

- Canadian Council for Small Business and Entrepreneurship www.ccsbe.org/index_en.htm
- Small Office Home Office Business Group www.soho.ca

- "Planning a Home-Based Business" on the BizMove website www.bizmove.com/home-business/planning.htm

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