

## Simeen Gaidhar-Bhanji, Financial Expert Columnist



Simeen Gaidhar-Bhanji, CA is a Partner of Simeen Bhanji Chartered Accountant that offer a variety of services to corporations and individuals ranging from tax planning and consulting, compilation, reviews and audits of financial statements, corporate and personal tax returns, GST/PST services, and consulting for internal control, financing and tax.

### **Accounting 101 for mom, baby, business: It's never too early to start planning – yes, starting even from conception**

Planning for parenthood can be extremely taxing, especially for women who are expecting while running a business. I know many of them! And what I advise them is this: long before the big day, make sure you set up your business correctly from both a tax and accounting perspective. This is vital. It's also important to learn about and use all the tax benefits that our government provides to new parents.

Tax and accounting planning while baby-planning

A client of mine who owns a successful clothing store is expecting in September. On finding out the news, she approached me, and away we went with the planning. It is never too early to prepare for your due date. We call it the baby-proof plan!

The client's year-end is right after the baby is born. I was pretty sure that the last thing on her mind at this time would be to call me about taxes. So, I made the following suggestions:

1. Have someone you trust added as a signing authority on your bank account so that, while you are away, you do not have to bother signing payroll and expense cheques.
2. For bills coming in monthly – if you are comfortable with the idea – change them to direct-payment to ensure they all get paid and on time.
3. Hand over the bookkeeping and payroll to your accountant to ensure everything is taken care of and you have enough cash in your account. I explained to my client, "As soon as year-end is up, we will have the bookkeeping completed in our office and will proceed to do the taxes and file them on time."
4. If cash flow is a concern, consider applying for some financing, such as a line of credit. Then, just in case there's a cash crunch, you will not need to haul the crib to the store and start selling.
5. Consider the maternity leave incentive that the government offers for your personal financial situation.

Planning is essential to ensure that you have all your affairs in order with minimal involvement. I tell my mompreneur clients, plan, plan, PLAN!

It's never too early to plan, either. If your business is seasonal, consider conceiving in a month where the delivery is not in the busiest time for your business.

Is my new baby a tax write-off?

There are many tax benefits associated to cleaning diapers and viewing sleep as a distant memory. To

name a few:

1. For children under 16, you can claim a babysitter, daycare, boarding school and overnight camps when you are incurring these expenses to earn employment income.
2. For children born after 1991 and under 18, you will receive a tax credit of \$2,038.
3. Child fitness tax credit: \$500 maximum for eligible expenses to a fitness program for each child per year.
4. Canada Child tax benefit is a tax-free monthly payment for eligible families to contribute to the cost of childcare expenses.
5. Universal child care benefit is for children under six. A payment of \$100 per a month, per child, will be received by the primary parent. This is a taxable benefit, but you'll find it does assist with child care expenses.
6. A child disability benefit is applicable, should a parent have a child with a documented disability. Some or all of the credit for disability can transfer to the parent, though there will be some criteria.
7. Medical claims for your child: it is important to keep receipts for prescriptions and other medical costs. These can be claimed under a parent's tax return in the year the funds are spent.
8. When kids go to college, tuition can be transferred to parents: a maximum of \$5,000 or less based on actual tuition fees paid.

These are a few of the tax planning and benefits to consider when you have a child. There are many more. However, it is important to discuss these with an accountant who can lead you in the correct direction or determine if you are eligible for some of the above benefits.

The above is for informational purposes only, and therefore prior to making any decisions, please contact your accountant for advice.