



TIPS FOR STARTING A NEW BUSINESS

Starting a new business can be an exciting and scary thing at the same time. But it can be a very rewarding decision. There are however some common mistakes or oversights I continually keep seeing new business owners doing, and I would like to touch on some of those issues here.

Too often, new business people are trying to do too much on their own, in order to cut costs. Though I appreciate the idea of saving costs, you really need to be cautious of this and cutting costs in the wrong way. Once you make certain decisions, it is too late, and fixing them down the road ends up costing more money than if you had just done it correctly the first time!

I always recommend people consult an accountant FIRST before starting a business. As well, if they want to incorporate, I strongly suggest they get a lawyer to do it for them. Actually, I almost insist on it! In my opinion, and to be very bold, if you are so tight on cash that you cannot even afford a budget of \$1,500 to \$3,000 for upfront legal and accounting fees, then perhaps you have no business being in business. Unless you understand that you will have to pay to fix potential oversights down the road, in the form of fees, taxes, penalties, interest, etc.

For example, I keep seeing people who want to save legal fees incorporating themselves and holding their own minute books. Although the incorporation process is not really a particularly

challenging one, I have seen people do it incorrectly. Some issues to note are:

1. Failure to actually incorporate and not realizing it
2. Per the Business Corporations Act – British Columbia, failure to prepare required annual resolutions and documents to be filed in the minute book
3. Failure to file required annual returns, which results in the company being stricken from the corporate registry, which then can cost a good couple of thousand dollars to have a lawyer reinstate it
4. Not keeping necessary original documents
5. Incorrectly transferring shares of the company
6. Various other matters...

Similarly, I think it is important to consult a “qualified” accountant prior to even seeing a lawyer. The accountant may have a good lawyer to recommend for one thing, but the accountant will generally help with the actual planning and provide instructions to the lawyer. Lawyers are not concerned with tax and business planning for you for the most part, and will likely not set up the correct share structure for the company, etc., as that is not their function. Some things the accountant can assist with upfront are:

1. Choosing the correct and appropriate structure (corporation vs sole proprietor for example)
2. Ensuring appropriate share structure
3. Tax planning
4. General business planning and guidance, such as financial reporting, tax remittances, etc.

Having an initial consultation with a DESIGNATED accountant should not cost a lot of money, but it can save you huge hassles down the road. This is a far better idea than approaching an accountant after the fact, once you have already incorporated and started operating. This is often when all of the mistakes come to light and the consequences and costs of correcting those. Business people too often ignore the financial aspects of their business and this is a reason why so many small businesses fail. So attaining the proper advice is crucially important!

Also, ensure that you are consulting a “designated” qualified accountant. Too many people out there like to call themselves accountants but truly do not possess the skills necessary. And no consulting “bookkeepers” for these matters. Bookkeepers can be a dime a dozen and they are not trained in higher level planning and knowledge. And people are too eager to go with the person who charges the lowest fee possible. Huge MISTAKE! As I always say, buyer beware, you get what you pay for. So do not expect to get adequate advice for nothing or unreasonably low fees. No talented, qualified, knowledgeable accountant will reduce their fees to ridiculous levels like that. At the same time, there is no reason to pay exceedingly high fees as may be charged by some very large firms. There is a happy medium whereby you need to find someone truly qualified, but at a reasonable rate. As a rule of thumb, you own a small business and need your corporate year end financial statements and corporate tax return done, I would say, expect to pay anywhere from \$2,000 to \$3,500, depending on volume, industry, etc.

So in summary, I strongly encourage all prospective new business owners to consult a qualified accountant at the initial stages before doing anything, and to have a lawyer take care of the incorporation process following that. Do not make the mistake of not attaining this proper advice at the outset!

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