

# TAX BRACKETS

**HOW TO PREPARE AND FILE  
CANADIAN SMALL  
BUSINESS TAXES  
2022**



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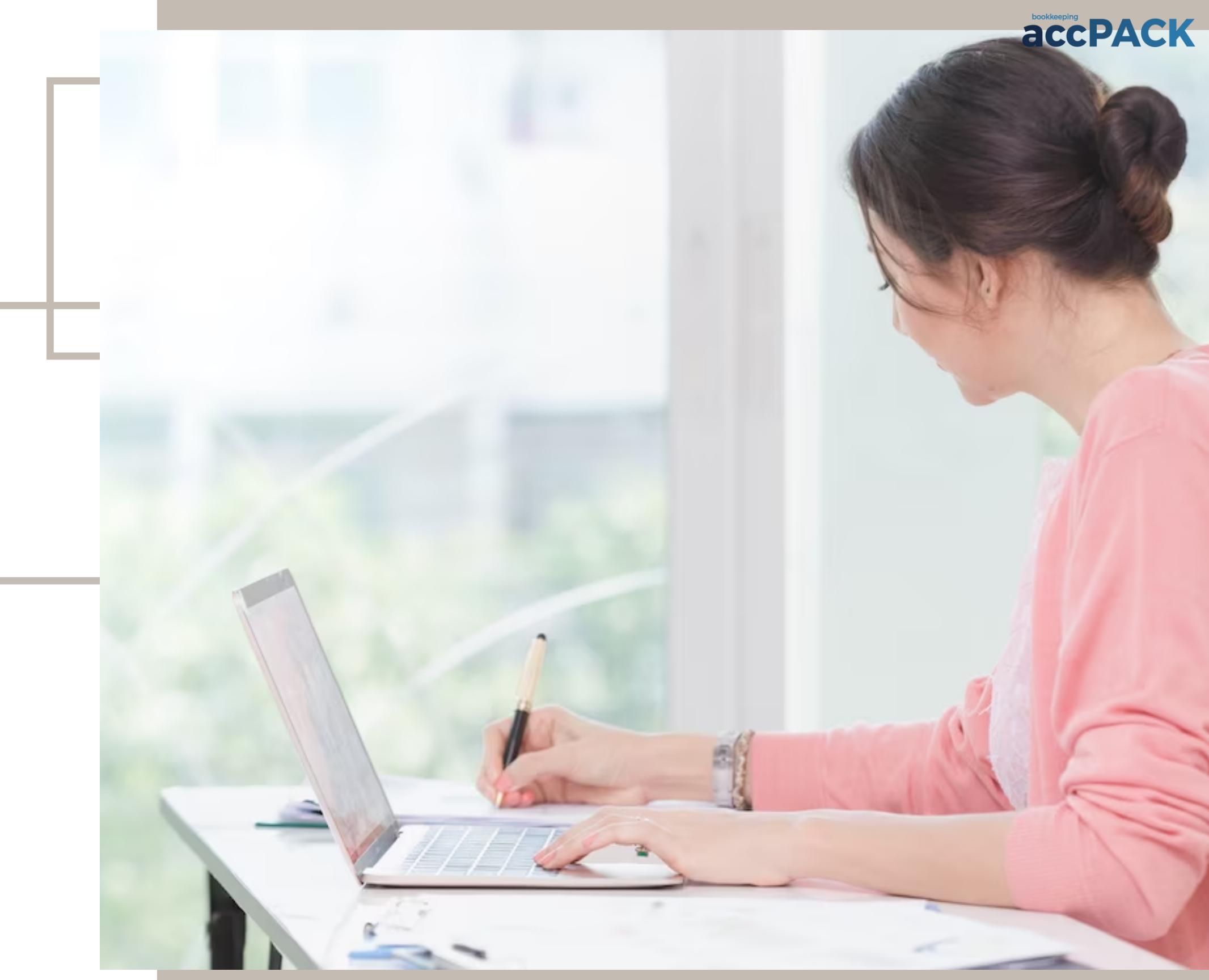
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If you're an unincorporated small business owner or are self-employed, it's time to prepare your receipts and income statements for the upcoming tax season.

If this is the first year you'll be filing as a small business owner, or you'll be doing it on your own rather than working with an accountant, there's a lot you need to know.

Let's review Canadian tax brackets, preparation tips, and steps you'll need to take to file your 2022 income taxes in 2023.



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# 2022 Provincial and Federal Tax Brackets for Small Businesses

Understanding different tax brackets and what they mean for your small business can get somewhat complicated.

Once you understand how to navigate the tax code, QuickBooks allows you to keep a record of all your expenses, inventory, payroll, and payments all in one place. It offers a method that works faster and more accurately than using the manual pen and paper process.

Each of the tax brackets changes the amount you are expected to pay within that bracket, like stratified layers, so a high-income earner pays differing amounts of tax depending on the income between two brackets.

This process is repeated until the taxpaying unit, such as yourself or your business reaches the highest bracket. At that point, anything above the maximum amount is taxed at the same rate on all additional monies the company or individual earns.

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## Federal Tax Brackets

These tax brackets are for self-employed, sole props, and partners.

- 15% on the first \$49,020 of taxable income
- 20.5% on taxable income from \$49,020 up to \$98,040
- 26% on taxable income from \$98,040 up to \$151,978
- 29% on taxable income from \$151,978 up to \$216,511
- 33% on taxable income over \$216,511



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## Provincial Tax Brackets

Depending on the province you conduct business in, there are different tax rates to take into consideration.

### Ontario:

- 5.05% on the first \$46,226
- 9.15 % on taxable income from \$46,227 to \$92,454
- 11.16% on taxable income from \$92,455 to \$150,000
- 12.16% on taxable income from \$150,001 to \$220,000
- 13.16% on taxable income over \$220,001



## Provincial Tax Brackets

### Alberta:

- 10% on taxable income on the first \$131,220
- 12% on taxable income from \$131,221 to \$157,464
- 13% on taxable income from \$157,465 to \$209,952
- 14% on taxable income from \$209,953 to \$314,928
- 15% on taxable income over \$314,929



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## Provincial Tax Brackets

### British Columbia:

- 5.06% on taxable income on the first \$43,070
- 7.70% on taxable income from \$43,071 to \$86,141
- 10.50% on taxable income from \$86,142 to \$98,901
- 12.29% on taxable income from \$98,902 to \$120,094
- 14.70% on taxable income from \$120,095 to \$162,832
- 16.80% on taxable income from \$162,833 to \$227,091
- 20.50% on taxable income over \$227,092

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## Provincial Tax Brackets

### Manitoba:

- 10.80% on taxable income on the first \$34,431
- 12.75% on taxable income from \$34,431 to \$74,416
- 17.40% on taxable income over \$74,416

### Saskatchewan:

- 10.50% on taxable income on the first \$46,773
- 12.50% on taxable income from \$46,773 to \$133,638
- 14.50% on taxable income over \$133,638



## Provincial Tax Brackets

### New Brunswick:

- 9.4% on taxable income on the first \$44,887
- 14.82% on taxable income from \$44,888 to \$89,775
- 16.52% on taxable income from \$89,776 to \$145,955
- 17.84% on taxable income from \$145,956 to \$166,280
- 20.30% on taxable income over \$166,281

### Nova Scotia:

- 8.79% on taxable income on the first \$29,590
- 14.95% on taxable income from \$29,591 to \$59,180
- 16.67% on taxable income from \$59,181 to \$93,000
- 17.50% on taxable income from \$93,001 to \$150,000
- 21% on taxable income over \$150,001



## Provincial Tax Brackets

### Newfoundland and Labrador:

- 8.70% on taxable income on the first \$39,147
- 14.50% on taxable income from \$39,148 to \$78,294
- 15.80% on taxable income from \$78,295 to \$139,780
- 17.80% on taxable income from \$139,781 to \$195,693
- 19.80% on taxable income from \$195,694 to \$250,000
- 20.80% on taxable income from \$250,001 to \$500,000
- 21.30% on taxable income from \$500,001 to \$1,000,000
- 21.80% on taxable income over \$1,000,001



## Provincial Tax Brackets

### Prince Edward Island:

- 9.80% on taxable income on the first \$31,984
- 13.80% on taxable income from \$31,985 to \$63,969
- 16.70% on taxable income over \$63,970

### Quebec:

- 15% on taxable income on the first \$46,295
- 20% on taxable income from \$46,296 to \$92,580
- 24% on taxable income from \$92,581 to \$112,655
- 25.75% taxable income over \$112,656



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# How Do Small Businesses Pay Taxes?

How your business is structured will have an impact on the way you'll need to file your taxes and when.

You are considered a small business owner if you own any small business. You're also considered self-employed if you operate a business where you are the business, such as:

- Freelancers
- Consultants
- Ride-share drivers
- Contract writers

Most small businesses begin as sole proprietorship's which means you run your business by yourself and your business is unincorporated. As a sole proprietor (or sole prop), the details about your business are included on your own personal tax return.

Any profit you made is added to your income, and any losses are deducted from your income. If your business made \$35,000 this year, you made \$35,000 this year.

If your business falls into these categories, then you'll need to file your income tax during income tax season.

Fundamentals of filing your small business taxes

A tax return must be prepared and filed annually and the 2023 deadlines vary based on your business type.

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## Penalties - When You File Late



If you file late, you will be required to pay 5% on what you owe with an additional 1% of the balance for each full month that your return is late. The CRA does grant extensions for certain extreme scenarios, but it is important to file on time to avoid penalties.

As a business owner, you can prepare for tax season throughout the year by using a business credit card and checking account, keeping detailed logs of expenses and uploading your receipts digitally. You also have to decide how to file your taxes. Many business owners opt to hire an accountant for tax time or see the benefits of using an accounting software year over year to walk them through the process.

You can also access the CRA My Business Account personally to ensure all of your information is up-to-date, access your payroll, make a payment, file a rebate and much more.

Some Canadian business owners are also opting to file via Net File or accounting software such as QuickBooks. You can contact the Canada Revenue Agency via a free support service or at the CRA phone number, 1-800-959-8281.

# Small Business Tax Preparation

Next, let's examine everything you'll need to prepare your 2022 tax returns this coming April and for future tax seasons.

Preparing your tax return: Self-employed

The self-employment section of your tax return is made up of three parts:

## 1. Identification

All the general details about your business including the;

- Business name and address. If your business doesn't have an "official" name, you use your own name. Same goes if your business is home-based, use your home address.
- Industry code for your business. The industry code for your business is used by Stats Canada to keep track of how many businesses are in a particular field. Finding your industry code is quite easy. Use the code provided by TurboTax and not the one on the Industry Canada website.
- Information on partners or co-owners, if applicable.
- Fiscal period for your business. Most small business owners use the calendar year as their fiscal year – that makes calculation much easier.

## 2. Business income

Your business's income is exactly what it seems. It's the income you've earned by selling products, performing a service, and more.

Depending on the type of business you own, other information (like subcontractor's payments, GST/HST amounts, or discounts) may be included in this section. Keep in mind that this section is for gross income (before expenses). You'll factor in all of your costs in the next section.

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### 3. Business expenses

It takes money to make money right? You've likely shelled out a bit of cash to run your business.

Common Business Expenses include:

- Supplies
- Advertising
- Meals (50%)
- Office supplies
- Vehicle expenses, if you use your vehicle for business

There may even be costs you hadn't thought of as business expenses. Did you operate your business from home? You might qualify to claim home office expenses. Use your car for deliveries? You may be able to claim a portion of your fuel, repairs, insurance, etc.

Claiming all of your business-related expenses is especially important for two reasons:

1. You are subtracting your costs from your income (which means less tax due).
2. Recording all of your expenses allows you to see the most accurate picture of your business's health.

Once you've taken all of the costs of running your business into account, you'll be able to determine if you're making as much money as you think you are.

Should you hire an accountant?

If you don't have a solid understanding of small business finances and taxes, or what small business tax deductions are possible, it may be in your best interest to employ a tax professional.

In only a few hours, they can help you sort through and summarize all of the information needed to pay your taxes, freeing you up to focus on the day-to-day operation of your business.

It's a lot less expensive if you plan ahead and compile as much information as possible prior to scheduling an appointment with your accountant. Every small business is different, so the information needed will differ, but will generally include: gross income, client invoices, records of goods sold, salaries, sales records, last year's tax return (if applicable), receipts for office supplies, and more.

If you would rather do your own taxes and not take advantage of a CPA, you could take tax preparation classes or research online sources to help you make sense of the tax forms needed to file your business taxes accurately.

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# Expert Consultation

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Poor Bookkeeping can Impacts Your Business. Bookkeeping enables a small business owner to record and track a variety of company expenses. Poor bookkeeping practices could lead to delayed creditor payments and a poor commercial credit rating. You can hire a full-time bookkeeper or outsource some of your company's accounting functions to maintain up-to-date financial records.

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