

IH CHARTERED PROFESSIONAL ACCOUNTANT
PROFESSIONAL CORPORATION

Ontario Edition 2025

SMALL BUSINESS TAX OPTIMIZATION GUIDE



WHAT WE OFFER

Smart, actionable strategies to retain more profit, optimize your taxes, and stay compliant.

20+ Years of Experience | www.ihcpa.ca
Waterloo | GTA | Edmonton



WHO WE ARE

With over 20 years of experience, IHCPA has guided small and medium-sized businesses across Canada through complex tax, accounting, and advisory challenges.

Our operations are powered by modern cloud-based and virtual accounting solutions, supported by three offices across the provinces: our Head Office in Mississauga, Cloud Office in Kitchener, and Regional Office in Edmonton.

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FOUNDED AND LED BY IBTAHAJ HASHMI, CPA AND OXFORD BUSINESS ALUMNI, A PASSIONATE ADVOCATE FOR INTEGRATING FINANCE AND TECHNOLOGY, AND KAMRAN AHMED, RPA (CANADA).

THE FIRM COMBINES DEEP PROFESSIONAL EXPERTISE WITH PRACTICAL BUSINESS INSIGHT.

WE PROUDLY SERVE ENTREPRENEURS, FREELANCERS, STARTUPS, AND ESTABLISHED COMPANIES ACROSS CANADA — PRIMARILY IN ONTARIO AND ALBERTA — WITH A STRONG PRESENCE IN MISSISSAUGA, BRAMPTON, TORONTO, KITCHENER-WATERLOO, AND EDMONTON.



RUNNING A BUSINESS IN ONTARIO MEANS CONSTANTLY BALANCING GROWTH, COMPLIANCE, AND TAXES.

THIS GUIDE PRESENTS 10
PRACTICAL TAX STRATEGIES
SPECIFICALLY FOR SMALL
BUSINESSES IN 2025, WITH
CRA SOURCE LINKS AND
REAL-WORLD INSIGHTS.

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Use these as starting points — your individual situation matters, so always validate with your accountant (or us!).



OUR SERVICES

HELPING YOU KEEP MORE, STRESS LESS, AND GROW FASTER

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TAX PLANNING & FILING

→ KEEP MORE OF YOUR PROFITS WITH PROACTIVE CORPORATE AND PERSONAL TAX PLANNING — NOT JUST FILING AT YEAR-END. WE IDENTIFY CREDITS, DEDUCTIONS, AND STRUCTURES THAT MAXIMIZE AFTER-TAX INCOME WHILE ENSURING FULL CRA COMPLIANCE.

SMART BOOKKEEPING | ACCOUNTING

→ GAIN REAL-TIME FINANCIAL VISIBILITY AND STRESS-FREE AUDITS. OUR MODERN CLOUD SYSTEMS LET YOU TRACK CASH FLOW, PROFITABILITY, AND PERFORMANCE — ANYWHERE, ANYTIME.

BUSINESS INCORPORATION & STRUCTURING

→ START STRONG AND SCALE STRATEGICALLY. WE HELP YOU CHOOSE THE RIGHT STRUCTURE — CORPORATION, PARTNERSHIP, OR SOLE PROPRIETORSHIP — FOR LONG-TERM TAX AND LEGAL EFFICIENCY.

CRA AUDIT DEFENSE & REPRESENTATION

→ PROTECT YOUR BUSINESS WITH EXPERT CPA REPRESENTATION. OUR TEAM STANDS BY YOU IN AUDITS, REVIEWS, OR REASSESSMENTS — REDUCING STRESS AND MINIMIZING EXPOSURE.

PAYROLL & HST/GST COMPLIANCE

→ AVOID PENALTIES AND ADMINISTRATIVE HEADACHES. WE AUTOMATE YOUR PAYROLL AND TAX REMITTANCES, ENSURING ACCURATE, ON-TIME FILINGS.

FINANCIAL PLANNING & ADVISORY

→ MOVE FROM REACTIVE TO PROACTIVE DECISION-MAKING. WE PROVIDE CASH FLOW FORECASTS, PROFIT ANALYSIS, AND BUSINESS ADVISORY SO YOU CAN GROW WITH CONFIDENCE.



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GET IN TOUCH

STOP **BLEEDING** MONEY, CLAIM YOUR
FREE 30 MINUTE CONSULTATION.

WE'LL DISCUSS YOUR **BUSINESS**
PROBLEMS, NO SALES PITCH, ZERO
COMMITMENTS | CALL NOW!



📞 Ready to optimize your taxes
and simplify your finances??
Contact us today!

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**“WE DON’T JUST ADVISE,
WE EXECUTE
WITH YOU.”**

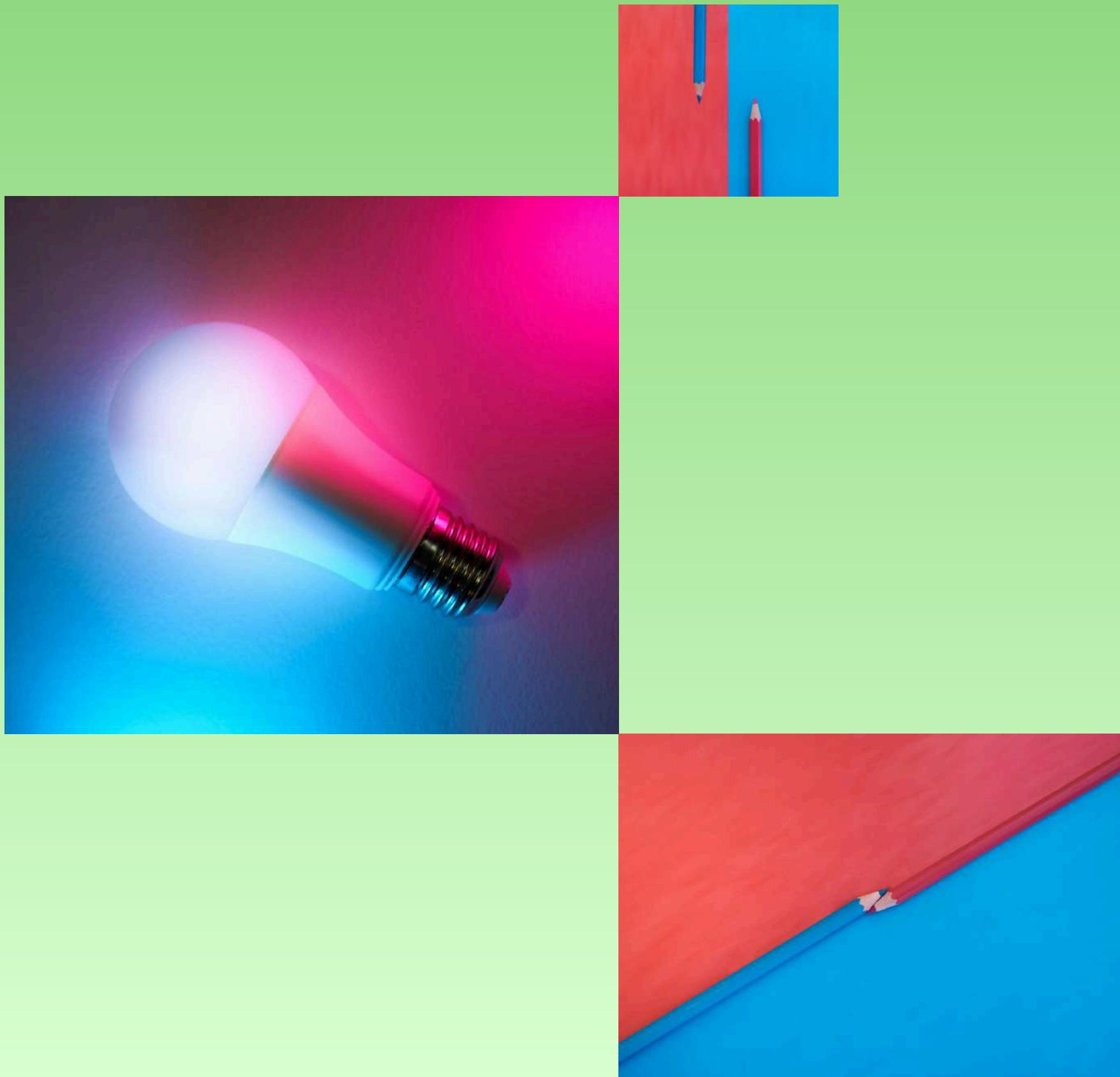




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10 TAX OPTIMIZATION TIPS FOR ONTARIO BUSINESSES IN 2025

Here are 10 actionable strategies you (or your accountant) should review. Each includes a CRA reference so you can dive deeper. Use these as conversation starters when you talk with your accounting partner (e.g., us).



SMALL BUSINESS DEDUCTION (SBD)

MAXIMIZE

- Why it matters: The first ~\$500,000 of active business income for a Canadian-controlled private corporation (CCPC) can qualify for a reduced corporate tax rate in Ontario, increasing retained earnings.

👤 Pro tip: Monitor passive investment income — too much may reduce your SBD eligibility.



BLEND SALARY & DIVIDENDS STRATEGICALLY

/1

Why:

A well-balanced mix helps reduce CPP contributions, create RRSP room, and smooth personal tax burdens.

/2

 **CRA Reference:**

Eligible vs Non-eligible Dividends guidelines — see CRA's dividend taxation rules.

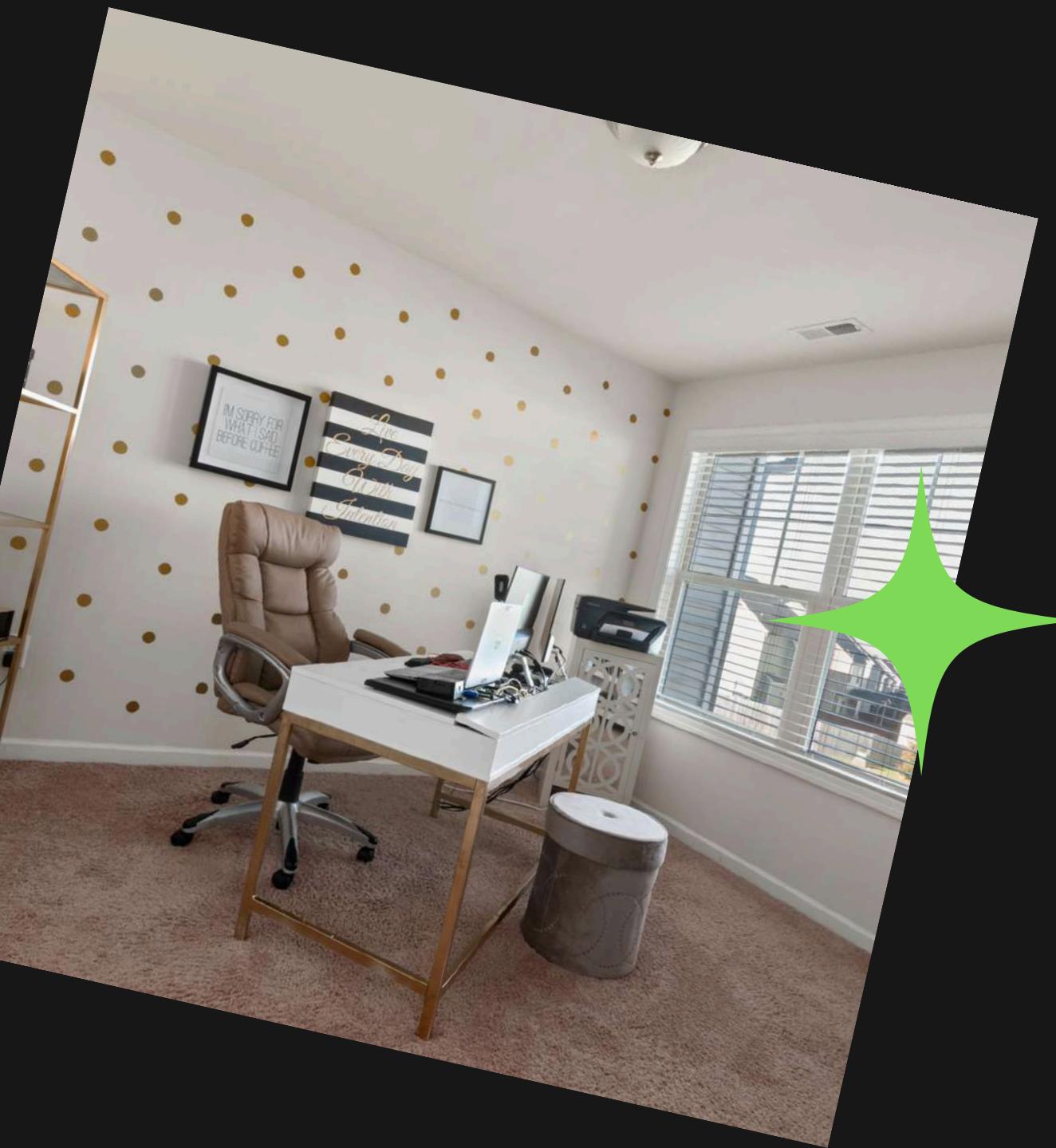
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WATCH OUT:

Dividends lack RRSP contribution room, so don't overuse them.

USE HOME OFFICE DEDUCTIONS (IF ELIGIBLE)



Why: If part of your home is used exclusively for business, you can deduct a portion of utilities, property taxes, rent, insurance, etc.

- CRA Reference: Work-space in home expenses.

• Note: The space must be used exclusively (or nearly so) for business.

Claim

MOTOR VEHICLE & MILEAGE EXPENSES

Pro tip: Keep a logbook and copies of receipts for all expenses.

Business use of
a car



can yield
deductions for



Maintenance



FUEL

INSURANCE



DEPRECIATION (CCA)

license, etc.

LEVERAGE IMMEDIATE EXPENSING / ENHANCED CCA POLICIES

The federal government offers accelerated cost recovery and immediate expensing on eligible capital property to boost investment.

CRA/Finance Reference: Accelerated Investment Incentive — [Canada.ca / Department of Finance](https://www.canada.ca/en/department-finance)

Strategy: Plan machinery or equipment purchases before imposing deadlines.

COST
RECOVERY

IMMEDIATE
EXPENSING



INCOME SPLITTING WITH FAMILY (WHEN VALID)

If family members truly contribute work, paid wages can shift income to lower tax brackets.

Note: Be careful of attribution rules for passive income.



REASONABLENESS

ACTUAL WORK
DONE



USE HOLDING COMPANIES WHERE APPROPRIATE



Consolidation



**HOLDING COMPANIES CAN HELP FACILITATE
INTERCORPORATE DIVIDENDS, TAX
DEFERRAL, AND ASSET PROTECTION.**

WARNING: MISUSE CAN LEAD
TO UNINTENDED TAX
CONSEQUENCES;
STRUCTURING NEEDS
PROFESSIONAL OVERSIGHT.

#TAXDEFERRALSTRATEGY

#ASSETPROTECTIONFORBUSINESS

#CORPORATESTRUCTUREPLANNING

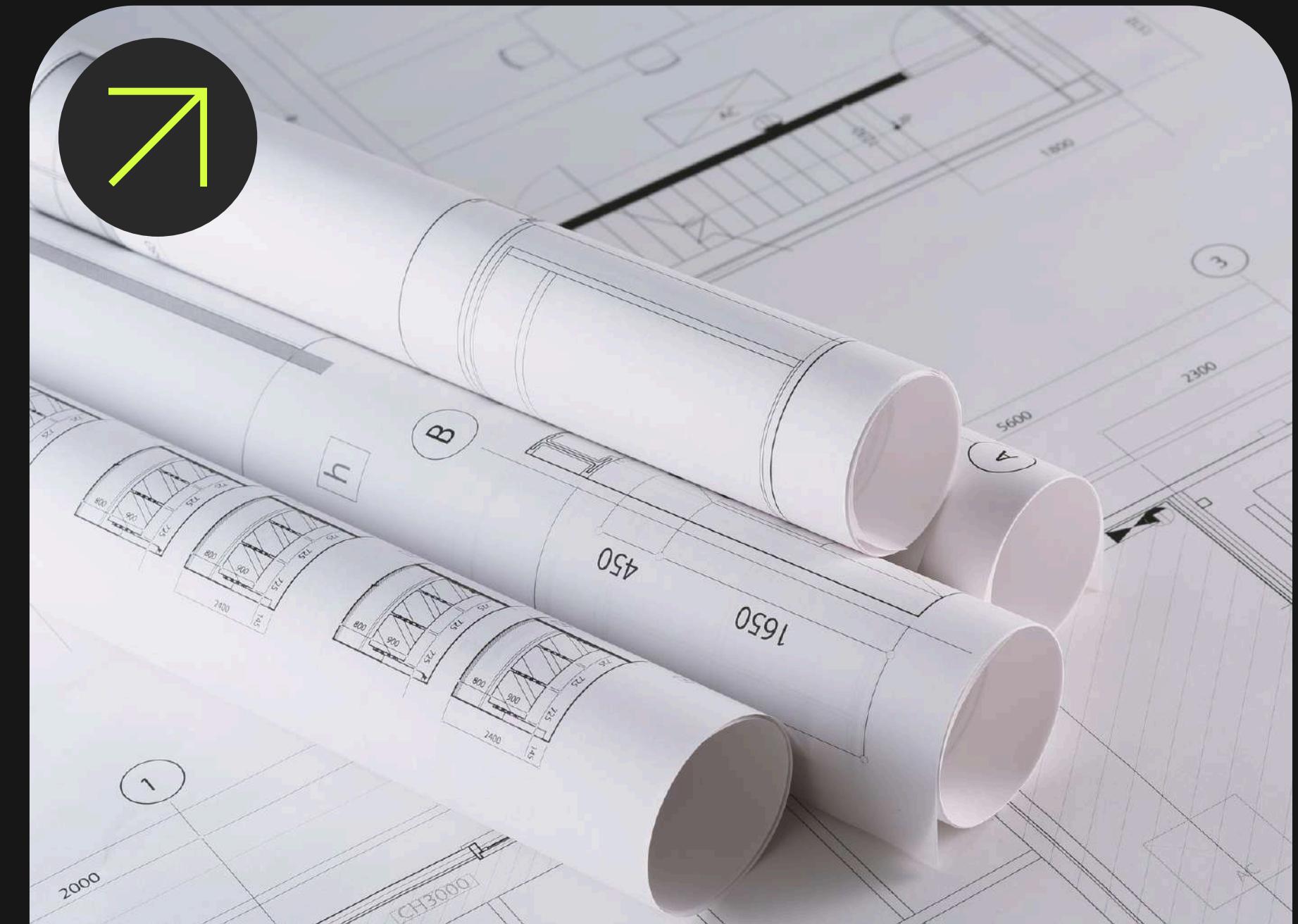
PLAN FOR THE LIFETIME CAPITAL GAINS EXEMPTION (LCGE)

Selling qualified small business corporation shares can allow up to ~\$1,016,836 in gains (2025 indexed) to be exempt from tax.



Tip: Ensure you meet the holding period and active business tests before sale.

- CRA Reference: Qualified small business corporation shares — Canada.ca / CRA



ENSURE YOU'RE REGISTERED & FULLY COMPLIANT (HST/GST, PAYROLL)

Missing registrations, late remittances, or non-filing trigger penalties, interest, and reviews.

CRA References:

- *GST / HST registration & remittance rules* – see CRA's *GST/HST small business pages*
- *Payroll source deductions & remittances* – CRA's *payroll obligations pages*

Best practice: Set up reminders, use cloud payroll, and reconcile regularly.



MAINTAIN STRONG DOCUMENTATION & DIGITAL RECORDS



CRA AUDITS INCREASINGLY DEMAND DIGITAL, WELL-ORGANIZED RECORDS. INCOMPLETE OR MESSY RECORDS WEAKEN YOUR DEFENSE.

STRATEGY: USE CLOUD ACCOUNTING TOOLS; STORE SCANNED RECEIPTS, LOGBOOKS, INVOICES; BACKUP REGULARLY.

ADD-ON: PERIODIC INTERNAL AUDITS HELP YOU FIND MISSING DEDUCTIONS BEFORE CRA DOES.

CLIENT SUCCESS STORIES.

/1 | Retail Business Owner, Brampton

Challenge: The client was manually recording sales and expenses in spreadsheets and missing HST filing deadlines. CRA notices were starting to arrive, and she had no clear picture of her business performance or cash flow.

Our Solution: We implemented a cloud-based bookkeeping system, automated bank feeds and expense categorization, and reconciled two years of backlog. Our team then handled all outstanding HST filings and trained the client to access real-time financial dashboards.

Result: Within two months, her records were accurate, CRA penalties were avoided, and she gained complete control over her finances.

CLIENT SUCCESS STORIES.

/2 | Independent Consultant, Mississauga

Challenge: The client was filing taxes on his own and overpaying because he wasn't claiming legitimate deductions such as home office expenses, phone, and mileage. He also wasn't optimizing how he paid himself.

Our Solution: We conducted a tax review and optimization plan, blending salary and dividends to minimize CPP costs and overall tax liability. We corrected past filings and ensured all eligible business expenses were properly documented and claimed.

Result: His annual tax bill dropped by over 25%, and he received a CRA refund for prior overpayments. Legal, sustainable tax savings through smarter planning — not guesswork.

CLIENT SUCCESS STORIES.

/3 | Construction Contractor, Kitchener

Challenge: Operating as a sole proprietor, the client was paying high personal taxes and couldn't qualify for several commercial contracts that required an incorporated business.

Our Solution: IHCPA handled the full incorporation process, HST registration, and payroll onboarding, structuring the new corporation to qualify for the Small Business Deduction and protect personal assets.

Result: His after-tax income increased by approximately \$9,000 per year, and he secured two new commercial contracts within months due to his enhanced business credibility.

Key Benefit: Lower taxes, stronger protection, and access to bigger opportunities.

CLIENT SUCCESS STORIES.

/4 | Tech Startup Founder, Toronto

Challenge: The client had just launched a small tech consulting business and was unsure about how to structure it, track income, or stay compliant with CRA. They were mixing personal and business expenses, and their invoicing was inconsistent.

Our Solution: We helped the client incorporate their business, register for HST, and set up a cloud-based bookkeeping system tailored for startups. We also designed a simple workflow for invoicing, expense tracking, and payroll integration, ensuring they started on the right foot.

Result: Within the first quarter, the business had a clear financial process, accurate monthly reports, and full CRA compliance — giving the owner confidence to focus on growth instead of paperwork.

CLIENT SUCCESS STORIES.

/5 | Consulting Firm, Edmonton

Challenge: The client received a CRA audit notice after inconsistencies were found in their prior year filings, prepared by another accountant. They were anxious about potential penalties and didn't have proper documentation for several deductions.

Our Solution: IHCPA stepped in as their CRA representative, reviewed all previous filings, gathered missing documentation, and provided clear explanations to CRA auditors. We corrected the returns, recalculated disallowed expenses, and ensured all future filings met CRA's documentation standards.

Result: The client's reassessed liability was reduced by over 60%, and CRA accepted the revised filings without further issue.

Key Benefit: Peace of mind, financial recovery, and renewed trust in professional accounting.



CLIENT SUCCESS STORIES.

/6 | E-commerce & Consulting Group, Alberta

Challenge: The client operated eight companies across different industries — from Shopify and Amazon e-commerce stores to consulting and contracting firms — each with separate books maintained by offshore accountants. The records were in disarray:

- Transactions were miscoded,
- Currency conversions were ignored,
- Related-party transactions were dumped into equity, and
- Several tax filings were late or incorrect.

Our Solution: Our team at IHCPA undertook a four-month cleanup project, reviewing over 25,000 transactions, reconciling every account, and fixing multi-currency and intercompany errors. We reconstructed accurate financials for 2023 and 2024, refiled corporate tax returns, and corrected previously misreported data.

Result: The client regained full compliance, avoided significant CRA penalties, and could finally rely on accurate financial reporting. The business went from “reactive and defaulted” to “clean, compliant, and audit-ready.” **Key Benefit:** Restored control, compliance, and credibility for a complex, multi-entity business.

WARNINGS

1

Don't Overclaim Deductions

CRA expects "reasonable amounts." Overstated home office, vehicle, or entertainment claims attract audits.

2

Avoid Red Flags

Consistent losses, sudden high deductions, or large unexplained purchases can signal risk to CRA auditors.

3

Avoid DIY Complex Filings

Tax software doesn't understand business nuance. Multi-entity or cross-border setups need professional oversight.

4

Stay Ahead of Deadlines

Late corporate, HST, or payroll filings create compounding penalties and interest. A simple missed due date can snowball fast.

5

Ignoring Bookkeeping Accuracy Is Risky

Do we need to address any issues or concerns before we end?

*Avoid Costly Mistakes
& CRA Red Flags*



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Practical Moves That Save Tax & Time

Balance Salary and Dividends Strategically

Combine salary and dividends to reduce CPP costs, optimize RRSP room, and manage personal tax efficiently.

Plan Before Spending

Before making big equipment or hiring decisions, check the timing and tax treatment – some assets may qualify for accelerated expensing.

Use CRA's My Business Account Portal

Track your HST filings, payroll remittances, and correspondence directly to avoid missed notices.

Master TIPS

Monitor Cash Flow Alongside Profit

Profit doesn't always mean cash. Forecast taxes and expenses to avoid liquidity crunches during payment deadlines.

Late Incorporation Can Cost You

Delaying incorporation can mean higher taxes, lost liability protection, and missed planning opportunities once your business starts growing.

Reconcile Monthly – Don't Wait for Year-End

Regular reconciliations help detect errors early and make year-end filing smooth and accurate.



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BEST PRACTICES

Keep receipts, invoices, and mileage logs (digital if possible) for at least six years – CRA audits rely on proper records, not memory.

Maintain up-to-date resolutions, share registers, and meeting records – even for small corporations.

Use dedicated accounts and cards for business. Clear separation makes CRA compliance easier and cleaner.

Separate Personal and Business Finances

Maintain Strong Documentation

Update Your Corporate Minute Book

Record Intercompany Transactions Properly

Keep Up with CRA Policy Changes

Consult a Professional Regularly

Document intercompany transfers clearly to avoid confusion and audit issues. Avoid “plug” entries.

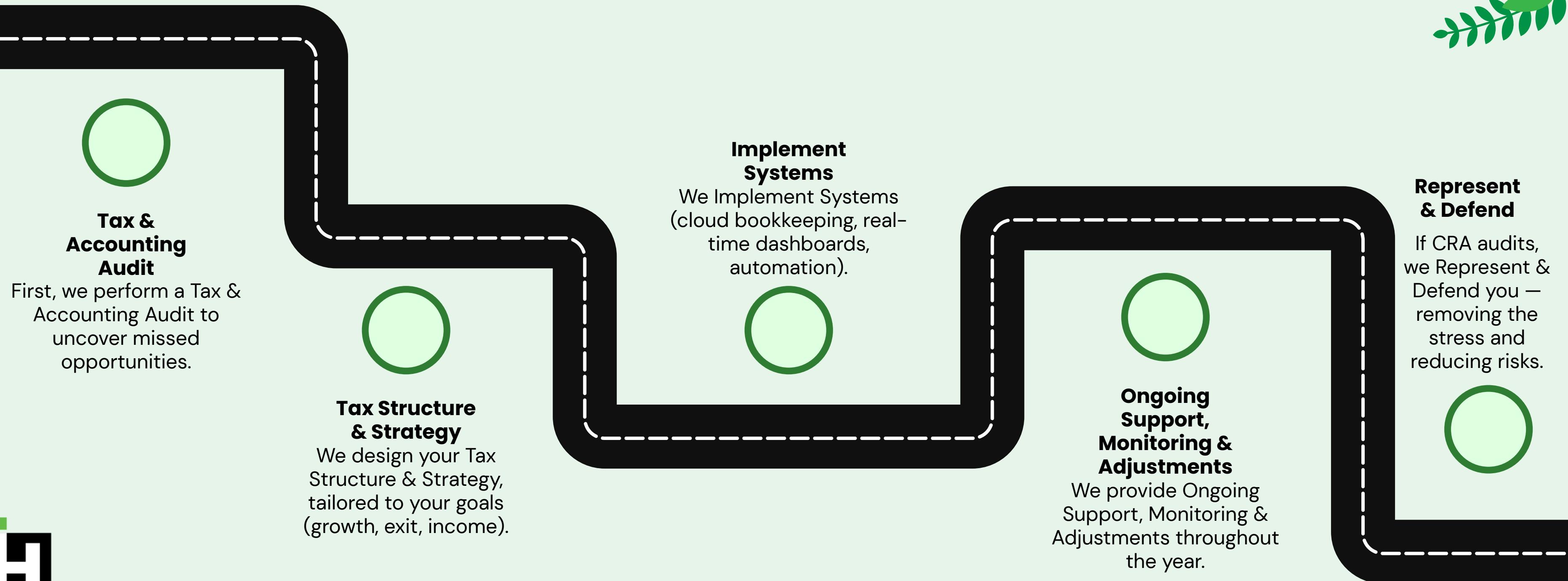
Tax rules change annually – especially around deductions and capital assets. Stay informed or rely on your CPA for updates.

A quick review with your accountant before key financial moves prevents costly mistakes later.



How IHCPA Helps You

WE ARE MORE THAN ADVISORS — WE'RE YOUR IMPLEMENTATION PARTNERS. HERE'S HOW WE TRANSFORM YOUR TAX & FINANCIAL OPERATIONS:



Client Benefits

Better decision-making through clean, real-time numbers



**Lower
taxes,
legally**

**More
predictable
cash flow**

**Peace of
mind in
CRA
disputes**

**A scalable
financial
foundation
for growth**





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Your profit leaks stop here—claim your free 30-minute consultation.

THANK YOU

READY TO TAKE ACTION?

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