

Your Guide to

Starting and Running a Home Based Business

in Manitoba



Let's Talk Business...Parlons Affaires!

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cmbosc
Business Service Centre

Manitoba 

MEMBER OF THE **Canada Business** NETWORK
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INTRODUCTION

Doing something you enjoy in your favourite place – your home – and making money at it is a dream that many people have. Others are attracted to the idea of not having the daily commute to the office, no longer having to sit through rush hour traffic jams, not having anyone looking over your shoulder, choosing your own hours of work, dressing casually, or being more available for family members thanks to flexible hours.

QUICK TIP:

Customer Service is vital to the success of your business. Always maintain a positive, professional attitude with your customers no matter how you are feeling or what is going on around you.

If any of this sounds appealing, we can help you on your way to becoming a homepreneur. However, before you take any steps towards setting up a home-based business, it's a good idea to do an honest self-assessment of yourself and your situation to determine whether or not this is the best course of action for you.

IS SELF-EMPLOYMENT FOR YOU?

There are three types of home-based business:

- **Part time:** you spend less than 6 hours a month on your venture and it provides you with a little cash. Often, you maintain a full-time job.
- **Micro:** you dedicate 15 – 30 hours per month to the business and the money you make adds nicely to your household income. In some cases, you are still working full or part-time somewhere else.
- **Full time:** you spend as much time at your business as you would working for someone else and it is your main source of income.

If you're contemplating a home-based business you need to be honest with yourself if you have the self-discipline to work in an unstructured environment and whether you are willing to take the financial and personal risk of starting a venture that may not work out. This is particularly relevant if the business is to be your main source of income. Before going any further, it's a good idea to try one of the self-evaluation guides from the Canada/Manitoba Business Service Centre or view them on our website at www.canadabusiness.mb.ca.

Here are some important things to consider before making the decision to run a business from your home:

Will your family help or hinder you? Starting a home-based business is a major adjustment for the whole family. Have you spoken to them about your need to dedicate yourself to the success of the business? If not, family members may believe that since you are at home, you have the time to do extra household tasks, drive them around, etc. Allowing yourself to be drawn into these activities may well take time away from your business and impede your success.



Who is an entrepreneur? Who's starting a home based business?

- People with very specialized skills e.g. consultants, technical/trades people
- People who have family commitments at home
- People in job transition
- Seniors
- Artisans, craftspeople, performers

QUICK TIP:

You can deduct the cost of business supplies on your income tax return. Make sure you keep all your receipts.

Is a separate work space available? Working in the family room or at the kitchen table with others around will hinder your ability to focus on your work. Having a separate work space makes a statement about the seriousness of your undertaking and provides the atmosphere you need in order to concentrate on your work or have the quiet necessary for business calls. If you do not have an extra room in your home and must work in a more public area, make arrangements with your family members not to disturb you, keep the television at low volume, etc. for a set period of time.

Does your type of business lend itself to a home base? Service industries such as consulting, freelance writing or graphic design are businesses that work well from the home. It is far more difficult to operate a retail business from home as you will require space to store and display your goods and have considerable customer traffic in your home. You should also think about whether your business would suffer from limited visibility in a residential location.

Does your business require that you meet with clients? Many homepreneurs simply choose to meet at their client's office or in a neutral location such as a coffee shop. However, if this cannot be arranged and you must meet clients in your home office, consider whether your home is set up to receive clients. For example, if a client has to navigate through a cluttered playroom to reach your work area, you do not have the right setup to create a professional image. If you have no choice but to work out of a corner in your bedroom, find a neutral area to greet clients such as your living room and keep this area neat.

Do you have room to expand? Your home office may have adequate space now, but as you expand and add extra filing cabinet or equipment such as a photocopier, will you have room?

Do you have the self-discipline to plan and manage your time? When working from home, it's easy to be distracted by unfinished chores, television or a sunny day that was made for golfing. Are you confident you can devote your time to work in the face of these distractions?

Will you be able to limit your work hours? If you're a workaholic, you may find yourself working day and night which may lead to increased stress.

Will you be happy working in your home? We often take for granted the numerous social interactions we have when working with a group of people. Imagine not having these daily encounters: no one stopping by your desk to visit, no chats by the water cooler, no chance to network with or bounce ideas off colleagues. If you need regular social contact, you may feel isolated working from home. To counteract this, think about joining social and professional organizations or take part in other activities to keep in touch with business colleagues.

How will you keep up with change? This is a very important point that is easy to overlook. How will you stay on top of new developments in your particular industry or field of expertise? What about changes in the business culture? For example, 10 years ago business people dressed quite formally. Now, for many, "business casual" is the norm. Again, social and professional organizations can help keep you informed of new developments. Also, maintaining contact with people you may have been employed with in the past is a good way of keeping up on what's happening in the world of business or your particular industry.

Running your business from home can offer many advantages such as:

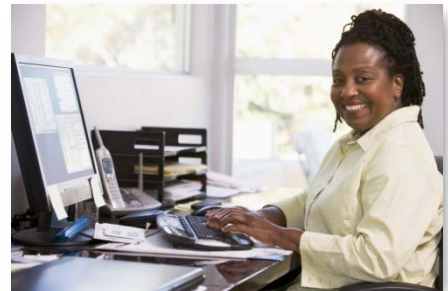
- Reduced startup costs
- Low overhead and monthly expenses (no office space to lease)
- No commuting time or expense
- Tax deductions for the portion of your residence used for business purposes
- The ability to work flexible hours

PLANNING YOUR WORKSPACE

Your workspace should be as separate from the rest of the home as possible. The reasons for this:

- You are more likely to feel that you are “going to work” and “leaving work”
- You will be able to ignore your office phone if it is ringing before or after hours
- Your business papers and materials won’t get mixed up with family or personal papers
- Your family will know that when you’re in the office, you’re at work and shouldn’t be disturbed
- Claiming part of your home as a tax deduction will be more clear cut as you’ll be able to claim the total square footage of your office as a business expense. Here are some other things to consider when planning your workspace:

- Are the phone and electrical outlets easy to access?
- Will your current desk or table fit in the location?
- Do you have adequate lighting and ventilation?
- What is the noise factor?
- Is there room to spread out your work?
- If you have inventory, where will you store it? Will you need to construct special shelving or add more storage space?
- Is your workspace ergonomically designed to prevent sore back, eye strain, etc?
- If you have clients coming to your home, will you be able to bring them into your office without going through the entire house?



QUICK TIP:

Start small and grow your business. It is best to not take on more than you can handle at first. You want to provide consistent good service and have the flexibility to respond to the unexpected.

- Jeannine Lafond,
Business Start
Consultant,
Canada/Manitoba
Business Service
Centre

SOME STARTUP ADVICE

Although you won’t be paying to lease office space, you will still need to put out money to equip your home office. Basics include phone with a separate business line, answering machine or voice mail, computer, file cabinet, bookshelves, desk, chair, etc. Depending on your type of business, you may also need a fax, high-speed internet connection, photocopier and cell phone.

Other costs will include business cards, stationery, supplies such as pens and paper, brochures and other marketing materials (such as a web site), professional memberships, business licenses and permits, and perhaps accounting and legal fees. You may also need to renovate your work space.

Despite the fact that a home-based business is usually the least costly way to get started as an entrepreneur, you will still have startup and ongoing costs. Keep in mind that even though you may have clients from day one, you will need to complete the work before you

can bill them so you will need a financial cushion (working capital) at the beginning of your venture.

In order to keep your overhead low, buy only the equipment and supplies you really need, shop for bargains, buy second-hand furniture, and hire people on a contract basis for specific projects when you need help. You may also want to make special arrangements with sub-contractors and suppliers so that you won't have to pay them until your client pays you. Ideally, you would get your clients to agree to a 15-day turnaround on your invoices, then pay your suppliers on a 30-day turnaround.

QUICK TIP:

A business plan is not only used for financing. It is a valuable tool for you to monitor whether you are achieving the goals you set for yourself when you started your business venture.

PREPARING A BUSINESS PLAN

A business plan is a written document that describes all aspects of a business venture. There are various ways of organizing a business plan. The preparation of a business plan will significantly reduce the risk of failure for any new business. If you are hoping to arrange financing with a particular lender, find out ahead of time what format is preferred. This may save you the trouble of having to reorganize the document later on.

If you are planning on asking your banker for a loan to get your business started, you will definitely need to prepare a business plan. Even if you don't need a loan, going through the exercise of preparing a business plan is still worthwhile as it will force you to thoroughly think through your business idea and make a final decision on whether or not to proceed with the venture. Make your mistakes on paper, not in your wallet! It will also help you identify where you need further assistance or information and, most importantly, will improve your chances of success by setting out realistic goals and financial projections against which you can measure actual performance.

Generally, a business plan includes the following elements:

Background information

- **Business Concept:** Describe in detail the products and services you plan to sell, including the stage of development your product is in, the technology you will use to produce your product or service, and any patents, trademarks, copyrights, etc. you hold. Assess the strengths and weaknesses of your product or service in relation to competitors.
- **Company and Industry Details:** Describe the start up and current status of your business as well as the industry in which your business will operate.

Operations

- **Human Resources:** Provide information on your company's organization, background of those you hire on contract, staff schedules (if family members residing in your home are working for you), and rates of pay to family members and contractors.
- **Land, buildings and equipment:** Describe the physical requirements and details of your business including location, renovation costs, equipment etc.

Marketing

- Describe the market and your projected share, your competitors, methods of selling and pricing, advertising and promotion plans.

Finances

- This section includes information on startup costs, sales forecasts and financial projections, sources of funding and loan repayment schedules.

Check the C/MBSC's Events Calendar for a session on business planning.

Link: <http://events.ebsc.ca/Default.aspx>

MARKETING YOUR BUSINESS

QUICK TIP:

Don't try to be everything for every customer. Focus your marketing on a few key strengths i.e. speed, quality etc., Be the best in these areas, deliver on your promises, and you will achieve repeat sales!

- Mr. Brad Franck,
Executive Director,
Manitoba Marketing
Network.

Marketing is key to any business success as it ensures you have the right product in the right place, at the right time and at the right price to meet your customer's needs. How do you know you have these things? By talking to existing and potential clients.

Through questionnaires, conversations, interviews, surveys, focus groups, etc. you will glean valuable information on where you should sell your product or service, who you should concentrate on selling it to, how you should sell it (i.e. retail shelf space, mail order, shows and fairs, telemarketing etc.), what price the market is willing to pay, and how you should promote your business (advertising, coupons, networking, etc.).

Failure to develop a strong marketing plan is one of the main reasons new businesses fail. Elements such as pricing your product or service, carefully defining your target market, and methods of promotion need to be considered when developing your marketing strategy. These methods include brochures, ads, web sites and trade shows, to name just a few. And don't forget your business image...everything from the speed in which you return business calls to your company logo to how you present yourself at meetings are all forms of marketing your business.

The Canada/Manitoba Business Service Centre's library has many publications devoted to marketing and free seminars on this topic are frequently offered. Call us at 204-984-2272 or 1-800-665-2019 or visit our website at www.canadabusiness.mb.ca for more information.



SHOULD YOU HAVE A WEBSITE?

A presence on the Internet may increase your exposure if you're willing to do the work to create, consistently maintain and, most importantly, actively promote and advertise the reason why people should visit your website. Keep in mind that while the internet opens the door to the world market simply submitting your website for indexing with various search engines will rarely attract significant visitor traffic.

Online ordering?

If you allow your customers to order online, you will need to consider the following:

- Will you have, and be able to produce, a large quantity of goods?
- Will you or your staff find the time required to prepare paperwork for customs and other organizations?
- Will you train your staff on packaging techniques and have time to package the goods properly?
- Are you able to negotiate transportation routes with carriers in order to get your goods to another country and still make a profit?

If you plan to incorporate online ordering as part of your business strategy, what markets will you open this service up to? Will you accept online orders within your city, province, country or worldwide? If you are prepared to meet the challenge and take advantage of the opportunities that exposure on the Internet can bring, please consider the following:



10 steps for creating a successful web site:

1. Develop an understanding of the Internet and how it works – learn the lingo, what makes a good website, what causes websites to be inaccessible, security issues, how secure payment services work, what service providers exist and what each does.
2. Determine what a successful website should do for you. Email from old/new clients, online sales, brochure downloads, newsletter sign ups, etc.
3. Decide whether you will create and maintain your site or pay someone to do it for you.
4. Research Internet Service Providers (ISPs), online payment services and digital shopping carts.
5. Register a domain name.
6. Create unique company logos and graphics or hire someone to do this for you.
7. Create your site or hire someone else to create it. At this stage you should have decided what kind of information you will present on your site, what will appear on your home page, what type of content will be on subsequent pages, which sites you will link to, and whether or not you will take orders and accept payment online.
8. Submit your site for indexing by search engines.
9. Monitor your website for amount of visitors and length of visits regularly. Use this information to evaluate the effectiveness of website content and all your marketing and promotional efforts
10. Promote your website everywhere: your business cards, letterhead, brochures, flyers, print ads ect...

QUICK TIP:

Know the purpose of your website, who your target audience will be, and what they will want to accomplish while visiting your site. Make it simple for them to find and do these things using links and language they will easily understand.

- Danielle Ritchot-Sopko,
Webmaster,
Canada/Manitoba
Business Service Centre

If you want to learn more, our Centre can guide you through the steps to set up your online business. Call 204-984-2272 or 1-800-665-2019.

ARE YOU ALLOWED TO OPERATE?

Before you decide to work from your home, be sure you know what the restrictions are, if any.

Home Based Business Permit: All home businesses require a Home Occupation Permit to ensure zoning requirements are complied with; the fee is \$170.00. If there are employees not living in the residence or customers are attending the premises, additional approvals/fees are required (see Hiring). To obtain a Home Occupation Permit, contact the City of Winnipeg Zoning and Permits Branch at 31-30 Fort Street or call 311.

Don't I need a Home Based Business License?

On March 26, 2008, the License in Lieu of Business Tax By-law 122/2003 was repealed by the City of Winnipeg Council effective January 1, 2008. This means you are no longer required to apply for or pay an annual home based business License in Lieu of Business Tax fee.

Do any other regulations still apply?

Yes, the Zoning By-law continues to regulate the location of home based businesses to ensure that the character of a residential area is maintained. As well, while the home based business License in Lieu of Business Tax has been removed, there are still a number of business activities (currently 27) that are regulated under the Doing Business in Winnipeg By-Law No. 91/2008. If you conduct these businesses as a home based business, you will be required to apply for a Business Licence. Examples include antique dealers, auctioneer, used goods dealer, etc and the licence fees vary.

Home based businesses that provide a personal service on the premises such as a beauty salon, pet grooming or certain repair services, require Conditional Use approval from the Director of the City's Planning, Property and Development Department in addition to the Home Occupation Permit, prior to establishing the home based business.

In terms of allowable signage, the home based business cannot have more than 2 square feet of signage; it must be attached to the home, and parallel to the front.

Should you change the business you are conducting or add additional businesses, you will be required to amend your existing Home Occupation Permit. If you move to a new residential location, you will be required to obtain a new permit for that location. Such changes should be reported to Zoning and Permits or for further information or questions contact Licensing Services at 311.

How do I know if I am a business?

If one goes by the definition in the Income Tax Act you will see words like "... a profession, calling, trade, manufacture or undertaking of any kind..." "... whether the activity or undertaking is engaged in for profit ...". More simply, a home-based business may be a full-time, part-time or even an occasional venture. Generally, if your business mail comes to your home and/or administrative duties are conducted from your home, you will require a Home Occupation Permit.



If you are outside of Winnipeg, keep in mind that every municipality has its own regulations which pertain to working from home. A listing of communities in Manitoba can be found on the Province of Manitoba's web site's Community Profiles at <http://residents.gov.mb.ca/communities.html>. If you do not have access to the Internet, call the Canada/Manitoba Business Service Centre at 204-984-2272 or 1-800-665-2019 and we'll look it up for you.

In addition to licenses and permits from the municipal government, some home businesses may also need to apply for licenses or permits from the Provincial government. For example, home daycare operators must be licensed by Manitoba Family Services and Housing.

For more information on obtaining licenses and permits call the City of Winnipeg License Branch or Zoning by-laws 311.

INSURANCE

Another item to think about is property insurance. Some insurers may increase the premium on your policy if you are operating a business from your home; others may void your coverage altogether. Be sure to check.

While looking into your policy, consider increasing your coverage to include liability insurance, particularly if you see clients in your home. An icy step can end up being very expensive if a client falls and gets injured. Insurance is noteworthy particularly if you are a sole proprietor as you are personally liable for all debts. You may also want to acquire business interruption insurance in the event of fire, theft, etc.

Other options include disability insurance in the event of illness or an accident and malpractice insurance if you are in the health care field. Lastly, if you use your vehicle in the course of business, be certain it's insured for business rather than just "pleasure" which would not be covered in the event of an accident.

EMPLOYEES - DO YOU NEED TO HIRE OTHERS?

Needing additional employees can often be the catalyst that launches a business from home based to commercial. In the past, home based businesses were restricted to employees who were family members or others residing full time in the home. However, as a result of a new Zoning By-Law that came into effect March 1, 2008, home based businesses in the City of Winnipeg will be able to apply to have up to two non-resident employees.

The new By-law divides home based businesses into two categories — major and minor. Minor home based businesses are those that have little or no impact on adjacent properties, such as offices, professional services, writers, etc. These minor home-based businesses will be permitted under the new Zoning By-law, provided that their operations avoid neighbourhood impacts. Major home-based businesses are those that have the potential to have traffic or noise impacts beyond the property line, such as hairdressers, music lessons, counselling office, etc. Major home-based businesses will only be allowed as a conditional use (subject to a public hearing). Some potential home-based businesses are simply prohibited, such as firearm sales, dating or escort services, vehicle towing operations, and auto brokers.

If you have no employees coming in (can still have all home occupants as employees) or no customers coming to your home, the cost of the Home Occupation Permit application is \$170.00.

If you are planning to have outside employees and customers coming to your home, you will need to apply for conditional use approval, the application cost is \$405.30. The decision whether you receive approval will be made by City Planning if no appeals. Appeals could arise as you will have to post variance signs for two weeks on your lawn noting you have applied to have employees and/or customers coming on site. Why if just customers coming on site – because it can impact traffic patterns on your street. Your relationship with your neighbours will certainly be tested as you go through the process.

Be prepared to provide application information including:

- a letter of intent
- a status of title document from Land Titles Office
- a current survey or well-draw site plan (site plan can be drawn by applicant showing size and shape of lot, buildings)
- a floor plan of the home showing areas that will be used for the home-based business
- a letter of authorization from each individual on the title allowing the commercial activity at the address



WHAT BUSINESS STRUCTURE IS RIGHT FOR YOU?

QUICK TIP:

You can change your business structure at any time. Don't be afraid to start small...many business owners begin as sole proprietors and incorporate later.

Once you've decided on an idea for your business, you need to decide what form or structure it will take: sole proprietorship, partnership, corporation or cooperative.

Does it make a difference which one you choose? Definitely! The Canada/Manitoba Business Service Centre can give you advice on what structure would be best for your business.

Form of business structure:

1. **Sole Proprietorship:** This is the simplest way to structure your business. A sole proprietorship is a business that is owned and operated by one person.

Advantages:

- Easy and inexpensive to set up
- Directly controlled by the owner/operator
- Flexible – few regulations to comply with
- Business losses can be deducted from other personal income

Disadvantages:

- The owner is personally liable for all debts of the business
- The life of the business is confined to that of the owner
- All business income is taxed as personal income

Sole proprietors who operate a business under a name other than their own (i.e. John Brown Plumbing) are required to register the name with the Companies Office. For more information, see the section on Registering a Business Name.

QUICK TIP:

Do not have stationery or business cards printed before your business or corporate name is registered – if the name is already taken, you will have wasted your money.

2. **Partnership:** A partnership is an agreement between two or more parties to combine their talents and resources in order to share ownership of a business.

Advantages:

- Reasonably easy and inexpensive to set up
- Enables a group of people to pool their skills and resources
- New partners can be added easily
- Access to greater sources of capital
- Risk is shared by all partners

Disadvantages:

- Each partner is personally liable for all business debts
- Each partner is responsible for the actions of other partners which affect the business
- Profits are personally taxable
- Decision-making requires the approval of all partners which can take more time or result in conflict

3. **Corporation (Limited Company):** Incorporation turns your company into a legal entity. This means the company has the same rights as an individual: it can acquire assets, go into debt, enter into contracts, etc. Although corporations are the most expensive to start and the most complex to operate, the majority of big businesses are incorporated as are some small ones. Companies may be incorporated federally under the *Canada Business Corporation Act* or provincially under the *Corporations Act*.

Advantages:

- Owners are not personally liable for the debts, obligations or acts of the company.
- There are tax advantages to incorporating.
- Capital may be easier to raise and loans may be easier to obtain
- The company continues to exist independent of individual shareholders
- Funds can be raised by selling shares with little effect on the management of the business

Disadvantages:

- Expensive to set up compared to other business structures – legal expenses and incorporation fees will cost at least \$800.00.
- Additional paperwork, recordkeeping, regular reporting to government and corporate tax returns may result in increased accounting fees.
- Tax implications vary
- Despite limited liability, financial institutions may ask for personal guarantees on business loans

If you decide to incorporate, you must use the terms “Limited”, “Ltd.”, “Incorporated”, “Inc.”, “Corporation” in your business name. Although it is possible to incorporate on your own, it’s advisable to seek legal counsel for several reasons. Initially when you apply to incorporate, you must state how you want to structure the share capital within your company as well as indicate what class of shares you’ll issue. A lawyer can advise you on how to do this. When you incorporate you’ll need a Minute Book housing, among other things, the share certificates (which have cash value). You will also need to set out bylaws stating how the corporation will operate, how officers and directors are chosen, where and how business accounts will be maintained and other similar information. A lawyer will maintain and house the minute book (with share certificates) if you choose. However, if you decide to handle the provincial incorporation on your own, costs will be in

the area of \$300.00 and you will need to update the minute book as well as find a secure area to keep the share certificates. The next consideration when incorporating is whether you incorporate provincially or federally.

QUICK TIP:

If you incorporate federally, the business name you chose is protected across Canada. If you incorporate provincially, the business name you selected is protected only in your province.

Federal or Provincial Incorporation?

There are no minimum company size restrictions on businesses that want to incorporate. Federal incorporation becomes a decision if you are planning to do business in other provinces or territories. For example, if you work as a plumber within the City of Winnipeg, the chances of you responding to calls from Edmonton are minimal. However, if you are training people in the latest software program and travel to other provinces regularly to deliver training, and may establish an office in another Province in future, you may want to incorporate federally. Many small businesses incorporating federally (under the Canada Business Corporations Act - CBCA) have the intention of operating in more than one province. They choose to incorporate under the CBCA now in order to simplify their business relations later if they decide to expand operations and grow larger.

If you incorporate federally, the name protection is second only to trademark protection. This means that the business name you select is protected across Canada and the territories and no one anywhere else in Canada can use the name you have registered when you incorporate federally. If you incorporate provincially, someone else in another province could be carrying on business under the same name as the one you're using. In Manitoba the Brick's vs The Brick is a famous case regarding Federal vs Provincial name protection.

If you are federally incorporated, there are no restrictions regarding the province or territory where your head office is located, your corporate records are maintained and your annual general meetings are held. You can even hold your meetings electronically or outside of Canada if you wish.

For more information on provincial incorporation, contact:

Manitoba Family Services and Consumer Affairs
Companies Office
1010-405 Broadway
Winnipeg, MB
Phone: 204-945-2500 or 1-888-246-8353
<http://www.companiesoffice.gov.mb.ca/>

For more information on federal incorporation, contact the Canada/Manitoba Business Service Centre at 204-984-2272 or 1-800-665-2019.

4. **Cooperative (Co-op):** A cooperative is an enterprise, or business, owned by a group of people seeking to satisfy a common need. The initial capital for a business cooperative is raised by member shares, and personal liability is limited to the value of each member's shares. All members have one vote, regardless of the value of their shares.

Advantages:

- More sources of capital due to members' contributions
- Greater volume of production possible because more people are involved
- Members provide mutual support and pool skills
- Relatively flexible structure allows for changes in membership and responsibilities

Disadvantages:

- Members may have trouble making decisions together and resolving conflicts
- Banks are less familiar with cooperatives so financing may be more difficult to attain

Information about the cooperative model and incorporating a cooperative in Manitoba can be obtained from:

Cooperative Development Services
Manitoba Housing and Community Development
406 Edmonton St., Winnipeg, MB
Phone: 204-945-3379 or 1-866-479-6155

REGISTERING A BUSINESS NAME:

QUICK TIP:

Make sure you have more than one idea when you go to register your business name.

Finding and registering a business name is one of the most important steps you will take when starting your own business. Under Manitoba law, you must register your business name with the Companies Office that houses a public registry of all businesses operating in the province. You must register your business name if you:

- Carry on business under a name other than your own (i.e. ABC Plumbing)
- Have a partner
- Use your surname in the name of the business but the name indicates more than one person is involved (i.e. Smith and Associates)

There are two steps to registering a business name in Manitoba: reserving the name, and registering the business name.

To find out if the name you have chosen is available, you must file a Request for Business Name Reservation with the Companies Office at <https://direct.gov.mb.ca/coohtml/html/internet/en/coo.html>. The fee is \$40.00. If approved, the name will be reserved for 90 days. If it is rejected, you must choose a new name, file again and pay another \$40.00. You must also file the registration forms before your name reservation expires. The fee to register the business name is \$45.00. Note: this process just registers your business name in Manitoba.

TAXES AND YOUR HOME BASED BUSINESS

Money that you spend for the purpose of producing income can be deducted from your business income. If your home is your principal place of business, you can deduct a percentage of home expenses equal to the percentage of floor space that is used exclusively for business.

Deductible home expenses include:

- Heat, light, water and business phone
- Rent or mortgage interest (not principle payments)
- Home maintenance
- Insurance



Property taxes

The Canada Revenue Agency offers a detailed information piece located on their web site at <http://www.cra-arc.gc.ca/tx/bsnss/tpcs/slprtnr/bsnssxpnss/menu-eng.html> that explains, among other things, what business owners can claim as deductions. The appropriate tax forms are also included at this location.

QUICK TIP:

"For an amount to be deducted as an expense incurred for the purpose of gaining or producing income from a business, the taxpayer must have been carrying on business in the fiscal period in which the expense was incurred."

- Canada Revenue Agency

Good and Services Tax (GST)

If your total business revenues are more than \$30,000 per year, you must collect GST and remit it to the Canada Revenue Agency (CRA). If your annual revenues are less than \$30,000, you are not required to collect GST. However, the benefit of registering for the GST is that it allows business owners to claim back the GST they paid on goods or services purchased for their business.

For more information on the GST, contact the Canada Revenue Agency at 1-800-959-5525.

Retail Sales Tax (also known as the Provincial Sales Tax or PST)

The Retail Sales Tax (RST) is a 7% tax applied to the retail sale or rental of most goods and certain services in Manitoba. The tax is collected once – from the consumer. If you are a crafter, hobbyist, or other home-based business with annual taxable sales of less than \$10,000, you may be exempt from having to register for RST.

For more information, contact the Taxation Division of Manitoba Finance at 204-945-5603, or 1-800-782-0318. www.manitoba.ca/finance/taxation, or MBTax@gov.mb.ca.

QUICK TIP:

The Taxation Division website can be found at

www.manitoba.ca/finance/taxation, or you can call 1-800-782-0318.

File, pay and view your Manitoba tax accounts online at

https://taxcess.gov.mb.ca/MB_xwTapMgr.aspx

TAXcess is simple, secure and available 24 hours a day, seven days a week.

- Manitoba Finance, Taxation Division

RECORD KEEPING AND HOME BASED BUSINESS

Good record keeping is essential in holding a successful business together. Your records trace the life of your business. They show you where you've been, register where you are now and help you plan for the future.

What is a record?

- Every sales slip, invoice, cheque, deposit slip, purchase order, delivery slip, contract, blueprint, e-mail, phone message, warranty card, production schedule, insurance policy
- Every document produced on paper or electronically is a record.

There are five reasons for maintaining good records management practices.

- Regulatory compliance – laws and regulations that require some form of record keeping
- Protection – inconsistencies can prevent you from adequately protecting your business against adverse action (litigation, disasters, privacy breaches)
- Save time – the right record to the right person at the right time
- Cost savings – Can cost \$80.00 - \$150.00 to replace lost documents. Helps as a reminder when filing for deductible expenses, tax credits, bank loans
- Perception of business – a smoothly run business leaves a more positive impression on clients, suppliers, financial institutions and creditors

What records need to be retained and for how long?

Federal Government regulations require a business to keep all information relating to taxes for the current fiscal year plus 6 years for a total of 7 years. This includes: accounts receivables, accounts payables, inventory records, product sales figures, taxes paid, taxes collected, bank account statements, credit card statements/receipts, expense receipts.

Payroll records including statutory deductions are required to be kept for the current fiscal year plus 6 years for a total of 7 years.



Some records including Vital records need to be kept permanently for the life of the business. These include your business plan, agreements/contracts until expired, incorporation/registration documents, annual financial statements, minutes of meetings for incorporated businesses, customer/client lists until relationship and legal obligations end, insurance policies and claims until expired or claims resolved, employee files until 1 year after employment ceases and all benefits paid.

Vital records are any group of records essential to the protection of your business operation. They are the keys to maintaining or resuming your business should you suffer a disaster. Don't forget to back up your computer system daily. It is wise to store a copy of these records away from your business.

Examples of Vital records include: account receivables/payables, bank account information, general ledgers, insurance policies, lines of credit, payroll register, client/customer lists, contracts, agreements, leases, deeds, mortgages, board minutes, bylaws, patents, trademarks, licenses, franchise documents, investments, mailing lists, price lists, vendor and supplier lists, benefit plans, employee home/cell numbers, payroll, inventory, blueprints and technical specifications.

A COLLECTION OF TIPS FROM ESTABLISHED MANITOBA HOME BASED BUSINESS OWNERS

“Plan to substantially increase your level of networking activities to ensure you stay connected to the business community and to your potential customers. It’s great to work from home but remember; you must be out there networking and prospecting for new business in order to be successful over the long term.”

Lisa Lewis, Beyond Excellence Inc. www.beyond-excellence.mb.ca

“Small business owners may find advertising in the mainstream media to be prohibitively expensive. “Earned” media, on the other hand, is absolutely free. So if your company is doing something unusual or noteworthy; if you've made huge gains; or if you've developed a unique service or product, don't be shy about letting the news and business editors know. If they're interested, you'll get free news coverage that carries much greater credibility than advertising.”

Barbara Czech, President, Czech, Communications Inc. www.czechcommunications.com

“Ensure you have consulted with a Lawyer and an Accountant when doing your pre business start up research. When contracting for services, ensure you have a written agreement with your client that has been reviewed by legal counsel. If you are contracting your services, ensure that you follow the CRA guide for employee vs contractor regulations.”

“Make sure you are able to “close your door” and take a break to do something fun during the day!”

“Make sure that you have set up your office with enough space for future growth in mind, otherwise, you will have to relocate your space and equipment and this could become expensive. Ensure that your office equipment has been scheduled with your insurer, not only at the office, but when you are out of the office. Should your business laptop be stolen or damaged while on a business trip or visiting with a client, it may not be insured.”

“Always, always, return calls promptly.....especially if they are from a client, CRA or your Banker.”

“If you require your car for business, ensure you keep a detailed log of dates, times, addresses and persons visited to ensure the correct pro-ratio of vehicle costs are expensed to the business!”

Shirley Tillet, Shirley Tillet Associates Inc. www.STAinc.ca

Chair, Manitoba Home Business Advisory Council

“You have to first believe in yourself and the product or service offered. It shows in your communication and message. It has to be first and foremost about a belief and passion and, then about money. Of course a business has to make money somewhere along the designated milestone - otherwise it is a hobby. As a realist and pragmatic person, you will need to assess the risks and put in place the contingencies required.”

Anupam Sharma, Q Starr

“Building a diverse network of business colleagues is much more important for the home business operator than any other business person. Like many or even most home business owners, I'm all there is for staff, and working alone means that I don't have a convenient peer group to share ideas and problems with unless I create the peer group through networking.”

Steve Loney www.TheWebGuy.ca

“Schedule breaks...when you work at home you feel obligated to work the entire time and end up not taking any breaks at all. I use Outlook to schedule walks, workouts, meetings outside my home office, this way it provide a life/work balance.”

“You must feel professional to act professional, start by getting ready to go to work, get dressed (yes it's tempting to sit in your PJ's all day).”

Susan Lamb, Susan Lamb Business Consulting Services

“I have operated a home-based business for over 10 years and have found my productivity has doubled compared to my corporate years. Important rules for my office are that it is off limits to others in the house. Nothing gets removed without asking permission. When I am in the office I am working just as I would be if I was off-site. I also found I needed rules for me. Office rules for me are when the light goes out for the evening it stays off. Home tasks are taken care of during coffee breaks and lunch only. I book specific times for taking care of my business accounting. Running a successful home based business takes discipline - a lot harder than it sounds but the rewards are certainly worth it.”

Kim Shukla, Principal, Prairie Global Management

When someone calls us to design an office and give them advice about setting up an efficient office, we begin by discussing the space – if it is conducive to comfortable, productive work output, we talk to them at that time about lighting, windows, heat and sound insulation, electrical panel capacity, etc. etc. we also try to discourage clients from

using that room in the basement or under the stairs and also from using “all my old furniture for now”. We tell them that they have to feel like they “go to work”!

Built in office furniture runs about \$300.00 to \$360.00 per lineal foot – materials, manufacturing and finishing – that would give you a plan that works for your office - not just generic furniture that you might buy at an office supply outlet. For example, if you are a design office, you would have special shallow drawers for drawings, if you were an accounting office, you would have additional filing systems, etc. Delivery and installation are additional – about 15% of the total cost. For example, let’s say you have a 10’ x 12’ office with door(s) on one wall and a window on another. Let’s say you build an “L-shaped” configuration of lowers – desk tops and filing cabinets/storage cabinet combinations – with desk top under the window and upper storage on the completely blank wall. For a totally custom, well designed office system, the cost would be about \$8,000.00 to \$10,000.00.

Joy Asham, I.D. President, Comfort & JOY Interior Design inc

“Leave the house every day, even if it is to run to Staples for a ream of paper. It ensures you shower, get dressed and see other people. Otherwise, it is easy to become a hermit.”

Carolyn Rickey, President, Cedars Communications Services Inc.



“Spend your time where your strengths are (that’s usually the core of your business) and contract out some of the other areas that are not your strength. You can’t do everything.

Keep in mind, many people will try and tell you how to run your business. Build a strong network around you with people you can trust. These people will support you when you need it, be a good sounding board for you as you move through business challenges and be just as excited as you to celebrate your successes.

Don’t wait until it’s perfect, you’ll miss too many opportunities.

Don’t forget to invest in your own professional development. Include this as a budget item every year and invest your time and money in improving your skills.”

Bobbie Marshall, Service and Communication Strategist - Executive Coach and Trainer, Straight To The Top

Everything that could go wrong did! Household members like to use your computer because it’s faster, bigger, better and newer. Your office supplies go missing....pens are my biggest beef. Imagine being on the phone with a client and not having one pen in your office.....not even in your 'hidey place'! They like your printer because it prints faster and has paper and ink! Then, imagine a fax coming in and your machine is out of ink. Not only that, there are no cartridges left! Such is the life of a home based business woman without a padlock on the office door and bars on the windows. Husbands, parents, children, siblings, friends, as well as your friends’ children and you nieces and nephews are always asking you to do something or take them somewhere, because, "it will only take a few minutes" and, this is the best, "you don't have a real job". If I had a Looney for every time I was told that, I'd actually make a great profit with no costs incurred.

Gail Burfoot, The Cannon Connection, Kiltmakers

OTHER SOURCES OF INFORMATION

QUICK TIP:

You don't have to pay for information on government programs and services. Contact us...we'll find the programs and contacts, services ... everything you need for FREE!

The **Canada/Manitoba Business Service Centre** has a variety of business start up guides, sample business plans, examples of partnership agreements and other legal forms, and so much more to help you determine if working from home is right for you. We also have a number of information products such as:

- **You and Your Ideas** – Taking Stock and Getting Started. Fact sheet offers suggestions on where to look for business ideas as well as how to evaluate your own.
- **Business Start-up Checklist and Pathfinder.** Fact sheet provides a 24-point checklist of things to do when starting a business.
- **Marketing.** This fact sheet introduces the reader to market research and how to develop a marketing strategy.
- **Forms of Business Organization.** Information on the different types of forms of business structures.
- **Financial Assistance Program Info-Guide.** Lists federal and provincial funding programs available to new and existing businesses.
- **Business Plan.** Describes the key elements of a business plan.

The C/MBSC **Guest Advisor Program (GAP)** provides Manitoba entrepreneurs with the opportunity to speak with Lawyers, Accountants, E-Business Specialists, Human Resource Specialists and Banking professionals who volunteer their time and share their expertise.

This free, by appointment only, service offers:

- Confidential, one-on-one consultation over the phone or in person
- An opportunity to discuss your business situation with a professional in a neutral location

The **Manitoba Home Business Advisory Council (MHBAC)**, formed in September 2003, was established as "a voice" for home business owners in Manitoba. The organization provides education, awareness, advocacy and networking opportunities for home business owners. The MHBAC's mandate is accomplished through active advocacy, the presentation of workshops, annual tradeshow, public speaking engagements, mentoring, and the dissemination of home business resource information

through the website, brochures, newsletter, Canada/Manitoba Business Service Centre library and its regional access centers.

Contact the MHBAC at www.homebusinessmanitoba.ca

Talk to us about your business!

CLICK: www.canadabusiness.mb.ca
E-mail: manitoba@canadabusiness.mb.ca

CALL: 204-984-2272 or 1-800-665-2019
Fax: 204-984-3782

VISIT: Room 250 - 240 Graham Avenue, Winnipeg, MB
or call us for the location of one of our
regional offices near you!

Canada 



Manitoba 