



Reasonable Expectation of Profit and your Business



Proposed new legislation was to come into effect January 1, 2005, but has now been delayed:



1. A business can only claim a loss in a particular year if, the business has achieved a **cumulative profit** during the period the business has carried on, or there is a reasonable expectation of achieving a cumulative profit over the length of time that the business has carried on (since it commenced) or will carry on.
2. The profit excludes the capital gain on the sale of income producing assets.



This new legislation could cause the Canada Revenue Agency (CRA) to review businesses with repeated losses, in spite of having some profitable years. If the cumulative effect of these profits and losses still results in a loss, CRA could disallow the losses.



SUGGESTED STRATEGY



In order to protect yourself from negative reassessments we suggest that every new business, or existing business with a cumulative loss, prepare a business plan in order to show that there is a reasonable expectation of profit.



We would be happy to advise or assist you.



Kemp Harvey Group

Certified General Accountants

Associated Offices in Burnaby, Grand Forks, Kelowna, North Vancouver, Osoyoos, Oliver, Penticton, Vernon

www.khcgca.com