



# Business Matters

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## MANAGEMENT

### Burnout



**Overly stressed employees can negatively affect productivity and profitability.**

The flatness of modern management structures has reduced the administrative and even the social distance between managers and employees, especially in small, owner-managed companies. As a result, owner-managers can be more aware of employees who are discontent or exhibiting behaviour that indicates something is wrong. Stress at home

combined with stress at work can lead to a combination of physical, emotional and mental exhaustion that affects employee productivity and ultimately your profitability.

#### Recognize the Signs

Learn to recognize the indicators that something is wrong. Signs that an employee may be suffering burnout include:

- constant criticism of other employees or work situations
- lateness in getting to work or completing a task or project
- impatience with fellow workers or clients
- taking too many Monday “sick days”
- appearing tired or listless on the job
- taking too long returning from lunch or break
- withdrawing from the social network at work
- thinking they are the only ones who can do their job
- frustration at not achieving desired results at work or in their personal lives.

Stress levels can be created by the attributes of the job. Some individuals may thrive on a repetitive, slow-paced routine while others may interpret the lack of change as a lack of challenge and find stability itself stressful. On the other hand, some employees may find that a constantly driving corporate culture is overwhelming. In addition, if the worker’s moral compass is not pointed in the same direction as that of the company, stress will follow.

*Stress can destroy the productivity of even loyal employees.*

## Health Problems

Stress can destroy the productivity of an otherwise qualified and loyal employee. Stress can create the conditions that can lead to alcohol or substance abuse, heart disease, type 2 diabetes, stroke, obesity, injuries and more frequent small illnesses such as colds. All of this translates to lost productivity and the potential loss of a great team member.

Even normally dedicated workers may be headed for burnout if:

- their job does not match their abilities or their job skills
- they are being abused by a bully
- their responsibilities are not supported by sufficient authority
- an inadequate job analysis has resulted in a misleading job description
- every decision is questioned
- co-workers do not have a clear understanding of the dedicated worker's responsibilities.

It is in the best interests of the business to retain individuals who are responsible and reliable. Replacing good employees is an expensive proposition and thus, if a valued employee is exhibiting signs of burnout, soft intervention may be the key.

## Steps to Consider

A deteriorating employee performance does not necessarily justify dismissal; it may be an indicator that a closer look at the employee is necessary by way of a gentle intervention.

The first step is to meet and speak frankly and confidentially with the employee to understand what may be bothering them:

1. Be receptive and non-judgmental when listening to the employee's side of the story.
2. Determine the major issues and agree that these need to be overcome.
3. Review the employee's responsibilities to understand not only what they do but also to become aware of the job process overall. This will help you see the issues and enable you to determine whether any process, personnel, or job skills need to be changed.
4. If problems outside the workplace are the main issues, determine whether they can be dealt with by giving the employee time off. It could be that they have been stressed by family sickness, divorce or financial troubles. Regardless of what those issues are, your understanding provides reassurance and tells the employee you value them enough to want to help them get over this hurdle and remain with the company.
5. If the problem is job-related, work with the employee to determine what changes to the job would fix the problem. Perhaps it is less overtime, more training, flex time or moving an individual to a different task to make the job more interesting.
6. If the issue stems from management (your managers or perhaps even you), the employee might provide insight into issues of which you are already aware and this may lead to a productive review of management methods.
7. Ask the employee what they would do not only to improve their outlook on the job but also the outlook of other employees (after all, they are part of the team). Do they need more frequent breaks, incentives, recognition or rewards to build a more positive attitude toward the workplace?
8. Consider a "buddy system" and team the individual with a co-worker who has a more positive attitude.
9. Ask the employee whether they see any advantage to seeking counsel from a professional.

10. Follow-up is an important part of the process. As the initial meeting draws to a close, summarize the major issues, agree to a timetable to implement any changes and set a date for follow-up meetings to evaluate the steps taken and agree to any modifications.

## Watch and Listen

Watch and listen to your employees. Their behaviour will tell you whether anything is wrong. Learn to recognize the indicators of stress. Show your employees how much you value their involvement with your organization. A disgruntled employee may be the first sign that you need to re-examine your business model and create an environment that is less stressful but more productive and profitable.

## TAXATION

# Take Two



**Make sure you collect and keep all your receipts for tax-deductible medical and moving costs.**

Now is a good time to take a look at two tax deductions that taxpayers often think little about until the approaching income tax deadline sends them scurrying to find all those illusive receipts they might need for the end-of-the-tax-year meeting with their CPA.

## Medical Receipts

Over the last few years, the Canada Revenue Agency (CRA) has made many changes to allowable medical expense deductions. Technological advances and recognition of non-traditional treatments have created a broader range of deductions. By way of example, claims are now allowed for:

- phototherapy equipment for treating psoriasis or other skin disorders
- vehicle modification to enable wheelchair-bound individuals to drive a vehicle
- medical marihuana if the person is authorized under the *Controlled Drug and Substances Act* to purchase or produce this otherwise illegal drug.

Many taxpayers claim medical expenses that are not deductible. As well as listing expenditures that are deductible, the CRA details the conditions for which expenditures are not deductible. For example, a prescription issued for over-the-counter vitamins would not be allowable because the item could be purchased without a prescription.

Your province or territory of residence may determine whether the health care service is tax deductible. For instance, acupuncture is not recognized as a medical practice in Nova Scotia, Saskatchewan, Prince Edward Island and the three territories; this suggests that an acupuncturist's billings may not qualify as a tax deductible medical expense for taxpayers who live in these geographic areas.

Because of the ever-expanding list of deductible expenses for treatments and drugs, the CRA website includes a link that lists allowable medical expenses.

*People often forget to keep receipts.*

## Moving Expenses

Canadians are mobile. A study by the Vanier Institute of the Family shows that 41% of Canadians moved in the five-year period between 2001 and 2006. Unfortunately, during the move itself, people often forget to keep receipts for expenses incurred. The general rule is that, if you are moving to carry on business, moving for employment, or to become a full time student in a post-secondary educational institution, you are entitled to deduct moving expenses.

There are, however, some provisos:

1. You cannot deduct moving expenses against investment or employment insurance income.
2. You must have moved at least 40 kilometres closer to the new place of business, place of employment or educational institution.
3. Moves must be within Canada. (There are some exceptions; for more information on eligibility and exceptions see the CRA's "Information about Moving Expenses" at [www.cra-arc.gc.ca/E/pbg/tf/t1-m/t1-m-14e.pdf](http://www.cra-arc.gc.ca/E/pbg/tf/t1-m/t1-m-14e.pdf), or consult your CPA).
4. You cannot claim expenses that have been refunded.
5. Moving expenses cannot exceed the net income earned from the new business or place of employment.
6. Students who receive taxable scholarships or research grants cannot deduct expenses that exceed these amounts.
7. If the entire moving expense cannot be used in the year of the move, it can be carried forward to the next tax year and beyond, if applicable.

Possible expenditures include:

1. The cost of moving the personal effects inside a mobile home is deductible, but the cost of moving the mobile home is not.
2. Transportation and storage costs for all household items as well as recreational items are deductible.
3. Travel expenses include vehicle expenditures (the most obvious of which is fuel), meals, and temporary lodgings for the taxpayer and family members. Temporary lodging is limited to 15 days.
4. If you rent, lease cancellation for the former residence is deductible.
5. If you own, vacate the premises to move, and incur expenses during the selling period you may claim up to \$5,000 for the cost of insurance, property tax, interest, heating, and utilities. These deductions do not apply if you are renting the vacated property.
6. Costs, such as legal fees, advertising, real estate commissions or mortgage penalties for paying off a mortgage before the maturity date are also deductible. If you purchase a new home in your new work location, costs incurred for legal fees, land transfer fees or registration costs can be claimed.
7. To claim meals and vehicle expenses as tax deductions, the taxpayer has the option of choosing the detailed or simplified method. For meals, there is a predetermined flat rate per person; for vehicles, the distance from the start of the move to the destination must be determined. A cent-per-kilometre amount (as prescribed by the CRA) is used as a multiplier to obtain the allowable expense deduction.
8. With respect to moving expenses carried forward, they can only be applied against the original self-employment or employment income earned.

Some expenditures cannot be claimed:

- replacement of personal-use items
- cleaning or repairing a leased premises
- expenses incurred to fix up the old residence for sale
- mortgage default insurance
- job hunting travel expenses
- cost of replacing items movers may refuse to take (plants, gasoline, ammunition, paint, etc.)
- any loss incurred on the sale of your home

Whether filing for medical or moving expenses, the CRA may audit your return and require documentation to establish whether the expenses are justified. Medical expenses can be claimed for any 12-month period ending in the tax year; if the taxpayer has died within the year, the period is extended to 24 months and must include the date of death. Since moving costs can be carried forward to apply against future years' income, the taxpayer may be subjected to a CRA audit after the first year of claiming if the carry forward is available and used in the following year. In any case, it is the responsibility of the taxpayer to obtain and keep all documentation required to support the deductions claimed.

## Plan Ahead to Keep Those Receipts

At this time of year, many students and employees are looking forward to moving to further their education or relocating for that new job. Along with the anticipation of an exciting move, comes the cost of ensuring adequate medical coverage and transportation needs. Take advantage of the tax allowable deductions by collecting and carefully filing receipts for all costs associated with your move and provide them to your CPA.

## MANAGEMENT

# A Joint Commitment



**Any business is a joint enterprise between its employer and its employees.**

### Working Together

Employers and employees benefit from each other. Certainly employers have responsibilities for their employees as the many rules and regulations contained in employment legislation demonstrate. On the other hand, employees must understand they too have to conduct themselves responsibly to ensure their employers continue in business. Employees should understand that, if the business they are working for goes under because their behaviour has led to low productivity, layoffs, lawsuits and weak earnings, no one benefits.

Employment contracts should be designed to ensure the continued well-being of both the employee and the employer. The contract should cover remuneration, hours of work, days of work, breaks, vacation pay, deductions from pay, job location, overtime requirements, duties and responsibilities.

These areas of common concern are a starting point, but other areas put both the employer and employee at risk during the normal work day. Employers are subject to “vicarious liability” (i.e., the employer may be liable for the acts of employees while the employees are on company business). Some violations of the terms of employment may even have consequences for the private lives of the employees, such as driving on company business while impaired.

## Upfront Explanations

Employees should not feel obligated to sign an agreement before they have read and understood it. The employee should ask for an explanation of any article of the agreement they do not understand. For instance, an employee may well wonder why it is necessary to provide information regarding infractions under their provincial highway traffic act. Management can answer that the business could potentially face higher insurance costs if the employee is found responsible. There could even be a lawsuit. The employee should be made aware that commission of an offence at work can have an impact on not only their employer and their own employability, but also on their personal lives beyond the workplace.

*The type of business determines the conditions of employment.*

## What Should Be in an Agreement?

The type of business will certainly determine the conditions of employment the owner-manager wishes to include in any agreement. For example, an employer may request the employee agree to and understand some or all of the following factors:

1. The employee is responsible for filing personal income taxes and ensuring that any discrepancies in remittances to outside entities (whether taxation or health plans, insurance, etc.) are brought to the attention of management to ensure that both parties to the agreement are in compliance.
2. Under the *Occupational Health and Safety Act of Ontario*, the employer must “instruct, inform and supervise workers to protect their health and safety”. Employees must “work in compliance with the *Act* and regulations”. This means workers must:
  - use or wear the right equipment
  - report hazards
  - not remove any protective device
  - not operate equipment in a way that would endanger other workers
  - not engage in pranks, contests or feats of strength
3. The employee may also be asked to agree that arriving at work impaired or using illegal drugs or alcohol during contract hours is strictly prohibited and could result in immediate termination.
4. Distracted driving laws may require the inclusion of paragraphs that outline the employee’s understanding and agreement that the use of any handheld device such as, but not limited to, cell phones, tablets, or laptops, in violation of provincial highway traffic legislation is strictly prohibited and that use of any or all of the above could result, at the discretion of management, in termination.
5. An employee, while under contract, must notify the business in writing immediately of any traffic violation citation regardless of whether the citation results in a conviction.

## Legal Counsel

Because employment law and regulations vary from province to province, owner-managers should seek legal counsel once they have determined what needs to be included in employment contracts. Counsel can then decide whether your requirements are recognized in law and either incorporate them or look for an alternate approach.

## Continuous Care

Employers usually find it difficult not only to keep abreast of changes in the rules and regulations, but they also have a difficult time ensuring these changes are passed down to employees. It is advisable to retain an employment lawyer familiar with your business to not only construct your first employment agreement but also to keep you informed of the changes that could impact your business. This could reduce the possibility

of serious and expensive litigation from employees or third parties claiming your company is not meeting its legal responsibilities in the employer/employee relationship.

## TECHNOLOGY

# Virtual Offices



**Virtual offices reduce costs significantly for certain types of business.**

Offices are familiar places that serve practical functions: the site where employees work, a location to meet with clients, and a centralized storage space for paper files. Historically, many service-based businesses (e.g., insurance, accounting, research, finance or sales) were able to maintain bricks-and-mortar offices because they had the critical mass needed to justify the cost and overhead of commercial space.

## Office Alternatives

The definition of workplace has changed considerably and continues to evolve because the nearly ubiquitous availability of portable tools and technology has profoundly changed the way we can work. The Internet is required for most kinds of work. WiFi and cellular network coverage mean Internet access is available nearly everywhere. Similarly, the portability of computers makes working from an airport, coffee shop or even a park possible. Laptops under three pounds with long battery life are readily available. You may even be able to work using just a mobile device such as a tablet, which can weigh less than a pound.

## What Is a Virtual Office?

Virtual offices and office sharing are ways for small businesses to avoid the costs associated with traditional office space. Overhead such as rent, liability insurance, maintenance and cleaning services is no longer an unavoidable cost of doing business when the only space needed is the amount required for you and your laptop. In its simplest form, a virtual office provides a business mailing address and mail handling, and telephone answering services.

Virtual office services can be purchased separately or, more typically, bundled in with the cost of the virtual office. Naturally, a greater number of services will result in a higher fee, but you still only pay for what you need. This cost is often lower than the cost of maintaining a full-time staff member, especially when you do not require a high volume of administrative work. Simple virtual office companies that provide only a mail service may charge as little as \$30 per month. If a dedicated number and live call answering is required, costs may rise to \$70 or more.

## Office Sharing

Office sharing (or co-working) services can provide a physical office space to suit your needs. These services can offer all the benefits of your own bricks-and-mortar office space without the costs associated with maintaining that space once you no longer need it. Virtual office and office sharing companies may offer services such as:

- business address for mail and delivery
- mail receipt and forwarding
- reception services to receive your calls
- access to a desk, office or collaborative workspace
- use of conference and meeting rooms

- office administration services such as data entry, faxing or photocopying
- equipment and space necessary for presentations
- catering, lunch, and coffee
- secure storage areas
- phone, Internet and WiFi

The larger virtual office companies have expanded to all the major metropolitan areas. Many provide the ability to book an office or service anywhere your business may carry you. If you have to make a presentation or meet with associates in a strange city, the virtual office company may be able to provide audiovisual equipment or find you space in a hotel.

*Productivity and use of time improve.*

## Virtual Office

There are many benefits to having a virtual office. Productivity improves. Time formerly used to travel can now be used to work. Billable hours increase as a percentage of the number of hours worked each week. Other benefits are also important:

- Capital asset expenditures are minimal.
- Overhead and carrying costs are almost non-existent.
- Daily travel costs are significantly reduced.
- The bottom line improves now that more hours generate revenue.

There are potential downsides to a virtual office as well:

- A 9-5 routine in your home office can suffer from distractions.
- Work-life balance can become a tricky juggling act.
- Clients cannot just “pop by” quite as easily.
- Less interaction with people can lead to “social starvation”.

Even though these negatives may seem to some a deterrent, to others they may be a selling point. Some people may see less social interaction as an alleviation of distraction, and others may find the flexibility of working from home a life-improving benefit.

## Lower Costs and Better Service

The new world of entrepreneurs views virtual offices as an opportunity to provide better service to their clients without the need for administrative overhead and the stress that accompanies it.

Although virtual offices may not be a good fit for all service businesses, there is a growing number of companies that no longer require an office to present to their clients as a symbol of their success and prestige. A service business that seldom has clients “dropping in” or has clients and associates around the world may be better suited to a virtual office, not only to reduce costs but also to improve the bottom line.

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