

Lynn's Income Tax & Bookkeeping

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GENERAL EXPENSES

Expenses and allowances you are allowed to claim:

ACCOUNTING FEES: You are allowed to deduct accounting and legal fees incurred to get help and advice in preparing your income tax returns.

ADVERTISING: You are allowed to deduct any expenses incurred for advertising (your business or the opportunity).

BAD DEBTS: You can deduct any cheques that were insufficient funds and that you were unable to collect.

BUSINESS TAX, FEES, LICENSES, DUES, AND REGISTRATIONS: You can deduct any annual license fees, business taxes, or registration fees incurred to run your business. Costco memberships would come under this category.

BUSINESS USE OF HOME EXPENSES: You can deduct a portion of your home expenses provided you have a work space in your home for your business. You can deduct a portion of your heat, electricity, home insurance, maintenance (if it affects your office in the home), property taxes, mortgage interest, or rent. You will need the total of these amounts as they are prorated using the total square footage of your business space and the total square footage of your home. You can use the home expenses to bring your income down to zero but you cannot use it to create a loss. You can, however, carry your unclaimed home expenses to a future year for this business. Always make sure to claim all the home expenses regardless of whether you use them in the current tax year. You must also keep each utility and expenses separate for tax purposes.

CHILD CARE EXPENSES: You can deduct any babysitting or child care expenses incurred for times when you are actively performing your business duties or attending necessary training/meetings. You must make sure get a receipt with the sitters name, address and social insurance number regardless of whether they are an adult or teenager. Some teens do not have a social insurance number, however if you have the rest of the information, you can still deduct the expense and have the teen put on the receipt that they are students only.

COMPUTERS: Many home based businesses are buying computers to keep their records, do invoices, spread sheets or whatever meets their needs for their business. This is a depreciable cost over time. Any software bought for the business is a office expense. The printer, paper, ribbons, toner or any other expense to do with the computer is also an expense.

CONVENTIONS: You deduct the cost of going to not more than two conventions a year. This is in addition to the other travel that you may do for functions that are not conventions. It would be in your benefit to claim the two most expensive conventions if you go on more than two in a year. You claim how you got there, how you got back, where you stayed, the meals (meals are still claimed at 50% regardless), renting a car, paying parking and if you paid to be shuttled from the airport to the hotel and back.

COURIER: You can deduct the courier fees or freight that you pay or are billed for your business.

EQUIPMENT: You can deduct any equipment bought for your business that cost \$200 or more as it is depreciated on the tax return. These should be listed as to what it is and price you paid. If you paid less than \$200 for an item, it will be listed with the tools and expensed for that taxation year.

GIFTS AND GIVEAWAYS: You can deduct any item purchased for use as a gift or giveaway in the course of your business. This could include gifts that you purchase for birthdays, christmas, or any special occasion where people would get to know your product and possibly buy more in the future. You can also claim gifts or flowers that you give a sick client or customer. You may purchase a gift certificate for a person in your group, upline or downline.

INTEREST AND BANK CHARGES: You can deduct interest, maintenance, over-draft fees, and service charges incurred in a bank account. You may also deduct the portion of interest incurred on a charge card that is used for business purposes.

MAINTENANCE: This category would include repairs to computers, printers or any equipment for your business. You would put repairs or maintenance solely for your office in this category.

MEALS AND ENTERTAINMENT: You can claim 50% of your meals and any entertainment (not golfing) when you travel, go to a convention, conference, training, or meeting. This also includes the tips you pay the waiter/waitress.

MOTOR VEHICLE EXPENSES: You can deduct expenses you incur to run the motor vehicle you use to earn business income. This includes: gas and oil, repairs and maintenance, car insurance, license plates, car wash, auto club, and parking. You can also claim the interest on a car loan you are still paying or lease costs. You can depreciate the portion of the vehicle that pertains to the business according to the mileage used for business. All of these have to be supported by receipts and must be reasonable. To make sure you receive the full benefit of your claim, you **must keep a separate record and mileage log for each vehicle.** You must write down the starting kilometers in the year and the ending kilometers of the year to give the total mileage driven in the year. The log book is kept for the business mileage. Your log book should show the date, the starting kilometers, the ending kilometers, the destination and the purpose of your trip. You must keep **ALL YOUR RECEIPTS FOR PERSONAL AND BUSINESS** in order to prorate the proper portion to the business. If you do not keep a log book, there is a good chance Revenue Canada will not allow your automobile expenses. This is usually the biggest expense you have in your business.

OFFICE EXPENSES: You can deduct office expenses such as paper, pencils, forms, catalogues or other items you use as an office supply or expense. You would put faxing, photocopying and postage in this category also.

SUBCONTRACTORS OR CASUAL LABOR: You can deduct the cost of paying someone to help you in your business if you do not have them on payroll. If you are in the construction field, you must get the subcontractor's name, address, social insurance number and business number if they have one. There is a special form to be filled out for Revenue Canada that requires this information.

SUPPLIES AND SAMPLES: You can deduct any sample items or products purchased for your business as a demo. This would also include any samples you buy for your clients to sample. If you buy a product for yourself and it can be used to demonstrate the products of your business, that can also be classed as a sample. You can deduct any product you buy for yourself that is visible to your customers or clients as a sample or demo.

TELEPHONE, FAX, CELLULAR, PAGERS: You can deduct the cost of your telephone rental and any long distance phone calls that pertain to the business. If you get a separate line for a fax machine, that is also deductible. You can claim a cellular or pager bought for business purposes. All expenses must be reasonable.

TOOLS: You can deduct the small tools (under the cost of \$200) that you purchase for your business. If your tool purchase is more than \$200, it is depreciable equipment and should be listed separately to be put on a different form in the tax return.

TRAININGS, MEETINGS OR FUNCTIONS: You can deduct any expenses incurred to attend trainings, meetings or functions. This is usually your entrance fee paid at the door.

TRAVEL EXPENSES: You can deduct all the travelling expenses incurred to go to an out of town meeting or function. You can claim the public transportation (air, bus, car rental), hotel accommodations, meals (only 50% which is still claimed in the meal section of the tax return), and any other expenses that are incurred for the business while away from home.

Please note: It is extremely important to have all the supporting receipts and documents for your expenses. Make sure you have all your receipts very well documented, that you know what each receipt is for. You will not remember what the receipt is for in two or three years unless you have it written on the receipt.

REMEMBER, IF YOU ARE AUDITED, YOU WILL NOT BE SITTING BESIDE THE PERSON AUDITING YOU TO EXPLAIN THOSE RECEIPTS. You MUST keep all your receipts and paperwork for SIX years from the day you have your tax return completed. You have to ask for Revenue Canada's permission to destroy or throw away your tax records before the six years is over, even after your business no longer exists.