



## The BUSINESS Toolkit

# Writing Off Business Expenses

### General Limitation

For an expense to be deductible it must be **reasonable in the circumstances and for the purpose of gaining or producing income** from business or property.

**Tax Tip.** Get separate receipts for business purchases. Cashiers are happy to ring up separate receipts and it eliminates calculations.

### Auto Expenses

You can deduct auto expenses incurred to earn business income. Expenses include the **business portion** of fuel, maintenance and repairs, insurance, lease payments,\* or interest\* and capital cost allowance\*.

Since the **onus of proof** is on the taxpayer, an Auto Log is essential. Without one, CRA will disallow all of your auto expenses.

To get the full benefit of your claim, keep a detailed Auto Log of the total mileage driven in the year **and** the total business mileage driven in the year. Include all the details: date, destination, purpose of trip, and the beginning and ending mileage.

**Tax Tip.** Use a mileage app to track your business mileage.

### Business Meals

Reasonable amounts paid for food, beverages, or entertainment are deductible if they were incurred **for the purpose of earning business income**.

The maximum deduction is 50% - this includes the cost of travel meals, restaurant certificates and meals at conferences. Meals and beverages consumed at a golf course must clearly be itemized.

**Tax Tip.** Keep the receipt that shows the amount paid including GST; your credit card statement is not enough. On the receipt, note the person(s) entertained and the reason for the meeting.

### Golf Courses and Clubs

No deduction is allowed for any expenses incurred in respect of membership or green fees at a golf club.

**Tax Tip.** Keep your green fees receipts separate from any meals consumed at golf courses.

\*some limits apply

### In-Home Office Expenses

A portion of your home is deductible as a business expense, if one of the two tests is met:

- it is your principal place of business
- OR**
- the space is used exclusively for earning business income and it is used on a regular **and** ongoing basis to meet clients and/or customers.

Home office expenses include:

- Gas
- Hydro
- Insurance
- Mortgage interest only (not the payment) **or** rent
- Property taxes, water, sewage
- Strata fees
- Repairs and maintenance
- Alarm monitoring

For proprietorships and partnerships, home office expenses cannot be used to create (or increase) a business loss, but can be carried forward and may be applied to a future year.

**Tax Tip.** Always get a legitimate business receipt. It should contain the name of the individual or business, address, phone number, date (including year), a description of the purchase or service, GST (if applicable), the total, and an indication that the amount has been paid.

This information is current to March 2020. It is of a general nature and is not intended to address the specific circumstances of a particular individual. You should not act on this information without appropriate professional advice after thorough examination of a particular situation. E&OE