

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 2023. 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