



So, you're self-employed. Now what?

Keep all receipts!!!!!!!!!!

If you find yourself asking "I wonder if I could use this?" Then keep it.

Like what?

The first two are the most important to understand!

Meals:

1. All meals where you have met with a potential client
2. Meals if you are traveling outside of your home base for more than 4 hours
3. Meals when out of town on a conference and/or training

All meal receipts should have the potential client's name on it or the reason you are out of town.

All receipts should not only have how you paid slip (i.e.: debit or credit card) but also the actual invoice from the restaurant.

Alcohol is deductible as long as it's a part of the meal.

Vehicle:

Write down your mileage right now at the beginning of the year. Then you will write it down at the end of the year as well. This will help you figure out the total mileage you drove in the year.

Get a log book or some system to track how much you drive for business purposes. The mileage from your house to the office is not part of the 'for business' purposes. The mileage from office out to clients is. The mileage from

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your house to the client is. Per CRA: Log books must confirm the date, the place of departure, the place of arrival, the purpose and the total distance travelled for each trip.

The difference between the mileage for business purposes and the total driven for the year is the percentage of all the vehicle expenses you get to deduct.

Keep 100% of all your receipts for the costs of your vehicle.

Expenses include: fuel; insurance; loan payment – interest portion only; repairs; car washes; oil; windshield fluid; any cost in order to operate your vehicle.

Advertising and Promotion:

Advertising is fairly obvious. You put ads in papers or internet and so on. Buying signs and displays that attach to your vehicle are considered advertising.

Promotions can include buying thank you gifts for clients. The receipts for such things must have the client's name on it.

Promotions can include the cost of attending a home show/fair or event.

Interest and Credit Card Charges:

If you have to get a loan in order to operate your business, the interest portion, of the payments, are deductible.

If you have a separate bank account (which is recommended to keep information more organized), any bank charges are deductible.

If you use the credit card, then the credit card charges are deductible as well. Using a separate credit card is highly recommended to keep personal separate from business. As you should only claim the business portion of the credit card charges.

Memberships, fees, dues and licenses:

The costs for memberships; dues; business licenses; fees that are all related to you being able to operate your business can all be included together here.

Unless you are incorporated, include training and professional training in this category as well.

Office expenses:

The easy part of this are expenses such as paper, pens etc. for the office. You can include in this category the cost of mailing packages; parking meters; computers and software; and office cleaning supplies.

Professional fees:

These include lawyer fees, accounting fees and consulting fees you pay out.

Rent:

Rent is the rent you pay for an office space that is not in your home.

Rent as the Business use of your home:

If you mainly work at home (more than 50% of the time), you may claim a percentage of your home expenses if you are doing most of your business in your home. In order to do this, first you must know the square footage of the whole home. Then you must calculate the business/office area plus common area (include the hallway, bathroom, entrance way...). The percentage of the business area over the whole area is the percentage of the home expenses you can claim.

The home expenses include: Gas; Electricity; Water/Sewer; Rent or Mortgage interest; Property taxes; Insurance and Maintenance.

Travel:

Travel includes costs of conferences or client meetings out of town, flights, hotels and meals.

Telephone:

Your cell phone is deductible 100% as long as you use it mostly for business purposes. If you find that it is more personal than business, then prorate the amounts.

From your home (land) phone bills, any long distance directly related to the business and any added features for business purposes may be deductible as well. (They must be highlighted).

All receipts used for business purposes need to be tallied up at the end of the year. These receipts then will be saved and stored for 7 years. If in the event of an audit, you must be able to present the receipts used as proof. The log book for automotive expenses is EXTREMELY IMPORTANT along with the names on the meal receipts.

OTHER INFORMATION: We now have to list any and all websites that your business is associated with and earns income through, and what percentage of your total income is earned from the website. IE: If I have your website listed on my own website and someone clicks on the link then calls you. The income earned from that call is earned from the website. Seems there are too many folks out there that are not claiming the income they earn from on line dealings and so on.

What could flag an audit by Canada Revenue Agency?

Folks, through the years, clients have asked me: What flags an audit? Well there is a list of different things. A few of the most common ones are:

- a- Showing no income on the business statement but claiming expenses
- b- Having consecutive losses on business and/or rental businesses
- c- Showing gross income higher than \$30k but not registered for GST
- d- Showing a low taxable income but living in a postal code area of high end communities
- e- Declaring a large GST refund for a first time after always paying something before
- f- Claiming high vehicle costs compared to the income reported
- g- Now in 2016 CRA will be reviewing those who have reported consecutive losses on business and rentals.

I have been in the accounting business for over 30 years. I have been preparing personal and corporate tax returns more than half of those years. You will hear me say many times "If in the event of an audit". I do this to emphasize the importance of what I share with you.

In all my years of working with many clients, family and friends, I have created a team of knowledgeable people around me.

I'd like to share with you ButlerMedia.net. Mr. James Butler has over 24 years of experience in website development, graphic design and printing contracting. He can help you develop strategic marketing content that is appropriate and beneficial for your business. He is helping me create my website where you will be able to access information such as this presentation, on line.

On my new website, I'll have the ability to have my clients' business information on it, including their websites. It will be a good place to check out who has the skill set that you are looking for. I like to support those that support me.

My basic tax return starts at \$70, adding a statement of business activities to it will result in approximately \$160 total fees. Now, it will cost more if you would like me to do the sorting, compiling and adding up of receipts or if there are more informational slips such as medical or donation receipts. It's up to you how much work you do or I do. The price, if incorporated goes up from there as there is a lot more work involved. My minimum corporate return starts at \$1,450.

Whether or not you choose us for your accounting or tax needs, this information that I am providing is extremely important for you to know. The information is out there; but I think this handout explains it well enough for you to understand.

Thank you for your time.

Cheryl Butler

Other services we provide

Accounting:

Corporate income tax preparation

GST/HST Filings

Payroll

PST Filings

WCB Filings

Bookkeeping: monthly; quarterly and annually

Incorporating

Corporate Minute Book management; Filings with Corporate Registries

Excel Spread sheets

Fax services

Form filling

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