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# The BUSINESS Toolkit

# Unlock Tax Savings

## 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 recommended. Without one, it is difficult to prove your entitlement to a deduction and you risk a reassessment of your allowable 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.** Keep your Auto Log handy when you start your car and complete it every day. If you change cars or have more than one car in the year, you must keep separate records.

## 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.

\*some limits apply

## 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.

## 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 (not the entire payment) or rent
- Property taxes
- Strata fees
- Repairs and maintenance

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 January 2009. 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

At **Munro & Co CGA**, we focus on identifying problems and providing solutions for you; the small business owner/manager. This allows you to concentrate your efforts where they count; growing your business to its maximum potential.

We prepare tax returns for individuals, businesses and corporations with basic and advanced tax requirements. Whether you are an employee, business owner, investor, or retiree, we can help you keep more of your hard earned income.

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