



## 10 BASIC TAX BREAKS YOU SHOULD KNOW

It's that time of year again! Tax compliance. Which means that it is time to claim your taxes to the Canadian Government. If you are a small business owner you may be eligible for additional tax breaks. Some are simple. Others you may not know about. This could result in thousands of dollars saved for your business. The rule is that the expense must have been incurred for the purpose of earning an income.

The self employed or contractor workers who are making an income that pushes them into a higher tax brackets may wish to consider incorporating. Make sure to consult with a professional or your accountant before you do this as there are pros and cons to operating your business this way.

1. **Home Business Tax Deductions.** Operating your business from your house will reward you with tax deductions. Keep in mind you will not be able to write off the full balance of your mortgage. There are rules that include limiting the claim to the space used for business versus total space of the home. The claim may range from the interest of mortgage payment to only the operating expense of the home. Renovations or improvement costs can not be claimed. Your business making a profit or not, will also affect this claim. However, rent and utilities may be deductible.
2. **Vehicle & Travel Expenses.** Keep all receipts and even better, mark down what exactly you were traveling for and who you were with. This will leave no questions come tax time if this was a business trip or not. When it comes to vehicle expenses, unless the vehicle is only used for business, you will need to track the distance used for personal and business travel. You will only be able to claim the distance used for business travel so keep that in mind. A percentage of the maintenance and payments may also be written off.
3. **Cell Phone.** Similar to vehicle expenses the cell phone has a personal factor built in. So unless you have a separate business phone and personal phone you will only be able to write off a percentage of the phone bill.
4. **Accounting & Legal Fees.** Yes! You can fully deduct your accountant and legal fees. Like everything else you will need to prove you purchased this for your business so keep all important documents.
5. **Private Health Plans.** You are able to deduct (PHSP) Private Health Services Plan Premiums that you pay to insure yourself or any member of your household as long as you are sufficiently self-employed. Basically, you must be fully engaged in your business



on a regular and continuous basis and your net income from being self employed needs to account for 50% or more of your total income for the year. Chapter 3 of the *Canada Revenue Agency's Business and Professional Income Guide* explains how to calculate your income so you are certain you qualify for this tax deduction.

6. **Insurance.** Company insurance is deductible at the full price paid. It is important to have business insurance to protect you and your assets.
7. **Supplies.** Yes, you bet! The pen you are writing with, the paper you are printing on, the sticky note, white board, and stapler all are deductible. Owning a business is great!
8. **Business Licenses, Dues, Memberships, and Subscriptions.** Many small businesses use memberships and subscription services to help them handle the day to day operations of their business. This helps save time and make things run more efficiently, but they are also tax deductible.
9. **Bank Charges and Business Interests.** When you operate as a small business or incorporating you will need to have a separate business bank account. This will help track income and expenses strictly for the business. This is important because at the end of the year you will want to know which expenses were for business and which were personal. A Business Bank Account has different fees and banking options available to you. Most of which come with their own rules for deductions.
10. **Advertising, Promotions, and Marketing.** You're going to grow your business, so keep in mind that every dollar spent on advertising, promoting, and marketing your business is fully deductible at the end of the year.

These are just some of the tax breaks available for small business owners. The possibilities are truly endless with over 11,000 amendments to Canada's basic tax laws. That is why it is super important to consult a professional. This is your wealth and your freedom we are talking about!

If you would like more information about any of these tax breaks or are interested in hearing about more complex strategies, please feel free to **call us at (403) 735-5055 or send us an email at [marketing@strategictaxinc.com](mailto:marketing@strategictaxinc.com)**.