

## Tax Tips for the Sole Proprietor

If you have business activities to report as a sole proprietor, here are some important reminders and tips to help you with this year's income tax filing.

- **Filing deadline is June 15<sup>th</sup> of the following year** - for you and your spouse/common law partner. Although interest on any unpaid tax balance still kicks in on May 1<sup>st</sup>, late filing penalty will not start until June 16<sup>th</sup>. Best defense is to make a tax instalment on the estimated unpaid balance by April 30<sup>th</sup>.
- **Home office expenses** - business portion of qualifying home expenses includes mortgage interest, property tax, utilities, insurance, maintenance, minor repairs, strata fees, and rent. The amount is usually based on a percentage of square footage of your home office space, in relations to the total square footage of your home. Keep in mind these expenses can only be claimed against business income. You are not allowed to create or increase your business losses using these claims. It's a good idea to keep track of unused home office expenses as they can be carried forward to apply against future business income.
- **Telephone and communications** - don't overlook claims for extra telephone features (such as voicemail, call forward and call display) for business use, extra phone line for fax and internet access, cellular phone, pager, and internet access. Of course, business long distance charges are still 100% deductible.
- **Automobile expenses** - using your car for business purpose entitles you to claim a portion of its operating costs against your business income. Qualifying items include gas, oil, maintenance and minor repairs, insurance, car washes, auto club membership, aircare, car loan interest, depreciation, leasing costs and parking. To support your business claim, it is best to keep a car log documenting your daily business kilometres. Pay special attention on maximum allowable limits on certain car expenses such as interest, depreciation and leasing costs.
- **Wages for family members** - consider paying family members (spouse or common law partner and children) a fair and reasonable amount for their services rendered to your business. This is an effective mean to split income and can result in a more favourable overall tax bill for the family.
- **Asset purchases** – buy or replace business equipment as close to December 31<sup>st</sup> as possible to increase depreciation claim for the year. Most capital assets are entitled to 50% of the normal allowable rate in the year of purchase, regardless of when during the year the items are purchased. The best day to buy to maximize depreciation claim is, of course, December 31<sup>st</sup>!
- **Document retention** - for tax purpose, don't forget to properly file and save all your business receipts for at least six years. They are the proof that you incurred the expenses claimed in the course of earning business income.

For more information, consult a tax professional or visit the tax department's website [www.cra.gc.ca](http://www.cra.gc.ca).