# *Self-Employment? … It could be taxing*

If 2018 was the year you decided to start your own business, you are not alone. Statistics Canada estimated there were a little fewer than 3.8 million self-employed Canadians in 2016.

With more Canadians becoming their own boss, there are a number of tax implications that need to be considered. You have probably already realized that your T4 is not coming in the mail, and you need to sort through your invoices and receipts.

### *Home Office Expenses*

Working from home means an easy commute in the morning and, since it is your principal place of business, you may be able to claim some of your home expenses. Depending on the amount of space you use for business and/or client meetings, you can claim a prorated portion of your utility payments, property taxes, mortgage interest and home insurance costs. It is important to remember, only mortgage interest is deductible – not your mortgage principal.

### *Office Expenses*

While office supplies like paper and staples are fully deductible, bigger items such as computers and office furniture must be depreciated over a number of years according to the Capital Cost Allowance (CCA) rules.

Remember, you can only deduct half the annual rate in the first year. So if you purchased furniture (for which the rate is 20%) for $1,000, you would only be able to deduct $100 against your business income in the first year. In the second year, you can deduct 20% of the balance remaining, or $180 (calculated as $900 x 20%).

### *Automobile Expenses*

Entrepreneurs who NEED a car are allowed to claim the portion of the expenses that relate to the business. This includes gas, maintenance, auto club membership, license fees and insurance. It is important to document vehicle use for both personal and business travel, so invest in a log book or record system to keep track. The Canada Revenue Agency (CRA) may deny your claim or reduce it if you cannot document your business travel.

The CRA recently announced it will accept a logbook for a sample three-month period as evidence of a full year's usage of a vehicle. However, there are strings attached. In particular, you must have previously maintained a logbook for a full 12-month period that was typical for your business. As well, the distances travelled and the business-use of the vehicle for the three-month sample period must be within 10 percentage points of the corresponding figures for the same three-month period in the base year. Lastly, the annual business use of the vehicle does not go up or down by more than 10 percentage points in comparison to the base year.

A Porsche or Hummer may be the right vehicle for your business image. However, there are limitations on how much you can claim for luxury vehicles. The ceiling on CCA claims for 2017 is $30,000 plus GST and PST. And if you want to lease, the ceiling is $800 per month plus GST and PST.

### *Employee Benefits*

Insurance and health benefits are another concern for self-employed people. If you opt to pay for a private health service plan, you may be able to deduct the premiums as a business expense. To qualify, either your self-employment income must be 50% of your total income or your income from other sources must be $10,000 or less.

### *Filing Deadlines*

Self-employed people do have a little bit longer to file a tax return – until June 15. However, if you owe the government money and file after April 30, they start adding interest after the due date. So, it may be worthwhile to sort through your receipts and get your tax obligations figured out to avoid the interest charges.