

Liaison Officer Service

Informational session for self employed individuals and small business owners

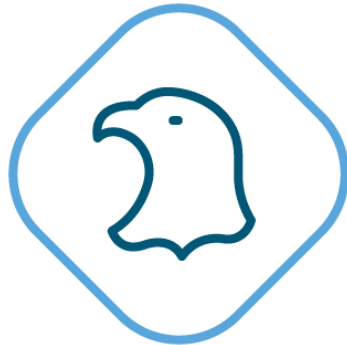


Canada Revenue
Agency

Agence du revenu
du Canada

Canada

Land acknowledgement



Notes

This seminar and its relevant documents are intended solely for the explanation of general tax concepts and do not replace any tax laws or regulations contained in the Income Tax Act, the Excise Tax Act, and the Canada Pension Plan and Employment Insurance Act.

Information contained in this product is up to date as of August 2025 and may be subject to change.

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CRA's Liaison Officer Service

The Liaison Officer (LO) service offers **free, personalized support** and guidance to owners of small businesses and self-employed individuals. Our goal is to help you understand your tax obligations and avoid common errors.

The LO service is available across Canada and is available in person, by phone or online via MS Teams. A visit with a liaison officer is **100% confidential**; the information you choose to discuss with a liaison officer will not be shared with other areas of CRA, or anyone else.

Your Rights

**YOU
HAVE
THE
RIGHT
TO**

The **Taxpayer Bill of Rights** is a set of 16 rights that you have in your relationship with the CRA. These rights confirm our commitment to serve you with professionalism, courtesy and fairness.

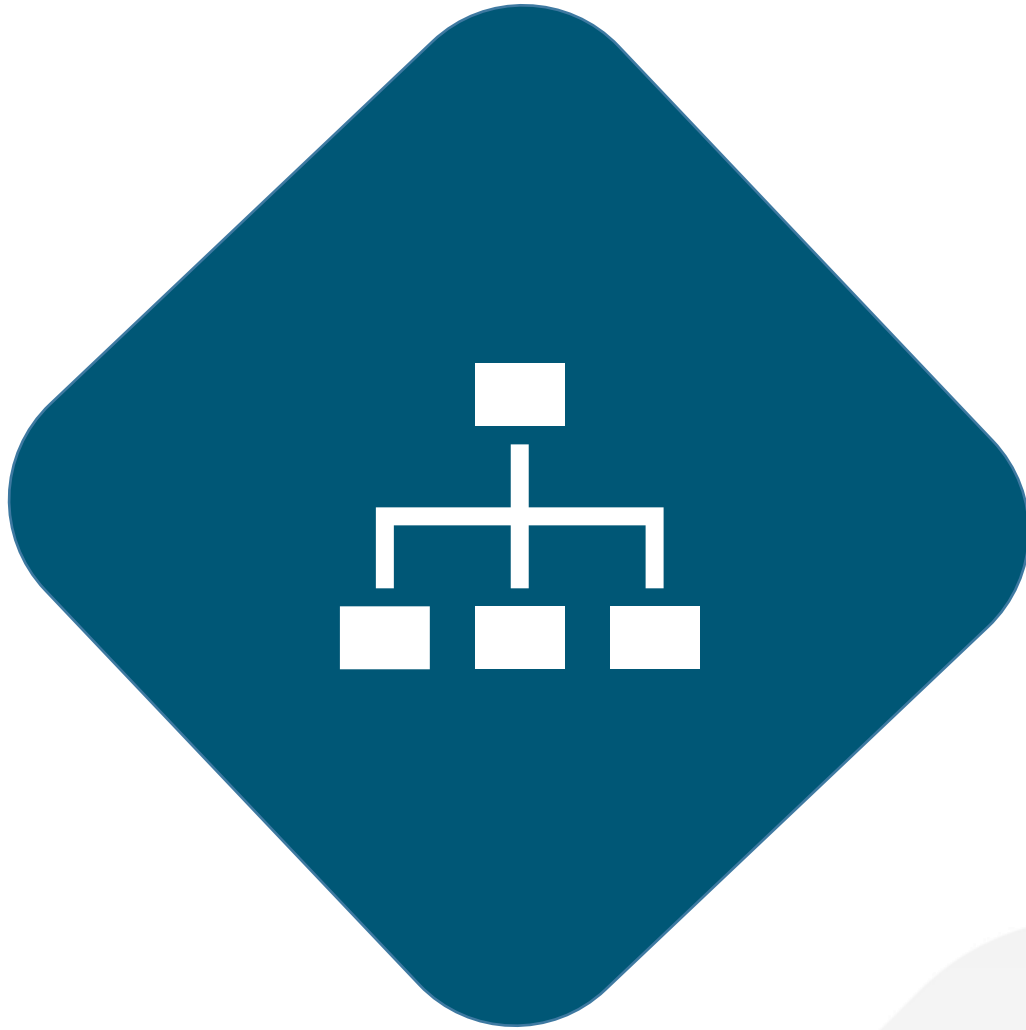
The **Taxpayer Bill of Rights** also includes the CRA commitment made to small businesses, which acknowledges their importance as the engine of growth in the Canadian economy.



Objectives

At the end of this session, you will have a basic understanding of these concepts:

1. business structure;
2. a review of relevant **tax forms**;
3. tips for keeping proper **books and records**;
4. a general overview of goods and services tax / harmonized sales tax **GST/HST**;
5. a general overview of **revenue & expense** concepts;
6. basic **payroll** information;
7. an awareness of the **common errors** that small businesses make;
8. the Government of Canada's **benchmarking tool**; and
9. available **online resources & tools**



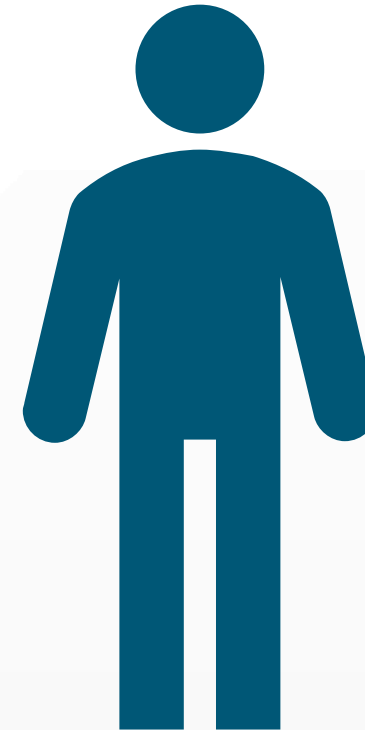
Business Structure

Overview of sole-proprietor and partnership structures and CRA accounts

Sole proprietor structure

When a business is sole-proprietorship...

- Owned by one individual
- Simple structure
- Sole responsibility for making decisions
- No separate legal status from the business
- Assume all the risk
- Profits and losses stay with the individual
- Need to complete a T2125 statement of Business activities which forms part of your income tax (T1) return



Partnership structure

When a business is partnership...



- Two or more individuals
- Bound by any actions of any member
- Simple structure
- No separate legal status
- Profits and losses divided among the partners
- Need to complete a T2125 statement of Business activities which forms part of your income tax (T1) return





Business Number and CRA Program Accounts

Certain business activities require a **business number**.

CRA program accounts:

123456789	RC/RP/RD/RT	0001
Business number	Program identifier	Reference number

The **most common program accounts** a business may need are:

GST/HST (**RT**) - if your business collects GST/HST

payroll deductions (**RP**) - if your business pays employees

corporation income tax (**RC**) - if your business is incorporated

excise duty (**RD**) - if your business manufactures beer, cannabis, tobacco, vaping and wine products



Forms

Overview of the forms we will be covering today

T1 General income tax return

Self-employment income is reported on the T1 personal income tax return

Step 2 – Total income

As a resident of Canada, you have to report your income from all sources both inside and outside Canada. The Income Tax and Benefit Guide may have additional information for certain lines.

Employment income (box 14 of all T4 slips)		10100		
Tax-exempt income for emergency services volunteers (See line 10100 in the guide.)	10105			
Commissions included on line 10100 (box 42 of all T4 slips)	10120			
Wage-loss replacement contributions (See line 10100 in the guide.)	10130			
Other employment income		10400	+	
Old age security pension (box 18 of the T4A(OAS) slip)		11300	+	
CPP or QPP benefits (box 20 of the T4A(P) slip)		11400	+	
Disability benefits included on line 11400 (box 16 of the T4A(P) slip)	11410			
Other pensions and superannuation (See line 11500 in the guide and complete line 31400 in the Worksheet for the return.)		11500	+	

Self-employment income

Business income	Gross	13499		Net	13500	+	
Professional income	Gross	13699		Net	13700	+	
Commission income	Gross	13899		Net	13900	+	
Farming income	Gross	14099		Net	14100	+	
Fishing income	Gross	14299		Net	14300	+	

Other income								
Taxable scholarship, fellowships, bursaries, and artists' project grants		14400						
Self-employment income								
Business income	Gross	13499		Net	13500	+		
Professional income	Gross	13699		Net	13700	+		
Commission income	Gross	13899		Net	13900	+		
Farming income	Gross	14099		Net	14100	+		
Fishing income	Gross	14299		Net	14300	+		
Workers' compensation benefits (box 16 of the T5007 slip)		14400						
Social assistance payments		14500	+					
Net federal supplements (box 21 of the T4A(OAS) slip)		14600	+					
Add lines 14400, 14500, and 14600. (See line 25000 in Step 4.)					14700	+		
Add lines 10100, 10400 to 11400, 11500 to 11700, 11900, 12000, 12100 to 12500, 12600, 12700, 12800, 12900 to 13010, 13500, 13700, 13900, 14100, 14300, and 14700.								
This is your total income.							15000	=



T2125 – Statement of Business or Professional Activities



If you operate more than one business, you must complete a separate form for each

Statement of Business or Professional Activities

- Use this form to calculate your self-employment business and professional income.
- For each business or profession, fill in a **separate** Form T2125.
- Fill in this form and send it with your income tax and benefit return.
- For more information on how to fill in this form, see Guide T4002, Self-employed Business, Professional, Commission, Farming, and Fishing Income.

Part 1 – Identification		
Your name		Your social insurance number
Business name		Business number
Business address		City
		Prov./Terr. Postal code
Fiscal period	Date (YYYYMMDD) From	Date (YYYYMMDD) to
		Was this your last year of business? <input type="checkbox"/> Yes <input type="checkbox"/> No
Main product or service		Industry code (see Chapter 2 in Guide T4002)
Accounting method (commission only)	<input type="checkbox"/> Cash <input type="checkbox"/> Accrual	Tax shelter identification number
		Partnership business number
		Your percentage of the partnership %
Name and address of the person or firm preparing this form		

Part 2 – Internet business activities	
If your web pages or websites generate business or professional income, fill in this part of the form.	
From how many Internet web pages and websites (including third-party platform websites) does your business earn income? Enter "0" if none.	
Provide up to five main web page or website addresses:	
http://	_____
http://	_____
http://	_____
http://	_____
http://	_____
Percentage of your gross income generated from the web pages and websites (If no gross income was generated from the Internet, enter "0") %	

Goods & Services Tax / Harmonized Sales Tax (GST/HST)



You must file a GST/HST return if you are registered for GST/HST

GST/HST Return Working Copy

Do **not** use this working copy to file your return or to make payments at your financial institution.

Name						Business number								
Reporting period From			Year	Month	Day	to			Year	Month	Day	Due date		

Working copy (for your records)

► Copy your business number, the reporting period, and the amounts from the highlighted line numbers in this worksheet to the corresponding boxes in your GST/HST return.

Enter your total sales and other revenue . Do not include provincial sales tax, GST or HST. If you are using the quick method of accounting, include the GST or HST.	101			00
---	------------	--	--	----

Net tax calculation

Enter the total of all GST and HST amounts that you collected or that became collectible by you in the reporting period.	103			
---	------------	--	--	--

Enter the total amount of adjustments to be added to the net tax for the reporting period (for example, the GST/HST obtained from the recovery of a bad debt).	104			
---	------------	--	--	--

Total GST/HST and adjustments for period (add lines 103 and 104) ➔

105			
------------	--	--	--

Enter the GST/HST you paid or that is payable by you on qualifying expenses (input tax credits – ITCs) for the current period and any eligible unclaimed ITCs from a previous period.	106			
--	------------	--	--	--

Enter the total amount of adjustments to be deducted when determining the net tax for the reporting period (for example, the GST/HST included in a bad debt).	107			
--	------------	--	--	--

Total ITCs and adjustments (add lines 106 and 107) ➔

108			
------------	--	--	--

Net tax (subtract line 108 from line 105)

109			
------------	--	--	--

Other credits if applicable

Do not complete line 111 until you have read the instructions.

Enter any instalment and other annual filer payments you made for the reporting period.	110			
--	------------	--	--	--

Enter the total amount of the GST/HST rebates , only if the rebate form indicates that you can claim the amount on this line. For filing information, see instructions.	111			
---	------------	--	--	--

Total other credits (add lines 110 and 111) ➔

112			
------------	--	--	--

Balance (subtract line 112 from line 109)

113 A			
--------------	--	--	--

Other debits if applicable

Do not complete line 205 or line 405 until you have read the instructions.

Enter the total amount of the GST/HST due on purchases of real property or purchases of emission allowances .	205			
--	------------	--	--	--

Enter the total amount of other GST/HST to be self-assessed .	405			
--	------------	--	--	--

Total other debits (add lines 205 and 405) ➔

113 B			
--------------	--	--	--

Balance (add lines 113 A and 113 B)

113 C			
--------------	--	--	--

Line 114 and line 115: If the result entered on line 113 C is a negative amount, enter the amount of the refund you are claiming on line 114. If the result entered on line 113 C is a positive amount, enter the amount of your payment on line 115.

114	Refund claimed		
------------	----------------	--	--

115	Payment enclosed		
------------	------------------	--	--



Goods & Services Tax / Harmonized Sales Tax (GST/HST)



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du Canada

[Home](#) > [Canada Revenue Agency](#) > [Ready to file](#) > GST/HST NETFILE

GST/HST NETFILE

* Business number (required) ?

 RT

* Access code (required) ?

Reporting period ?

* From (required)

* To (required)

Government
of Canada

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du Canada

Canada Revenue Agency

My Business Account

GST/HST NETFILE

About GST/HST NETFILE

Before your start

Eligibility

Make a payment to the
Canada Revenue Agency

Electronic rebate forms

Frequently asked questions

Privacy notice statement

GST/HST NETFILE

Business number: 123456789 RT0001

Business name: YOUR BUSINESS NAME

Reporting period ?

* From (required)

* To (required)

Select the following if they apply:

I am filing a nil return (all fields are \$0).

Payroll – Source deductions

Remittance and PD7

🛒 Proceed to pay - remittances cart

Help

As of May 5, 2024

Print/Save

Account number:	123456789 RP0001
Business name:	YOUR BUSINESS NAME

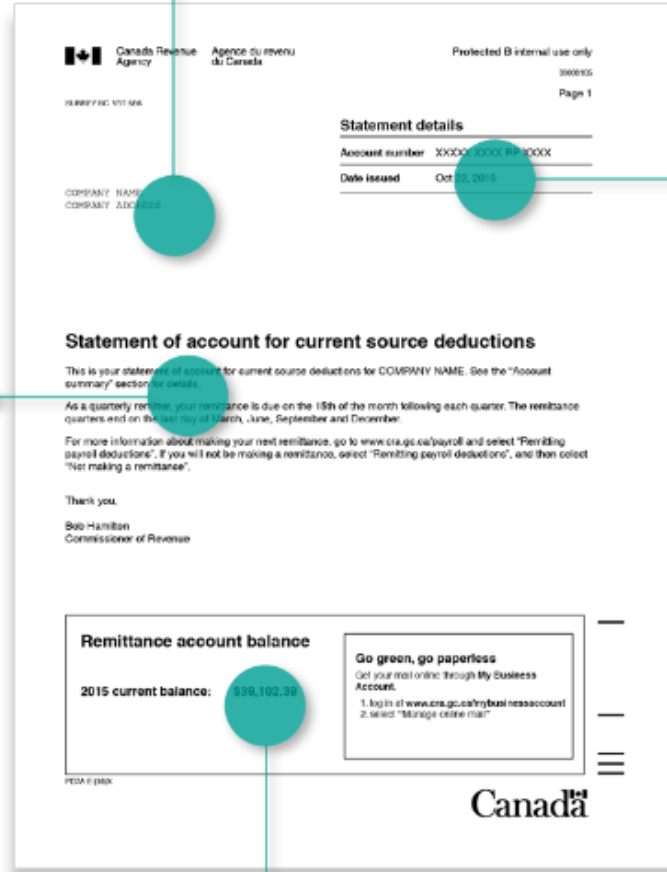
This cart allows you to pay towards multiple remittances in a single transaction.

<input type="checkbox"/>	Period end	Gross Payroll	Number of employees	Amount to be paid
<input type="checkbox"/>	<input type="text"/>	\$ <input type="text"/> .00		\$ <input type="text"/>
<input type="checkbox"/>	<input type="text"/>	\$ <input type="text"/> .00		\$ <input type="text"/>

Total amount to be paid: \$0.00

1. YOUR CONTENT INFORMATION

Appears in the left corner



2. STATEMENT DATE INFORMATION

Organized so you can easily identify your statement details

3. ACTION YOU NEED TO TAKE

Provides your information and if actions are required

4. YOUR CURRENT BALANCE

Provides you with your current-year balance

Books and Records

What are they and why must they be kept?



Books and Records

What are books and records?

Books and records are organized accounting and financial documents that summarize your transactions and include the documents to support these transactions. These can include:

- Ledgers
- Journals
- Books
- Logbooks
- Financial statements
- Tax returns (income tax / GST/HST)
- Emails
- Sales invoices
- Purchase receipts
- Vouchers
- Contracts
- Bank / credit card statements
- All correspondence that support your transactions

Note: The CRA does not specify which records should be kept; businesses are expected to keep any information related to the calculation or verification of income and deductions.



Books and Records

Your books and records must :

- be reliable and complete;
- include the information needed to meet your tax obligations and to calculate your deductions;
- be supported by documents; and
- be kept in English, French or a combination of these two languages



Books and Records

Types of records

- Books, records, and supporting documents produced and kept in paper format
- Books, records, and supporting documents produced on paper, and later converted to and stored in an electronically accessible and readable format
- Electronic records and supporting documents produced and kept in an electronically accessible and readable format

Who must keep books and records?

- Persons who have to file a tax return
- Persons carrying on a **business** or engaged in a **commercial activity**
- Persons involved in ecommerce
- Persons who are **required to file a GST/HST return** or **remit payroll deductions**

Generally, you must keep all required records and supporting documentation in both traditional and electronic formats for a period of six years from the end of the last tax year they relate to.



Books and Records

Why keep records?

- When you earn income from many places, good records help you identify the source of income. If you keep proper records, you may be able to prove that some income is not from your business or that it is not taxable. It is also beneficial to help you determine if you should charge GST/HST.
- Keeping good records can mean tax savings, as they will remind you of expenses you can deduct when it is time to do your income tax return
- Good records will keep you better informed about the past and present financial position of your business
- Good records can help you budget, spot trends in your business and get loans from banks and other lenders
- Good records can prevent problems you may run into if the CRA audits your income tax or GST/HST returns, if your records do not support your claims, they could be disallowed



Important dates



	Filing Due Dates	Payment Dates
Income tax returns for Self-employed individuals	June 15	April 30
GST/HST returns (Quarterly/monthly)	One month after the end of the reporting period	One month after the end of the reporting period
GST/HST returns (Annual –Dec 31 FYE)	June 15	April 30
Payroll remittances Regular remittance	15 th of the month for previous month	15 th of the month
Payroll information slips (T4s, T4As, etc.)	Last day of February	

	Requirement	Payment Dates
Installments for individuals	If your net tax owing is more than \$3,000, or \$1,800 for Quebec.	March 15, June 15, September 15, December 15
Installments for GST/HST	If annual filer and your net tax for your previous fiscal year is \$3,000 or more	Within one month after the end of each of your fiscal quarters.



GST/HST

General overview of the Goods and Services Tax/
Harmonized Sales Tax (GST/HST)

GST/HST

When to Register

Generally, you **must register** for GST/HST if your total gross revenue from your worldwide taxable supplies of property and services is more than **\$30,000** in a **single calendar quarter** or over **four consecutive calendar quarters**.

Taxable supplies are property and services that are made in the course of a commercial activity and are subject to the GST/HST.

If your gross revenue from taxable supplies is **equal to or less than \$30,000**, you do not have to register as you are considered a **small supplier**. However, you can do so if you want to claim input tax credits.

Taxi operator or commercial ride-sharing driver must register regardless of revenue.



GST/HST

Example 1: What happens if you exceed the \$30,000 limit in one particular quarter?

First quarter (January 1 to March 31, 2023)	\$2,000
Second quarter (April 1 to June 30, 2023)	\$10,000
Third quarter (July 1 to September 30, 2023)	\$38,000

In this example, a sale that exceeded the small supplier limit was made on September 23. Therefore, in the third quarter, you cease immediately to be a small supplier as you exceeded the limit.

Start collecting GST/HST

- ✓ On the September 23 sale that made you exceed the \$30,000 limit, even if you are not yet registered.

Register for a GST/HST account

- ✓ By October 22, which is 29 days after you cease to be a small supplier.



GST/HST

Example 2: What happens if you exceed the \$30,000 limit in two consecutive quarters?

First quarter (January 1 to March 31, 2023)	\$25,000
Second quarter (April 1 to June 30, 2023)	\$25,000
Total revenue for 2 consecutive quarters	\$50,000

In this example, you exceeded the \$30,000 limit by the end of the second consecutive calendar quarter but not in one quarter. You will be a small supplier for the following month (July 2023) provided you don't go over \$30,000 in that one month.

Start collecting GST/HST

- ✓ in August 2023 after you cease to be a small supplier.

Register for a GST/HST account

- ✓ Within 29 days after you make your first sale other than as a small supplier.



GST/HST

Example 3: What happens if you exceed the \$30,000 limit in four consecutive quarters?

Second quarter (April 1 to June 30, 2023)	\$2,000
Third quarter (July 1 to September 30, 2023)	\$10,000
Fourth quarter (October 1 to December 31, 2023)	\$12,000
First quarter (January 1 to March 31, 2024)	\$8,000
Total revenue for 4 consecutive quarters	\$32,000

In this case, you cease to be a small supplier at the end of the month following the first quarter (end of April 2024), as you exceeded the \$30,000 limit in the last four consecutive quarters.

Start collecting GST/HST

- ✓ in May 2024 after you cease to be a small supplier.

Register for a GST/HST account

- ✓ Within 29 days after you make your first sale other than as a small supplier.



GST/HST

Differences in tax status

Tax status	What this means	If you are a GST/HST registrant
Taxable supplies	Most supplies made/provided in Canada or imported in are subject to GST/HST.	<ul style="list-style-type: none">• You charge the GST/HST on these supplies• You may be eligible to claim Input tax credits (ITCs) to recover the GST/HST paid on purchases made to provide these supplies
Zero-rated supplies	Some supplies are zero-rated. GST/HST applies to these supplies at the <u>rate of 0%</u> . <ul style="list-style-type: none">• Basic groceries• Prescription drugs• Exports	<ul style="list-style-type: none">• GST/HST of 0% is charged. You do not collect the GST/HST on these supplies.• You may be eligible to claim ITCs to recover the GST/HST paid on property and services acquired to provide these supplies
Exempt supplies	Some supplies are exempt. GST/HST does not apply to these supplies. <ul style="list-style-type: none">• Most health/medical services• Many education services• Child care services	<ul style="list-style-type: none">• You do not charge the GST/HST.• Generally, you cannot claim ITCs to recover the GST/HST paid or payable on property and services acquired to provide these supplies



GST/HST

Place of supply

A supplier has to know what type of supply they are making and where the supply is being made. The place where a supply is made is referred to as the place of supply.

A zero-rated supply, such as a sale of basic groceries, has a 0% GST/HST rate, regardless of the place of supply in Canada.

Other taxable supplies have a:

- 5% GST rate if the supply is made in a non-participating province
- 13% HST rate if the supply is made in the participating province of Ontario
- 14% HST rate if the supply is made in the participating province of Nova Scotia
- 15% HST rate if the supply is made in any other participating province

For example, if a store in British Columbia makes a supply of a good, such as a mattress, to their customer in Ontario and delivers it to the customer in Ontario, the place of supply is Ontario and the supplier charges 13% HST on the sale.



GST/HST

GST/HST and PST rates
by province/territory

Province / Territory	GST and HST Rates	PST Rates
Alberta	5%	0%
British Columbia	5%	7%
Manitoba	5%	7%
New Brunswick	15%	N/A
Newfoundland and Labrador	15%	N/A
Northwest Territory	5%	0%
Nova Scotia	14%	N/A
Nunavut	5%	0%
Ontario	13%	N/A
Quebec	5%	9.975%
Prince Edward Island	15%	N/A
Saskatchewan	5%	6%
Yukon	5%	0%



GST/HST

Reporting periods

Usually, the **assigned reporting period** is based on your **annual total revenue**. This will generally determine how many times a year you have to file GST/HST returns.

Annual taxable supplies	Assigned reporting period	Optional reporting periods
\$1,500,000 or less	Annual	Monthly or Quarterly
More than \$1,500,000 up to \$6,000,000	Quarterly	Monthly
More than \$6,000,000	Monthly	-



GST/HST

Calculating your net tax for GST/HST

You have to calculate your net tax for each GST/HST reporting period and report this on your GST/HST return. To do so, calculate:

- the GST/HST collected or that became collectible by you on your taxable supplies made during the reporting period
- the GST/HST paid and payable on your business purchases and expenses for which you can claim an input tax credit (ITC)

The difference between these two amounts, including any adjustments, is called your net tax. It is either your GST/HST remittance or your GST/HST refund.



GST/HST

Alternate method – Quick Method of accounting for GST/HST

Some small businesses can use the quick method of accounting to calculate their GST/HST remittance.

If you have:

- ✓ Permanent establishment in Canada
- ✓ Total revenue from your annual worldwide taxable supplies is no more than \$400,000
- × Lawyers, accountants, bookkeepers, financial consultants and listed financial institutions

MUST file an election to use Quick method (GST74)

To calculate the net GST/HST to remit, you multiply your taxable supplies including the GST and your taxable supplies including the HST made during the reporting period by the applicable quick method rate.

Part A – Identification

Name and trading name (if different from name):

Business number:

 R T

Part B – Election

I **elect** to use the quick method of accounting to calculate the net tax.

Year Month Day

Enter the effective date of the election:

Part C – Revocation of the election

I **revoke** the election made to use the quick method of accounting to calculate the net tax.

Year Month Day

Enter the effective date of this revocation:

Revenues & Expenses

General overview of revenue and expense concepts



General Overview – Revenues & Expenses



Accrual method of accounting

- report income in the fiscal period you earn it, no matter when you receive it
- deduct expenses in the fiscal period you incur them, whether or not you pay them in that period

Cash Method of accounting

- report income in the fiscal period you receive it
- deduct expenses in the fiscal period you pay them

All self-employed income must be reported using the accrual method, excluding farmers, fishers and self-employed commission agents, who can use either the cash or the accrual method

General Overview – Revenues

You are required to report all revenues from your business such as:



- Products sold (sales)
- Services rendered (commissions, fees, etc.)
- Subsidies
- Rents
- Awards
- Tips
- Platform economy
 - Ridesharing
 - Accommodation sharing
 - Gig economy
 - Contracted services
 - Peer-2-peer
 - Social media influencers

Keep in mind that you must report all revenue, regardless of “how” you are paid. For example : cash, credit units with monetary value, awards, barter transactions, etc.



General Overview – Revenues



Steps	Methodology
Original document 	<ul style="list-style-type: none">✓ Issue a sales receipt/invoice for every transaction and keep a copy for your records✓ Original documents also include cash register tapes, appointment books, bank deposit slips, bank statements, contracts, etc.
Sales journal or summary 	<ul style="list-style-type: none">✓ Should show the date, the invoice number, the amount, source of income, taxes (GST/HST) and client payment method✓ Can be in paper or electronic format (electronic spreadsheet, adding machine tape, accounting software, etc.).
T2125 & GST34	<ul style="list-style-type: none">✓ Complete a separate form for each business or professional activities



General Overview – Revenues

Sales receipts/invoices should include the following information :

- business identification (name and address)
- transaction date
- quantity, description and price of the products sold or services rendered
- sales tax amounts and GST/HST account number (when applicable)
- total amount
- payment method/terms
- pre-numbered receipt/invoice



General Overview – Revenues

Example of a sales invoice

ABC Engineering
1234 Canada Street
Toronto, ON
Phone: 416-999-9999

INVOICE

INVOICE # 138
DATE: MARCH 3, 20XX

TO:
C. Kent
12 Ottawa Street
London, ON

QUANTITY	DESCRIPTION	UNIT PRICE	TOTAL
17 hours	New home designs for 345 Canada Ave, Toronto	\$185/h our	\$3,145.00
		SUBTOTAL	\$3,145.00
		GST/HST 12345 6789 RT0001	\$408.85
		TOTAL DUE	\$3,553.85

Payment due in full upon receipt.

Thank you for your business!



General Overview – Revenues

Record revenue to your sales journal

Date	Invoice #	Customer	Net Sales (Subtotal)	GST/HST	PST	Total Sales	Method of Payment
Feb 7	137	H. Pitt Inc.	20,000.00	2,600.00		22,600.00	Cheque
Mar 3	138	C. Kent	3,145.00	408.85		3,553.85	Cheque
Apr 15	139	B. Barrette	VOID	VOID	VOID	VOID	VOID
May 21	140	J. Patel	24,500.00	3,185.00		27,685.00	Cheque
Jun 4	141	R. Smith	1,457.00	189.41		1,646.41	Cash
Jul 6	142	A. Cooper	14,300.00	1,859.00		16,159.00	Cheque
Aug 7	143*	V. Nguyen	14,200.00	2,130.00		16,330.00	Cheque
Sep 9	144	Bold Eng. Inc	28,450.00	3,698.50		32,148.50	Cheque
Oct 10	145*	R. Wilson	<u>12,400.00</u>	<u>620.00</u>	<u>868.00</u>	<u>13,888.00</u>	Cheque
		Total	118,452.00	14,690.76	868.00	134,010.76	

Note: In this example, majority of all the sales are in the province of Ontario - HST 13%.

* Invoice 143: sale in New Brunswick – HST 15% Invoice 145 sale in British Columbia GST 5% (PST 7%)



General Overview – Revenues

Report the revenue on the T2125 form



Part 3A – Business income

Gross sales, commissions or fees (include GST/HST collected or collectible)		<u>134,010.76</u>	3A
GST/HST, provincial sales tax, returns, allowances, discounts, and GST/HST adjustments (included in amount 3A)		<u>15,558.76</u>	3B
	Subtotal: Amount 3A minus amount 3B	<u>118,452.00</u>	3C
If you are using the quick method for GST/HST – Government assistance calculated as follows:			
GST/HST collected or collectible on sales, commissions and fees eligible for the quick method	<u> </u>		3D
GST/HST remitted: (sales, commissions and fees eligible for the quick method plus GST/HST collected or collectible) multiplied by the applicable quick method remittance rate	<u> </u>		3E
	Subtotal: Amount 3D minus amount 3E	<u> </u>	▶ 3F
Adjusted gross sales: Amount 3C plus amount 3F (enter on line 8000 of Part 3C)		<u><u>118,452.00</u></u>	3G

General Overview – Revenues

Report the sales on your GST/HST return (if registered)

Enter your total sales and other revenue . Do not include provincial sales tax, GST or HST. If you are using the quick method of accounting, include the GST or HST.	101	118,452	00
---	------------	---------	----

Net tax calculation

Enter the total of all GST and HST amounts that you collected or that became collectible by you in the reporting period.	103	14,690.76	
Enter the total amount of adjustments to be added to the net tax for the reporting period (for example, the GST/HST obtained from the recovery of a bad debt).	104		

Total GST/HST and adjustments for period (add lines 103 and 104) →

105	14,690.76
------------	-----------



General Overview – Inventory

Annual inventory

You need to do an annual inventory. This is usually a list of goods held for sale.

If you are a manufacturer, this includes:

- raw materials
- packaging material and supplies,
- work-in-progress (goods and services that you have not yet completed at the end of your fiscal period),
- finished goods that you have on hand.

Value your inventory

For income tax purposes, the two acceptable methods of valuing your inventory are by determining either:

- the fair market value of your entire inventory (use either the price you would pay to replace an item or the amount you would get if you sold an item)
- the value of individual items (or classes of items, if specific items are not easy to distinguish) in the inventory, at their cost or their fair market value, whichever is lower





General Overview – Cost of goods sold and gross profit

Calculating cost of goods sold and gross profit

To determine your cost of goods sold

Opening Inventory

Direct wage costs

Other costs

Purchases during the year

Subcontracts

Closing Inventory

Part 3D – Cost of goods sold and gross profit

If you have business income, fill in this part. Enter only the business part of the costs.

Gross business income (line 8299 of Part 3C)				118,452.00	3P
Opening inventory (include raw materials, goods in process and finished goods)	8300	2,386.00			3Q
Purchases during the year (net of returns, allowances and discounts)	8320	21,795.36			3R
Direct wage costs	8340	24,865.00			3S
Subcontracts	8360				3T
Other costs	8450				3U
		Subtotal: Add amounts 3Q to 3U.		49,046.86	3V
Closing inventory (include raw materials, goods in process and finished goods)	8500	4,281.75			
Cost of goods sold: Amount 3V minus line 8500	8518	44,764.61		44,764.61	
Gross profit (or loss): Amount 3P minus line 8518.				73,687.39	8519

General Overview - Expenses

Generally, purchases and expenses are deductible if they are:



- ✓ Incurred or made to **earn business income**
- ✓ **Supported** by invoices
- ✓ **Paid or payable** by the taxpayer/registrant
- ✓ **Reasonable** in the circumstances.

Note: Don't forget to **exclude the personal portion**, where applicable.



General Overview - Expenses



Steps	Methodology
Original document 	<ul style="list-style-type: none">✓ Retain a receipt or voucher for every transaction and maintain for your records✓ Original documents also include cash register tapes, purchase invoice, monthly bills, contracts, etc.
Expense journal or summary 	<ul style="list-style-type: none">✓ Should show the date, the amount, type of expense, taxes (GST/HST or PST) and payment method✓ Can be in paper or electronic format (electronic spreadsheet, adding machine tape, accounting software, etc.).
T2125 & GST34	<ul style="list-style-type: none">✓ Retain copies of your returns and details of the amounts reported, especially if multiple categories from your expense journal are combined into a single line on your T2125. Copies should be retained even if you are filing your return using tax preparation software

General Overview – Expenses

Obtain proper documentation to support amounts paid

The receipt or other voucher should show:

- **date** of the purchase
- **name** and **address** of the **seller** or supplier
- **name** and **address** of the **buyer**
- a full **description** of the goods or services
- vendor's **business number** if they are a GST/HST registrant

Note: Always get receipts or other vouchers when you buy something for your business.



General Overview – Expenses

Example of an expense receipt

WILLIS OFFICE SUPPLIES

UNIT 14 11111 1ST AVENUE, TORONTO, ONTARIO, 416-888-888

DATE:
June 5, 20XX

TO: ABC Engineering Inc

INVOICE #
19785

1234 Canada St
Toronto, ON

QTY:	DESCRIPTION	UNIT PRICE	TOTAL
8	Blue pens 12/box	\$ 34.99	\$ 279.92
		SUBTOTAL	\$ 279.92
		GST	\$ 36.39
		TOTAL	\$ 316.31

GST # 12345 6789 RT 0001

PAYABLE UPON RECEIPT
Thank you for your business!



General Overview – Expenses

Record the purchase in your expense journal

Date	Particulars	Total	GST / HST	Purchases	Adv.	Office	Capital Items	Method of Payment	Notes
Mar 1	XYZ Radio	395.50	45.50		350.00			CHQ 407	
Mar 1	Smith Supply Inc.	149.89	16.90	129.99				CHQ 408	
Mar 2	Martha's Burgers	282.50	32.50					Cash	C. Reid 416-888-8888. Review contract.
Mar 3	Willis Office Supply	316.31	36.39			279.92		DR Card	
Mar 3	Wholesale Inc.	1,976.53	227.39	1,749.14				CHQ 409	
Mar 5	Printing Co.	565.00	65.00		500.00			CHQ 410	
Mar 7	Computer Store	1,751.49	201.50				1,549.99	VISA 7890	Laptop/printer
	Year Totals	114,629.89	13,187.51	21,795.36	850.00	537.62	3,286.27		



General Overview – Expenses

Report the expenses on the T2125 statement



Part 4 – Net income (loss) before adjustments			
Gross business or professional income (line 8299 of Part 3C) or Gross profit (line 8519 of Part 3D)			73,687.89 4A
Expenses (enter only the business part)			
Advertising	8521	850.00	4B
Meals and entertainment	8523	579.05	4C
Bad debts	8590		4D
Insurance	8690		4E
Interest and bank charges	8710		4F
Business taxes, licences and memberships	8760	202.10	4G
Office expenses	8810		4H
Office stationery and supplies	8811	537.62	4I
Professional fees (includes legal and accounting fees)	8860		4J
Management and administration fees	8871		4K
Rent	8910		4L
Repairs and maintenance	8960		4M
Salaries, wages and benefits (including employer's contributions)	9060		4N
Property taxes	9180		4O
Travel expenses	9200		4P
Utilities	9220		4Q
Fuel costs (except for motor vehicles)	9224		4R
Delivery, freight and express	9275		4S
Motor vehicle expenses (not including CCA) (amount 16 of Chart A)	9281	4,408.00	4T
Capital cost allowance (CCA). Enter amount ii of Area A minus any personal part and any CCA for business-use-of-home expenses	9936		4U
Other expenses (specify):	9270		4V
Total expenses: Total of amounts 4B to 4V	9368		
Net income (loss) before adjustments: Amount 4A minus line 9368			9369

General Overview – Expenses

Claim the GST/HST paid as an Input Tax Credit on the GST/HST return

		Total GST/HST and adjustments for period (add lines 103 and 104) →		105	14,690 76
Enter the GST/HST you paid or that is payable by you on qualifying expenses (input tax credits – ITCs) for the current period and any eligible unclaimed ITCs from a previous period.	106	13,187.51			
Enter the total amount of adjustments to be deducted when determining the net tax for the reporting period (for example, the GST/HST included in a bad debt).	107				
		Total ITCs and adjustments (add lines 106 and 107) →		108	13,187 51
		Net tax (subtract line 108 from line 105)		109	1,503 25



BREAK



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Common Errors

The most common errors and how to avoid them



Common Income Tax Errors

Common Errors

- **Unreported / underreported income**
- **Including GST/HST in expenses claimed** on tax return when amount has been claimed as an input tax credit (ITC)

Reasons for Common Errors

- Overlooked reporting of **secondary** or **other sources of income**
- **Revenues are not all deposited** or may be deposited but **not recorded correctly**
- Lack of **bank reconciliation**; discrepancy between declared revenues and bank deposits
- **Claiming personal portion** of expenses and ITCs (for example, motor vehicle expense)



Common Income Tax Errors



Common Errors

- **Overclaimed expenses:**
 - Business-use-of-home expense
 - Motor vehicle expenses
 - Utilities expenses
 - Meals and entertainment expenses
 - Capital assets

Reasons for Common Errors

- Expenses are **not supported** with **documentation** or no supporting documents to explain the business vs. personal portion of expenses (for example, motor vehicle, travel expenses)
- No **reasonable basis** used to calculate shared expenses
- **Lack of tax knowledge** or **tax rules** (that is, amounts claimed that are limited by tax legislation – meals and entertainment, Capital cost allowance, etc.)
- Claiming capital assets as expenses

Business-Use-of-Home Expenses



Deductible if one of the following conditions applies:

Your home is your **principal place** of business

You use the space **only** to earn your business income

+

You use it on a **regular** and **ongoing basis** to meet your clients, customers, or patients

Note: This expense cannot be used to create or increase a business loss, however, the unused portion can be deducted in a future year.

Business-Use-of-Home Expenses



Allowable expenses

Electricity
Heat
Maintenance
Property taxes

Home insurance
Mortgage interest or rent
Capital cost allowance (CCA)*

Non-exhaustive list

Allowable portion

- Workspace area vs. the total area of home, **AND**
- Pro rata of 24 hours per day and 7 days per week if the workspace is also used for personal purposes.

Note: If expense is incurred exclusively for the home office, 100% of the amount is deductible.



***WARNING:** The capital gain and recapture rules will apply if you deduct CCA on the business-use part of your home and you later sell your home.

Business-Use-of-Home Expenses – Example Calculation (Step 1)



STEP 1: Calculate your home expenses

Expense	Subtotal	GST/HST	Total
Electricity	\$ 2,200	\$ 286	\$ 2,486
Insurance	\$ 650	--	\$ 650
Maintenance	\$ 350	\$ 45	\$ 395
Mortgage interest	\$ 8,000	--	\$ 8,000
Property Taxes	\$ 1,800	--	\$ 1,800
Total	\$ 13,000	\$ 331	\$ 13,331

Business-Use-of-Home Expenses – Example Calculation (Step 2)



STEP 1: Calculate your home expenses

Expense	Subtotal	GST/HST	Total
Electricity	\$ 2,200	\$ 286	\$ 2,486
Insurance	\$ 650	--	\$ 650
Maintenance	\$ 350	\$ 45	\$ 395
Mortgage interest	\$ 8,000	--	\$ 8,000
Property Taxes	\$ 1,800	--	\$ 1,800
Total	\$ 13,000	\$ 331	\$ 13,331

STEP 2: Determine the workspace usage

Workspace usage:

Business: 180 sq ft

Total: 1,800 sq ft

Allowable portion (Step 3):

$180 \div 1,800 = 10\%$

Personal portion (non deductible):

$100\% - 10\% = 90\%$

Business-Use-of-Home Expenses – Example Calculation (Step 3)



STEP 1: Calculate your home expenses

Expense	Subtotal	GST/HST	Total
Electricity	\$ 2,200	\$ 286	\$ 2,486
Insurance	\$ 650	--	\$ 650
Maintenance	\$ 350	\$ 45	\$ 395
Mortgage interest	\$ 8,000	--	\$ 8,000
Property Taxes	\$ 1,800	--	\$ 1,800
Total	\$ 13,000	\$ 331	\$ 13,331
STEP 3: Allowable deduction & ITC	\$ 1,300	\$ 0	

STEP 2: Determine the workspace usage

Workspace usage:

Business: 180 sq ft

Total: 1,800 sq ft

Allowable portion (Step 3):

$180 \div 1,800 = 10\%$

Personal portion (non deductible):

$100\% - 10\% = 90\%$

Business-Use-of-Home Expenses – Example Calculation (Step 4)



STEP 1: Calculate your home expenses

Expense	Subtotal	GST/HST	Total
Electricity	\$ 2,200	\$ 286	\$ 2,486
Insurance	\$ 650	--	\$ 650
Maintenance	\$ 350	\$ 45	\$ 395
Mortgage interest	\$ 8,000	--	\$ 8,000
Property Taxes	\$ 1,800	--	\$ 1,800
Total	\$ 13,000	\$ 331	\$ 13,331
STEP 3: Allowable deduction & ITC	\$ 1,300	\$ 0	

Shared area calculation:

Business related usage: 7/24 hours, 5/7 days

STEP 4: Allowable deduction & ITC	\$ 271	\$ 0	
--	---------------	-------------	--

STEP 2: Determine the workspace usage

Workspace usage:

Business: 180 sq ft

Total: 1,800 sq ft

Allowable portion (Step 3):

$180 \div 1,800 = 10\%$

Personal portion (non deductible):

$100\% - 10\% = 90\%$

STEP 4: Shared area calculation

The workspace is also used for personal living. The business use is 7 hours a day, 5 days per week.

1. $(7\text{hrs}/24\text{hrs}) \times \$1,300 = \$379$

2. $(5\text{days}/7\text{days}) \times \$379 = \$271$

Business-Use-of-Home Expenses – Example Calculation

STEP 5: Report on the T2125 statement in Part 7

Part 7 – Calculating business-use-of-home expenses

Heat		7A
Electricity	2,200.00	7B
Insurance	650.00	7C
Maintenance	350.00	7D
Mortgage interest	8,000.00	7E
Property taxes	1800.00	7F
Other expenses (specify):		7G
Subtotal: Add amounts 7A to 7G	13,000.00	7H
Personal-use part of the business-use-of-home expenses	11,700.00	7I
Subtotal: Amount 7H minus amount 7I	1,300.00	7J
Capital cost allowance (business part only), which means amount ii of Area A minus any portion of capital cost allowance that is for personal use or entered on line 9936 of Part 4		7K
Amount carried forward from previous year		7L
Subtotal: Add amounts 7J to 7L	1,300.00	7M
Net income (loss) after adjustments (amount 5D) (if negative, enter "0")		7N
Business-use-of-home expenses available to carry forward: Amount 7M minus amount 7N (if negative, enter "0")		7O
Allowable claim: Amount 7M or 7N above, whichever is less (enter your share of this amount on line 9945 of Part 5)		7P



Motor Vehicle Expenses



Examples of allowable motor vehicle travel	Documentation required
<ul style="list-style-type: none">• Distance between 2 different places of business• Distance when travelling:<ul style="list-style-type: none">✓ To meet with a supplier or client✓ To make purchases for business✓ For training, conventions, or trips related to business✓ Etc.	<ul style="list-style-type: none">• Detailed logbook: date, destination, purpose and number of kilometres driven<ul style="list-style-type: none">✓ Record of the odometer reading of each vehicle at the start of the fiscal period.• All receipts (gas, insurance, repairs, etc.).
<p>Possibility of using the simplified logbook method</p>	

Note: Travelling from home to the place of business is not an allowable expense, unless the principal place of business is at home.

Motor Vehicle Expenses

Types of Vehicles

The kind of vehicle you have can affect the expenses you deduct. For income tax purposes, there are four types of vehicles:

- Motor vehicles
- Passenger vehicles
- Zero-emission passenger vehicles (ZEPV)
- Zero-emission vehicle (ZEV)

If you own or lease a passenger vehicle, there may be a limit on the amounts you can deduct for:

- Capital Cost Allowance (CCA)
- Interest
- Leasing costs, **and**
- Allowable purchase ITCs for GST/HST



Motor Vehicle Expenses

Vehicle definitions

Type of vehicle	Seating (includes driver)	Business use in year bought or leased	Vehicle definition
Coupe, sedan, station wagon, sports car or luxury car	1 to 9	1% to 100%	passenger
Pick-up truck used to transport goods or equipment	1 to 3	more than 50%	motor
Pick-up truck (other than above)	1 to 3	1% to 100%	passenger
Pick-up truck with extended cab used to transport goods, equipment or passengers	4 to 9	90% or more	motor
Pick-up truck with extended cab (other than above)	4 to 9	1% to 100%	passenger
Sport utility vehicle used to transport goods, equipment or passengers	4 to 9	90% or more	motor
Sport utility vehicle (other than above)	4 to 9	1% to 100%	passenger
Van or minivan used to transport goods or equipment	1 to 3	more than 50%	motor
Van or minivan (other than above)	1 to 3	1% to 100%	passenger
Van or minivan used to transport goods, equipment or passengers	4 to 9	90% or more	motor
Van or minivan (other than above)	4 to 9	1% to 100%	passenger



Motor Vehicle Expenses

Eligible expenses:

- ✓ Licence and registration fees
- ✓ Gasoline and oil
- ✓ Insurance
- ✓ Interest on money borrowed to buy a motor vehicle
- ✓ Repairs and maintenance
- ✓ Leasing costs *(if you lease the vehicle)**
- ✓ Capital Cost Allowance (CCA) *(if you own the vehicle). **

Expenses not eligible:

- x Traffic ticket
- x Repair costs following an accident during a personal trip

** If you own or lease a passenger vehicle, deduction limits could apply.*

Non-exhaustive lists



Motor Vehicle Expenses – Example Calculation (Step 1)



STEP 1: Calculate your vehicle expenses

Expense	Subtotal	GST/HST	Total
Gas and oil	\$ 1,800	\$ 234	\$ 2,034
Insurance	\$ 1,000	--	\$ 1,000
License and registration	\$ 300	--	\$ 300
Repairs and maintenance	\$ 200	\$ 26	\$ 226
Leasing cost	\$ 2,880	\$ 374	\$ 3,254
Total	\$ 6,180	\$ 634	\$ 6,814

Motor Vehicle Expenses – Example Calculation (Step 2)



STEP 1: Calculate your vehicle expenses

Expense	Subtotal	GST/HST	Total
Gas and oil	\$ 1,800	\$ 234	\$ 2,034
Insurance	\$ 1,000	--	\$ 1,000
License and registration	\$ 300	--	\$ 300
Repairs and maintenance	\$ 200	\$ 26	\$ 226
Leasing cost	\$ 2,880	\$ 374	\$ 3,254
Total	\$ 6,180	\$ 634	\$ 6,814

STEP 2: Determine the business use

Logbook information:

Business km: 12,335

Total km: 20,592

Allowable portion:

$12,335 \div 20,592 = 60\%$

Personal portion (non-deductible):

$100\% - 60\% = 40\%$

Motor Vehicle Expenses – Example Calculation (Step 3)



STEP 1: Calculate your vehicle expenses

Expense	Subtotal	GST/HST	Total
Gas and oil	\$ 1,800	\$ 234	\$ 2,034
Insurance	\$ 1,000	--	\$ 1,000
License and registration	\$ 300	--	\$ 300
Repairs and maintenance	\$ 200	\$ 26	\$ 226
Leasing cost	\$ 2,880	\$ 374	\$ 3,254
Total	\$ 6,180	\$ 634	\$ 6,814
Allowable portion (60%)	\$ 3,708	\$ 380	

STEP 2: Determine the business use

Logbook information:

Business km: 12,335

Total km: 20,592

Allowable portion:

$12,335 \div 20,592 = 60\%$

Personal portion (non-deductible):

$100\% - 60\% = 40\%$

STEP 3: Calculate allowable portion

Motor Vehicle Expenses – Example Calculation (Step 4)



STEP 1: Calculate your vehicle expenses

Expense	Subtotal	GST/HST	Total
Gas and oil	\$ 1,800	\$ 234	\$ 2,034
Insurance	\$ 1,000	--	\$ 1,000
License and registration	\$ 300	--	\$ 300
Repairs and maintenance	\$ 200	\$ 26	\$ 226
Leasing cost	\$ 2,880	\$ 374	\$ 3,254
Total	\$ 6,180	\$ 634	\$ 6,814
Allowable portion (60%)	\$ 3,708	\$ 380	
Business parking fees (100%)	\$ 500	\$ 65	
Supplementary business insurance (100%)	\$ 200	--	
Allowable deduction & ITC	\$ 4,408	\$ 445	

STEP 2: Determine the business use

Logbook information:

Business km: 12,335

Total km: 20,592

Allowable portion:

$12,335 \div 20,592 = 60\%$

Personal portion (non-deductible):

$100\% - 60\% = 40\%$

STEP 3: Calculate allowable portion

STEP 4: Add expenses that are 100% deductible

Motor Vehicle Expenses – Example Calculation

STEP 5: Report expenses on the T2125 statement

— Chart A – Motor vehicle expenses

Kilometres you drove in the fiscal period that was part of earning business income	12,355	1
Total kilometres you drove in the fiscal period	20,592	2
Fuel and oil	1,800,00	3
Interest (see Chart B)		4
Insurance	1,000,00	5
Licence and registration	300,00	6
Maintenance and repairs	200,00	7
Leasing (see Chart C)	2,880,00	8
Other expenses (specify):		9
		10
Total motor vehicle expenses: Add amounts 3 to 10	6,180,00	11
Business use part: $\left(\frac{\text{amount 1 : } 12,355}{\text{amount 2 : } 20,592} \right) \times \text{amount 11 : } 6,180,00$	=	3,708,00 12
Business parking fees	500,00	13
Supplementary business insurance	200,00	14
Allowable motor vehicle expenses: Add amounts 12, 13, and 14 (enter this total on line 9281 of Part 4)	4,408,00	15

Note: You can claim CCA on motor vehicles in Area A.



Telephone and Utilities



Telephone / Cell Phone / Internet

- Only the **portion** used to earn **business** income is **deductible**
- A **reasonable basis** must be used when calculating the expense for the usage of a telephone, cell phone, or Internet that is used for both personal and business purposes

Utilities (other than home office utilities)

- Gas
- Oil and heating
- Electricity
- Water

Meals and Entertainment Expenses

Meal expenses must be incurred to **earn business income**

- Includes beverages, taxes and tips
 - ✓ Example: to meet with a client or supplier, attend a convention, etc.

Entertainment expenses can include:

- The cost of tickets for a theatre, concert, athletic event or other performance
- The cost of private boxes at sports facilities

Note: Annual dues for recreational or dining clubs (e.g.: golf club) are not allowable.



Meals and Entertainment Expenses

Maximum allowable for food, beverages and entertainment is limited to **50% of the lesser** of:

- Actual amount incurred; or
- Amount that is reasonable in the circumstances.

Few **exceptions** to the 50% rule. For example:

- Your business regularly provides food, beverages, or entertainment to customers for compensation
- You incur meal and entertainment expenses for an office party or similar event, and you invite all your employees from a particular location. The limit is six such events per year.

Note: Keep all receipts/invoices, including the name of the client(s) entertained, purpose, and contact number.



Capital Cost Allowance (CCA)

- Your business might acquire a depreciable property such as a building, furniture, or equipment to use in the business activities.
- These properties wear out or become obsolete over time. You can deduct their cost over a period of several years. This yearly deduction is called a capital cost allowance (CCA).



Capital Cost Allowance (CCA)

Step 1 : Determine if the purchase is a current or capital expense

	Current Expense	Capital Expense
Definition	Recurring expenses that provide a short-term benefit	Expense that procures a long-term advantage
Treatment	Cost is deducted in full from your gross business income in the year you incur it	Cost is spread out over several years according to the capital cost allowance (CCA) class



Capital Cost Allowance (CCA)

Step 1 : Determine if the purchase is a current or capital expense

Criteria	Capital expense examples	Current expense examples
Does the expense provide a lasting benefit?	The cost of putting vinyl siding on the exterior walls of a wooden house is a capital expense.	The cost of painting the exterior of a wooden house is a current expense.
Does the expense maintain or improve the property	If you replace wooden steps with concrete steps, the cost is a capital expense.	The cost of repairing wooden steps is a current expense.
Is the expense for a part of a property or for a separate asset?	The cost of buying a refrigerator for a rental unit is a capital expense. This is the case because it is a separate asset from the building.	Electrical wiring is part of a building, so the cost to rewire is usually a current expense, as long as the rewiring does not improve the property beyond its original condition.



Capital Cost Allowance (CCA)

Step 1 : Determine if the purchase is a current or capital expense

Criteria	Capital expense examples	Current expense examples
What is the value of the expense? (only use this if you cannot determine it based on the previous slide)	Generally, if the cost is of considerable value in relation to the property, it is considered a capital expense.	If this was for ordinary maintenance that was not done when necessary, it is considered a current expense.
Is the expense for repairs made to used property you acquired intended to put it in a suitable condition for use?	The cost of repairing used property you acquired to put it in suitable condition for use is considered a capital expense.	Where the repairs were for ordinary maintenance of a property you already had, the expense is usually current.
Is the expense for repairs made to an asset in order to sell it?	The cost of repairs made in anticipation, or as a condition, of selling a property is a capital expense.	Where the repairs would have been made anyway, but a sale was negotiated, the expense is considered current.



Capital Cost Allowance (CCA)

Step 2 : Determine the class - Commonly used CCA classes

Class	Rate (%)	Brief Description
1	4 %	Most buildings you bought after 1987.
8	20%	Property that you use in your business that is not included in another class.
10	30%	Motor vehicles and some passenger vehicles.
10.1	30%	A passenger vehicle not included in Class 10.
12	100%	Tools, medical and dental instruments and kitchen utensils, acquired for less than \$500. (If \$500 or more, include the cost in Class 8)
50	55%	General-purpose electronic data-processing equipment (commonly called computer hardware) and systems software for that equipment.

Non-exhaustive list

Capital Cost Allowance (CCA)

Special Measures

The Government of Canada has introduced special, temporary CCA measures for certain types of capital property. There are now three options for calculating CCA for many capital assets.

These include:

- Regular CCA calculation
- Designated Immediate expensing Property (DIEP) - Temporary immediate expensing which allows for the deduction of 100% of the cost of new, qualifying assets
- Accelerated Investment Incentive (AII) - allows for an accelerated first-year allowance on certain eligible property



Capital Cost Allowance (CCA)

Comparative example for calculating CCA

In 2024, you bought a trailer for transporting equipment and tools for a cost of \$10,000 plus GST/HST, that became available for use that year. You have determined that this is a class 10 property with a prescribed CCA rate of 30%. This trailer is used mainly for business however it is also used personally 25% of the time.

Column	CCA – Regular claim	CCA using DIEP	CCA using All
Cost of addition (Cost x bus. use)	10,000 x 75% = 7,500	10,000 x 75% = 7,500	10,000 x 75% = 7,500
Immediate expensing DIEP		7,500	
UCC after immediate expensing	7,500	0	7,500
UCC adjustment for current year additions AIP & ZEVs			0
Adjustment for half year rule	3,750		
Base amount for CCA	3,750		7,500
CCA rate %	30%		30%
CCA for year	1,125	7,500	2,250
Undepreciated Capital Cost (UCC) at end of year	6,375	0	5,250



Other Current Expenses



Expense	Deductible	Non-Deductible
1. Clothing and uniforms	Safety gear and uniforms (and related cleaning costs)	Clothing in general that can be used personally (i.e. suits, ties, etc.) and related cleaning costs.
2. Conventions	<p>Limit of 2 conventions per calendar year:</p> <ul style="list-style-type: none">• Related to your business or professional activity; and• Be held by business or organization within the geographical area where the organization usually conducts its business.	Personal portion (i.e. spouse, children, vacation vs. business portion, etc.).

Other Current Expenses



Expense	Deductible	Non-Deductible
3. Travel	You can deduct travel expenses you incur to earn business and professional income. These include: <ul style="list-style-type: none">• Transportation fares• Hotel• Meals (in most cases, the 50% limit applies)	Personal portion (i.e. spouse, children, vacation vs. business portion, etc.)
4. Salaries	Reasonable expense (Fair Market Value - FMV) for job performed – applies in non-arm's length situations.	N/A

Common GST/HST Errors



Common Error

- Not **collecting or remitting the GST/HST** on sales **when required**.
- **Failing to register and collect/remit GST/HST** on sales **after surpassing the small supplier threshold**.
- **Claiming an Input Tax Credit (ITC) in error** or without proper documentation.

Reason for Common Error

- You are responsible **to hold the GST/HST in trust** until you send it to the Canada Revenue Agency (CRA). At the end of each reporting period, you need to **complete and file a GST/HST Return, as well as remit (pay) the net amount of GST/HST**.
- Small supplier is a person whose **revenue was equal to or less than \$30,000** in a single calendar quarter and over the last four consecutive calendar quarters.
- You may be eligible to claim ITCs only to the extent that your purchases and expenses are for **consumption, use, or supply in your commercial activities**. You also **must have documentation** to support the amount of GST/HST that you paid out.

Common GST/HST Errors



Common Error

- **Electing to use the quick method of accounting, but still claiming the ITC.**
- **Charging the incorrect amount of GST/HST based on the place of supply rules.**
- Include GST/HST in expenses claimed (Registrant using the usual method).

Reasons for Common Error

- You cannot claim input tax credits (ITCs) for your **operating expenses** if you use the quick method. The quick method remittance rates take into account the GST/HST that you pay on these purchases and expenses.
- The **rate of tax to charge depends on the place of supply**. Place of supply is where you make your sale, lease, or other supply
- **Including GST/HST in expenses claimed** on tax return when amount has been claimed as an input tax credit (ITC)



Payroll

Overview basic payroll information and common errors

Payroll

Are you an employer?

EMPLOYEE

Generally, employees are under the direction or control of a payer.

The more control the payer has over what the worker does, when, where and how they do it, the more likely it is that the worker is an employee

SELF-EMPLOYED

If a worker controls what work they do, when and how they do it, and use their own tools or equipment while at the location of their workplace, they are self-employed

Note: If you are not sure of a worker's employment status, request a ruling. Find out how at canada.ca/payroll.



Payroll

Types of income paid to an employee

- Pay salaries, wages (including advances), bonuses, vacation pay, or tips to your employees
- Provide certain taxable benefits, such as providing an automobile or allowances to your employees.
 - Benefits can be paid:
 - In cash
 - As non-cash item
 - As services

The value of any benefits or allowances you provide must be included in their employment income



Employer responsibilities

SIN and TD1



Canada Revenue Agency / Agence du revenu du Canada

2024 Personal Tax Credits Return

Protected B when completed

TD1

Read page 2 before filling out this form. Your employer or payer will use this form to determine the amount of your tax deductions.

Fill out this form based on the best estimate of your circumstances.

If you do not fill out this form, your tax deductions will only include the basic personal amount, estimated by your employer or payer based on the income they pay you.

Last name		First name and initial(s)		Date of birth (YYYY/MM/DD)		Employee number		
Address			Postal code		For non-residents only Country of permanent residence		Social insurance number	

1. Basic personal amount – Every resident of Canada can enter a basic personal amount of \$15,705. However, if your net income from all sources will be greater than \$173,205 and you enter \$15,705, you may have an amount owing on your income tax and benefit return at the end of the tax year. If your income from all sources will be greater than \$173,205 you have the option to calculate a partial claim. To do so, fill in the appropriate section of Form TD1-WS, Worksheet for the 2024 Personal Tax Credits Return, and enter the calculated amount here. _____

2. Canada caregiver amount for infirm children under age 18 – Only one parent may claim \$2,616 for each infirm child born in 2007 or later who lives with both parents throughout the year. If the child does not live with both parents throughout the year, the parent who has the right to claim the "Amount for an eligible dependant" on line 8 may also claim the Canada caregiver amount for the child. _____

3. Age amount – If you will be 65 or older on December 31, 2024, and your net income for the year from all sources will be \$44,325 or less, enter \$8,790. You may enter a partial amount if your net income for the year will be between \$44,325 and \$102,925. To calculate a partial amount, fill out the line 3 section of Form TD1-WS. _____

4. Pension income amount – If you will receive regular pension payments from a pension plan or fund (not including Canada Pension Plan, Quebec Pension Plan, old age security, or guaranteed income supplement payments), enter **whichever is less:** \$2,000 or your estimated annual pension income. _____

5. Tuition (full-time and part-time) – Fill in this section if you are a student at a university or college, or an educational institution certified by Employment and Social Development Canada, and you will pay more than \$100 per institution in tuition fees. Enter the total tuition fees that you will pay if you are a full-time or part-time student. _____

6. Disability amount – If you will claim the disability amount on your income tax and benefit return by using Form T2201, Disability Tax Credit Certificate, enter \$9,872. _____

7. Spouse or common-law partner amount – Enter the difference between the amount on line 1 (line 1 plus \$2,616 if your spouse or common-law partner is **infirm**) and your spouse's or common-law partner's estimated net income for the year if **two** of the following conditions apply:

- You are supporting your spouse or common-law partner who lives with you
- Your spouse or common-law partner's net income for the year will be less than the amount on line 1 (line 1 plus \$2,616 if your spouse or common-law partner is **infirm**)

In all cases, go to line 9 if your spouse or common-law partner is **infirm** and has a net income for the year of \$28,041 or less. _____

8. Amount for an eligible dependant – Enter the difference between the amount on line 1 (line 1 plus \$2,616 if your eligible dependant is **infirm**) and your eligible dependant's estimated net income for the year if **all** of the following conditions apply:

- You do **not** have a spouse or common-law partner, or you **have** a spouse or common-law partner who does not live with you and who you are not supporting or being supported by
- You are supporting the dependant who is related to you and lives with you
- The dependant's net income for the year will be less than the amount on line 1 (line 1 plus \$2,616 if your dependant is **infirm** and you **cannot** claim the **Canada caregiver amount for infirm children under 18 years of age** for this dependant)

Employer responsibilities

Payroll cycle



Payroll Deduction Online Calculator



Government
of Canada

Gouvernement
du Canada

[Français](#)

[Canada.ca](#) > [Taxes](#) > [Payroll Deductions Online Calculator](#)

Payroll Deductions Online Calculator

How to use PDOC to

[Calculate salaries](#)

[Calculate commissions](#)

[Calculate pensions](#)

[Verify CPP contributions
and EI premiums](#)

[FAQ](#)

Need help?

[Business enquiries](#)

Payroll Deductions Online Calculator

Fields marked with an asterisk (*) are required.

* Calculation type

Select one



Salary



Commission



Pension



Verify CPP
contributions and EI
premiums

Next >



canada.ca/pdoc

Common Payroll Errors

1. Employers **don't remit** their source deductions by the **due date**.
2. The deduction amounts on T4 **do not equal** the amounts remitted to the CRA throughout the year.
3. Employers **fail to report or incorrectly report taxable benefits** such as bonuses, commissions, vehicle allowances or personal living expenses.



[T4130 Employers' Guide – Taxable Benefits and Allowances](#)



[T4001 Employers' Guide – Payroll Deductions and Remittances](#)





Benchmarking

Innovation, Science and Economic Development
Canada

Benchmarking

What is Benchmarking?

Benchmarking involves using **Financial Performance Data** to help both new and existing businesses to better understand how competing firms operate in their chosen industry.

It can:

- provide insight on the operations of similar small businesses in your industry;
- identify areas in which your business deviates from the relevant industry average; and
- identify opportunities to make changes that may help you to grow your business.

For example, if other businesses in your revenue quartile spend 8% of their revenue on advertising and promotion and your business spends 4%, you may consider boosting spending for your business in this area.



Benchmarking

Benchmark Tool

With **Financial Performance Data** you can:

- View financial data based on industry averages
- Include your own income statement and balance sheet information in the report

Financial Performance Data

Update: 2022 data is now available.

Create a report to view financial performance data by industry

Create a report

REVENUES AND EXPENSES		
Total revenue		100.0
Cost of sales (including	PROFITABLE vs NON-PROFITABLE BUSINESSES	
Wages and salaries	Profitable	
Purchases, including	Percent of I	FINANCIAL RATIOS
contracts		Interest coverage ratio





CRA Online Services



CRA's Online Services



My Account

- View status of tax return and notice of assessment, reassessment + change my return
- View RRSP, Tax-Free Savings Account (TFSA), Home Buyer's Plan and Lifelong Learning Plan
- View and update address and telephone numbers, change marital status
- View proof of income statement, account balance, statement of account and installments
- View and authorize representatives
- Arrange direct deposit and pay by pre-authorized debit
- View Canada Child Benefit, GST/HST and Universal Child Care Benefit payments, account balance and statement of account
- View tax information slips (T4, T4A, T4A(P), T4A(OAS), T4E, T4RSP, T4RIF, T5007, T3, T5, T5008, RRSP Contribution Receipt, T1204, T5013, RC210, RC62, Rent Assist and tax-free savings account (TFSA))
- Manage notification preferences and view mail
- Submit documents

My Business Account

- **Manage GST/HST account:**
 - ✓ File or adjust a return
 - ✓ View expected and files returns
 - ✓ File or view elections
 - ✓ View and pay account balance
 - ✓ Calculate installment payments
 - ✓ Enquiries service etc.
- **Manage Payroll account:**
 - ✓ File a return or view return details
 - ✓ View and pay account balance
 - ✓ View remitting requirements
 - ✓ Transfer a misallocated payment
 - ✓ Request a refund
 - ✓ Request a CPP/EI ruling etc.
- Manage all other accounts (Corporation, Excise, Contract payments (T5018), etc.)
- Manage representatives, addresses, direct deposit and online mail
- Preauthorized debit
- View direct deposit transactions
- Submit documents

Non-exhaustive lists

CRA's Online Services

Options for signing into your online accounts



Sign in to your CRA account

Sign in with your existing credential:

▶ Before you sign in



Sign-In Partner



CRA user ID and password



Provincial partner (BC, AB)

or

Register for a CRA account



Register for a CRA account

CRA's Online Services

Payment Options

- Pay online
 - Online banking
 - My Payment service
 - Pre-authorized debit payments
- Pay by credit card, PayPal, Interac e-Transfer using third-party service provider
 - Examples: PaySimply, Plooto, TelPay - service fees apply
- Pay in person
 - Financial institution (counter/teller service, ATM)
 - Canada Post outlet (debit or cash)
- Pay by mail





Other Resources

CRA's Multimedia Library

CRA Multimedia library

The Canada Revenue Agency (CRA) offers a number of videos and audio products about our services and programs.

Follow:       



Services and information

[Business video gallery](#)

Videos and recorded webinars for businesses.

[Individuals video gallery](#)

Videos and recorded webinars for individuals and families.

[Charities video gallery](#)

Videos and recorded webinars for charities and donors.

[Podcasts](#)

Audio podcasts that you can subscribe to.

[Photos for use by media](#)

Photos of the Minister of National Revenue and CRA senior officials, and other stock photos for media use.

[Tax-filing season media kit](#)

Includes sharable infographics and audio clips for the current year's tax-filing season.

Most requested

- [How to register for My Account](#)
- [Filing online—fast, easy, and secure](#)
- [Charities video gallery](#)



Benefits Finder

Find programs and services to help your business grow

Business Benefits Finder

Find programs and services to help your business grow.

Whether you're an entrepreneur, a business, or a not-for-profit organization.

Tell us your story.

I'm looking for _____ ✓ for my business.

Sign in



GST/HST Rulings Directorate

Do you have a question on how the GST/HST applies to a transaction?

In addition to providing a variety of technical publications available on the Canada.ca website, the GST/HST Rulings Directorate also provides the following services at no cost:

- **Written rulings and interpretations**

- A **ruling** is a letter that responds to a specific transaction and applies the relevant legislation. The aim is to provide clients with the information necessary to prevent errors and promote compliance.
- An **interpretation** is a letter that provides clients with the relevant legislation applied to a generic fact situation.

Refer to [*GST/HST Memorandum 1-4, Excise and GST/HST Rulings and Interpretations Service*](#) for assistance.

- **Telephone enquiries services**

- Technical GST/HST enquires 1-800-959-8287 / 1-800-959-8296 (French)
- Selected Listed Financial Institutions, including QST enquiries 1-855-666-5166
- GST/HST Digital Economy enquiries 1-833-585-1463

For businesses physically located in Quebec, enquiries can be made to Revenu Quebec at 1-800-567-4692.

For enquiries that require account specific actions, such as registration, access codes, or status of rebates clients must contact the Business Enquiries Line at 1-800-959-5525.



Your CRA mail is going online!

The CRA has transitioned to online mail as the default method of delivering most business correspondence.

Going online is part of the CRA's ongoing commitment to improving service delivery by making it:

- **Faster** – faster delivery of important business correspondence.
- **Convenient** – quick and easy access to business correspondence from your device.
- **Secure** – business correspondence will be sent securely to your My Business Account.
- **Eco-Friendly** – reduce paper clutter and contribute to a cleaner and greener environment.

To access and receive notifications for online mail, go to canada.ca/my-cra-business-account to:

- Sign in or register for My Business Account.
- Make sure your email address is in your account and is up-to-date.

If you would like to receive your correspondence by paper mail, you'll need to make a request to activate paper mail.



For More Information

CRA Web Pages and Phone Numbers



My Account	canada.ca/my-cra-account
My Business Account	canada.ca/my-cra-business-account
Individual Enquiries: <ul style="list-style-type: none">✓ Account specific requests✓ Help and unlocking My Account✓ make a payment✓ update name/address✓ Get a security code✓ help with benefits and credits	1-800-959-8281
Business Enquiries: <ul style="list-style-type: none">✓ Account specific requests✓ Help and unlocking My Business Account✓ register a business number or program account - GST/HST, payroll✓ payment arrangements✓ update contact information	1-800-959-5525



Are you interested in talking to a Liaison Officer?



To request a visit, register online at Canada.ca/cra-liaison-officer



Your feedback is important to us!

Please consider completing our anonymous survey



canada.ca/liaison-officer-service-survey

Thank you!

Questions



To request a visit, register online at Canada.ca/cra-liaison-officer



Please consider completing our survey at Canada.ca/liaison-officer-service-survey

Link to sections

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[Inventory & Cost of Goods Sold](#)

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[Common Errors Income Tax](#)

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