

Guide to Business Expenses

CRA's definition of a business expense

A business expense is a cost you incur for the sole purpose of earning business income. You have to support business expense claims with a sales invoice, an agreement of purchase and sale, a receipt, or some other voucher that supports the expenditure. If you pay cash for any business expenses, be sure to get receipts or other vouchers. Receipts should include the vendor's name and the date.

Why is it important to claim expenses?

You only pay income tax on your net income (income – expenses = net income).

Main expense Categories

Your business may have expenses that don't fit into the categories below. If the expense meets CRA's definition above, it still qualifies as a business expense.

- -Cost of Goods Sold (cost of subcontractors, inventory/materials used for the job)
- -Advertising
- -Meals (50%)
- -Bad Debts
- -Insurance
- -Interest
- -Business fees, memberships, dues
- -Office Expenses
- -Supplies
- -Legal, Accounting and other professional fees
- -Management fees
- -Rent
- -Maintenance and repairs
- -Salaries
- -Property Taxes
- -Travel (for work purposes, not including travel to and from your workplace)
- -Telephone
- -Utilities
- -Delivery, Freight
- -Vehicle Expenses (business portion only)
- -Home Office Expenses (business portion only)