



Sunil and Nita LLP
Tax and Business Advisors Chartered Professional Accountants



November 2020

Business expenses deduction

All reasonable expenses incurred to earn business income are deductible from business income. The key is that expenses must be incurred to earn business income. However there are some specific restrictions in case of certain types of business expenses:

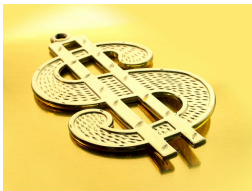
- You own car and use for business purposes. In this case you can claim business related operating costs for the vehicle. These costs include fuel, insurance, license, maintenance, and parking. You are also allowed to claim depreciation if you owned the vehicle. Lease costs are deductible subject to prescribed maximum amount. Note that business portion of vehicle expenses are calculated based on kilometers driven for conducting business. Driving between home and business premises is not considered as business expense. If you run your business from home then travel from home to client office will be considered business expense. Please be careful in keeping the records to support your claim. We recommend maintaining a travel log for kilometers driven for business purposes.
- You can only claim 50% for business meals and entertainment. There are certain exceptions where full amount can be claimed.
- If you don't have an office and you operate your business principally from your home office where you meet clients on regular basis, you can claim reasonable portion of home office expense including mortgage interest, rent, property tax, utilities, insurance, security services, and repairs & maintenance. Reasonable portion means the amount of office space to total square meter of your home. We recommend not claiming depreciation for the business space.
- You are allowed to attend two conventions related to your business or profession. There can be some restrictions on deductibility of meal and entertainment expenses as mentioned earlier.
- Private health-care premium paid to third parties who provide such plans are deductible. Remember not to claim medical expenses covered by private health plan in your personal tax return

Think about following before you decide to



incorporate

- Potential liability is limited to assets owned by the corporation. Remember, if you provide personal guarantee for the business loans, then you are extending the risk beyond assets of the corporation
- Corporation is a legal entity; therefore it can continue after owner's death making estate planning easier
- Corporation has lower tax rate but many small business and independent service providers are at risk to being classified as Personal Service Business (PSB) by the CRA resulting in higher tax rate for the corporation
- Corporation losses cannot be applied against other source of owner's income
- There is a possibility of double taxation on the sale of business or other disposition of assets if you don't have efficient tax planning.



Canada Emergency Business Account (CEBA)

An expanded Canada Emergency Business Account (CEBA), which would enable businesses, and not-for-profits eligible for CEBA loans—and that continue to be seriously impacted by the pandemic—to access an interest-free loan of up to \$20,000, in addition to the original CEBA loan of \$40,000. Half of this additional financing would be forgivable if repaid by December 31, 2022. Additionally, the application deadline for CEBA is being extended to December 31, 2020. Further details, including the launch date and application process will be announced in the coming days. An attestation of the impact of COVID-19 on the business will be required to access the additional financing.

Please don't hesitate to contact us in case of any question relating to accounting and tax.



©2020 SUNIL AND NITA LLP | 217 SPEERS RD, SUITE 12, OAKVILLE, ON L6K 0J3, CA

[Web Version](#)

[Preferences](#)

[Forward](#)

[Unsubscribe](#)