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Tax and Business Advisors Chartered Professional Accountants

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Business expenses restrictions:

Generally most of the business related expenses are deductible from income. However, there certain specific restrictions on following expenses:

1. Only 50% of entertainment and meal expenses are allowed as business expenses
2. Business related car expenses such as fuel, repairs, maintenance, insurance, and licence. You can also claim prescribed depreciation in car if car is owned by the business. Remember deductions are allowed to the extent of kilometers driven for the business. Driving between home and business is not considered business travel, therefore should not be claimed as business expense. We strongly recommend maintaining business kilometer and total kilometer records to support your claim.
3. A Business owner limited to two conventions/conference per year. These conventions should be related to the business and held at a location which falls within the scope of the business.

4. Private health-care premium expense claim is eligible if the premium is paid to third party who provides such plan. Once you have claimed insurance premium as business expense, it should not be claimed for medical expense tax credit

Incorporate – Yes or No

As business owner sometime you think whether to incorporate your business or leave as is. Incorporation is beneficial because:

1. Business liabilities are limited to assets owned by the corporation.
2. Incorporated business has separate legal entity and it will continue after owner's death
3. Lower tax rate on the first $500,000 of active business earnings
4. Lifetime capital gains exemption on the sale of a qualified small business
5. Income splitting opportunity among family members
6. Reduction in potential probate fees payable by the owner's estate of death

7. Share freeze opportunity to manage cost associated with deemed disposition

There are some down side to incorporation such as:
1. Corporate business owner often have to provide personal guarantees for business loans which expose them to potential business risk beyond business assets
2. Higher cost of year-end tax filing cost
3. Possibility of double taxation in absence of proper tax planning

Please contact us in case of any question.

Why shareholder agreement important?
Normally a company ownership is based on percentage of voting shares owed by individuals. An article of a corporation defines rights of each shareholders but it come short in protecting shareholder's rights. If your corporation has more than one shareholder, we recommend that there should be a shareholder agreement in place to protect shareholder's rights. Shareholder's agreement minimize dispute and ensure smooth transition on the death or withdrawal of any shareholder. Additionally, the shareholder agreement is a tool to facilitate shareholder interest buyout in case of death, disability, retirement, and bankruptcy as well as dedicating how the buyout will be funded.