

Business Expense Guide

Bookkeeping for your small business is separated into two very simple categories: Income and Expenses. Income includes invoices you have sent people during the year, (even if they have not been paid at year end). An Expense is any cost directly related to, and for the purpose of, earning income for your business (before GST is applied).

1. Direct Expenses

- Purchase which will be resold or used up in earning revenue
- Labour and subcontracting needed to earn revenue
- Other (specify)

2. Operating Expenses

- Accounting & Legal
- Advertising
- Business Licenses & Dues
- Interest & Bank Charges
- Maintenance & Repairs
- Meals & Entertainment
- Office Expenses & Postage
- Rent on Business Property
- Small Tools
- Telephone/Fax expenses
- Training Expenses
- Travelling Expenses
- Other (specify)

3. Capital Expenses

- Building (specify)
- Equipment (over \$200 each)
- Tools (over \$200 each)
- Vehicle
- Office Equipment (over \$200 each)
- Computer/printer
- Other (over \$200 each - specify)

4. Inventory

- amount that hasn't been used or sold yet

5. Home Office

In order for you to be able to claim a deduction for the business use of your home for income tax purposes you must have at least one room of your home designated specifically for business use. Only a portion of your total home expenses can be applied towards your business.

- Hydro
- Electricity
- Insurance
- Maintenance and repairs
- Mortgage
- Interest
- Property Taxes
- Rent
- Other (specify)

There are two different methods you may use to determine the portion of your house used for business purposes. Please contact us to determine which applies to you.

6. Vehicle

If you are in a position to deduct vehicle expenses you will fall into one of two categories: either your vehicle is owned by your business and used completely for business purposes, or you are using a personally owned vehicle partially for business purposes. For those individuals whose vehicle is 'company owned' the expenses listed below can not include GST, the GST portion of these expenses should be claimed on your GST return. For those individuals who are using a personally owned vehicle for business purposes the expenses listed below should include the GST paid.

- Parking Gas & Oil
- Repairs & Maintenance
- Insurance License
- Lease Payments (if leased)
- Interest on Funds Borrowed to Purchase Vehicle
- Other (specify)

If you are using a personal vehicle for business purposes, you will need to keep track of the distance (kilometres or miles) driven for business purposes, as well as the total distance driven during the year. This information will be used to compute what portion of the above expenses are deductible.