

10 TAX DEDUCTIONS FOR SMALL BUSINESS OWNERS IN CANADA

As a Canadian small business owner, you can take advantage of various business-related expenditures integral to your business operation by claiming tax deductions against your small business spending.



PRO-TIP: Save your receipts, safekeep your agreements, and document all purchasing activity in a logbook in case you need to provide proof of payment.

Give yourself a tax break – these 10 business expenses are all eligible for tax exemptions to small business owners in Canada:

1 Business management expenses

Business owners can deduct annual licence fees, business taxes, membership dues for professional organizations, and fees for trade or commercial associations. The list of eligible business management expenses also includes mail and delivery costs, online marketing fees (such as domain name registration and web hosting), business card orders, and bank charges for payment processing. Additionally, if you have utilized external professional consulting or services for your business, such as for seeking legal advice and accounting assistance for preparing your income taxes, the fees paid are eligible for tax deductions.



2 Business insurance premiums

The following types of business insurance qualify as tax deductions for business owners:

- General Business Liability Insurance for protection from potential lawsuits associated with injuries
- Business Property Insurance for protection of business assets (such as building and equipment) in case of destruction
- Business Interruption Insurance (in addition to business property insurance) for covering business losses resulting from natural disasters and fire.

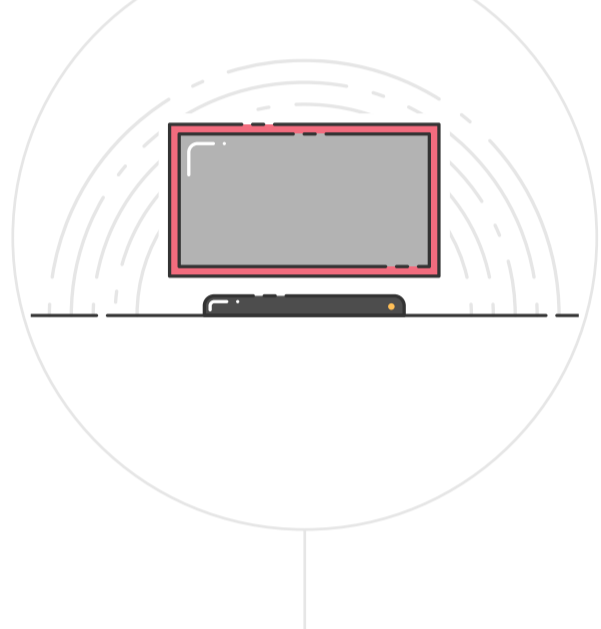


3 Media advertising costs

Media advertising involving the following ad streams are fully deductible:

- Canadian market television and radio broadcast stations
- Canadian market magazines and newspapers

Note: At least 80% of the material used must be journalistic in nature (if less than that, only 50% can be written off). Further, advertising must not take up the majority of the content space.



4 Vehicle expenses

Vehicle expenses include insurance, registration, lease payments, parking, toll charges, fuel, oil, and other maintenance charges.

To calculate your claim amount, divide your business mileage (in kilometres) by your total mileage driven during a calendar year. Multiply this amount by your total expenses to determine the deductible business part of your vehicle expenses claim.



5 Meals & entertainment expenses

Food, beverages, and entertainment expenses related to entertaining clients are 50% tax deductible. Entertainment expenses include tickets and entrance fees to an entertainment or sporting event, gratuities, cover charges, and room/suite rentals. 100% deductions apply to staff events or parties (of up to 6 events per year) and registered charity fundraisers.



6 Travel expenses

Business professionals who travel to professional events and conventions can take advantage of the claim limit of two events per year. Eligible travel expenses include public transportation fares, hotel accommodation, and meals (including taxes and tips, and again subject to a 50% claim rate). It should be noted that the event needs to be held in the same area that the event organizer conducts its business.



7 Operating expenses

Expenses to the smooth operation of your business, including rent, are eligible for generous deductions. Office space expenses such as insurance, heating, and electricity are normally fully deductible at 100%.

Office supplies include items such as computer software, stationery, paper, and stamps. You can also deduct the cost of items used indirectly by the business to provide goods or services to clients and customers.



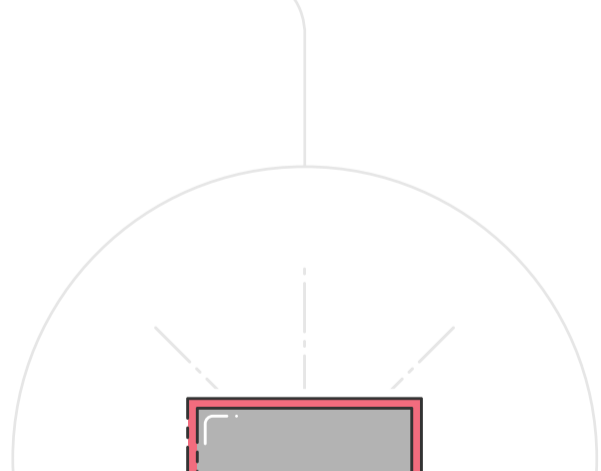
8 Home business expenses

Otherwise referred to as business-use-of-home expenses, home business deductions are applicable to you if you run your company out of your home. Your home office must be your principal headquarters of business or is a space designated solely for business use. Valid claims include mortgage interest, insurance, property taxes, telephone, internet, utilities (such as heat, electricity, and water), cleaning, maintenance, and repairs. To determine your claim percentage, calculate the percentage of your home that your office occupies. If your residence is used both for business and personal purposes, divide the hours used for business by 24 hours, then multiply by the total of business expenses to be claimed to calculate the total cost you may deduct.



9 Capital property

Capital property refers to assets that are intended to provide benefit to your business for years to come, such as vehicles, furniture, fixtures, equipment, computers, or buildings. Purchases of intangible property such as goodwill, franchises, and concessions are eligible for this categorization as well. Capital property is considered depreciable property (property that loses value over time), with a percentage of the purchase cost eligible to be claimed each year as informed by life expectancy of the item. The annual depreciation amount rates of capital cost allowance (CCA) claims are determined by the CRA's list of the classes of depreciable property.

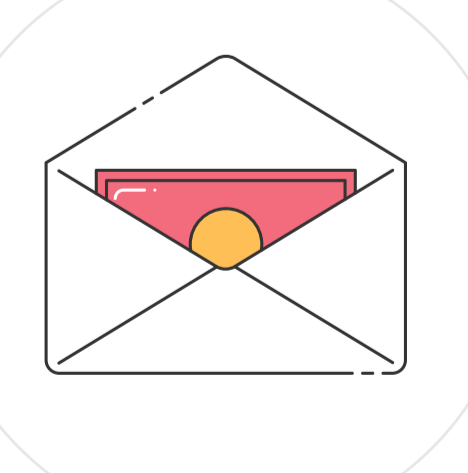


10 Employee salaries and benefits

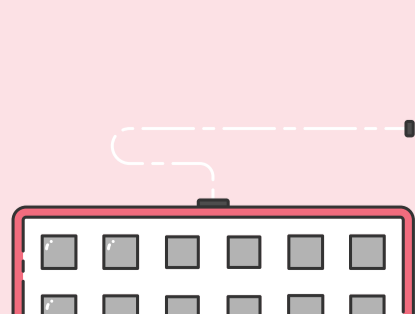
As an employer, you can deduct your part of the amounts payable on employees' remuneration with regards to the following:

- Canadian pension plan (CPP) contributions
- Employment insurance (EI) premiums
- Provincial parental insurance plan premiums (in Quebec)
- Workers' compensation amounts

Business owners may also claim a deduction for hiring family members, and thus, they may deduct the salary paid to your child or your spouse under your employment, so long as the work they do is necessary for earning professional income. Additionally, income splitting may allow you to be eligible for dropping your net income into a lower tax bracket.



Infographic brought to you by Rise People, Canada's only all-in-one HR, benefits and payroll platform.



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