

Revenue Canada is more strict about what self-employed people can claim

You're thinking of making the big move. You're fed up with office politics and believe that your talents could be appreciated by a much wider audience on a freelance basis.

The freedom of working for yourself at hours that suit you is another plus. And you've heard that the tax benefits are

great.

"True," said David Mason, a chartered accountant and tax partner in the Ottawa office of chartered accounting firm Arthur Andersen.

"If you are self-employed, you can deduct any reasonable expenses incurred in earning your income."

Employees, on the other hand "are limited in the expenses they can claim on their tax returns," said Robert Jason, CA, a tax partner with Ontario law firm Folger Rubinoff. The self-employed have wider scope and less restrictions on their deductions.

Briefly, you are allowed to claim:

- Half of what you spend to wine, dine and entertain clients
- Office supplies
- Subscriptions, books and magazines needed for your business
- Office equipment, such as computers, printers and fax machines
- Money spent on office help ("Where a spouse or relative is employed, you have the additional benefit of income splitting," said Jason.)
- Car expenses incurred in carrying out your business
- Pertinent travel expenses
- Home office expenses (This includes heat, light, power,

telephone, property taxes, maintenance and cleaning, mortgage interest or rent. You can claim these expenses only for the portion of the house you actually use for business.)

Although all these expenses are deductible, said Mason, you'd better be expecting to make a profit in your business. If it's just something you are doing on the side to generate losses to reduce other income, Revenue Canada could disallow many - or all - of your expenses.

Revenue Canada knows that certain taxpayers sometimes stretch the truth. Although there is, for example, legitimate income splitting and you can pay a salary to your spouse or children for working in the business, these amounts must reasonably reflect the work involved," said Jason.

Both CAs agree that, to protect yourself from losing what may be even the most legitimate expenses, you should document everything. Try to keep cash payments to a minimum and always ask for a receipt.

When entertaining clients, keep the receipts and write on them who you were with and the reason for the get-together. And don't be tempted into making false claims. Revenue Canada has been known to phone people to see if they actually bought them lunch and why.

Similarly, when you travel, make a detailed expense report, with the various receipts attached and provide a written explanation of where you went and the business reason for the trip.

For car expenses, keep an automobile log showing where you went, how many miles you travelled, who you went to see and why.

In recent years, Revenue Canada has become increasingly strict with what self-employed business people can claim as legitimate expenses.

Moneycare is brought to you by The Institute of Chartered Accountants of Ontario.

KUSATZ & SHARPLEY

Chartered Accountants

Income tax returns

Other accounting & tax services all year

DISCOUNT FOR SENIORS 10% ON BASIC RETURNS

6188 Main Street

640-1991

"I used to lose a lot of sleep over tax returns.

So I stopped doing them."

"I figured: why bother doing my taxes if it causes me so much grief? So I went to H&R Block."

"With H&R Block, I know I'll always get what I deserve, because they really know their stuff. So I don't have to worry about missing deductions or paying more tax than I should."

H&R BLOCK

It's the right thing to do.

GUARANTEED

20 Freel Lane, Stouffville (905) 642-2927
109 Brock St., West, Uxbridge (905) 852-7409

Markham • Stouffville • Uxbridge

#1 Real Estate Publication

Best Homes

Look for it every Saturday in the Markham, Stouffville and Uxbridge Weekender.

"List with an area realtor who advertises in Best Homes"

To advertise, please call

Markham

(905) 294-2200

Stouffville

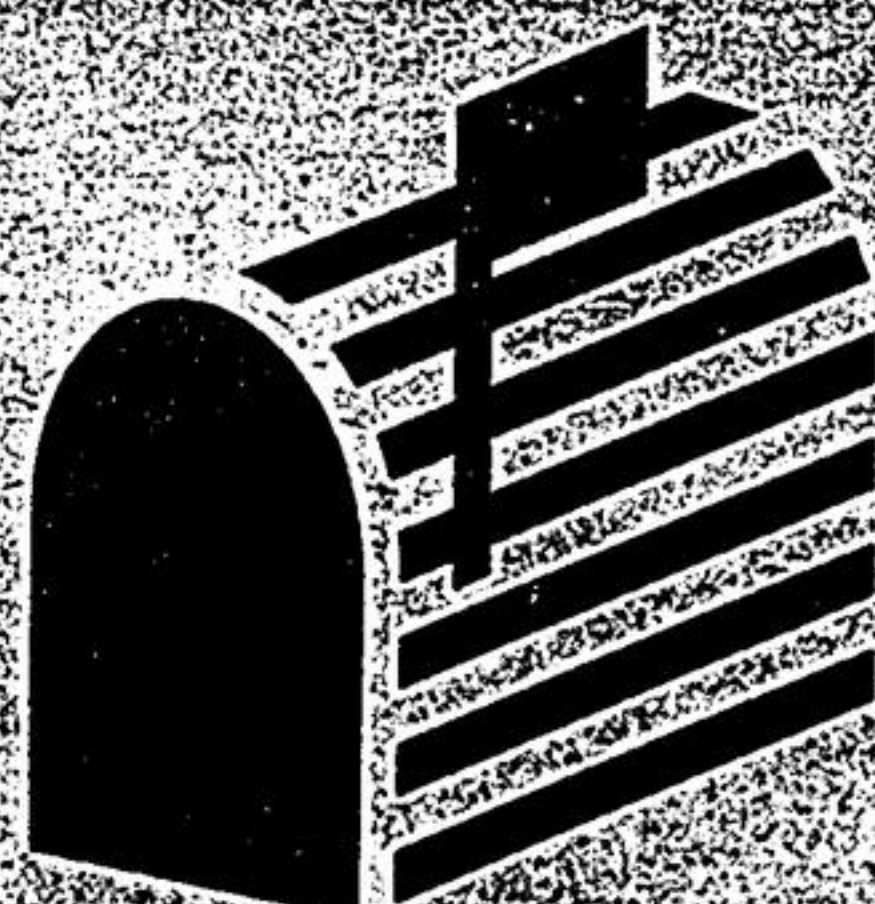
(905) 640-2100

Uxbridge

(905) 852-9741

ROYAL LEPAGE

How you find a great real estate agent.



www.royallepage.ca

20,000 different homes. One address

Right now a Royal LePage sales rep is putting a home near you on to the Royal LePage website. Tomorrow, buyers everywhere can visit just by going to one address: www.royallepage.ca. Once there they can find out about the home and even use our mortgage calculator to see how it fits their budget.