"Working together, to attain your goals"

# NEWSLETTER

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## TAX TIPS

Following are some comments on the treatment of certain items for tax purposes:

**Meals and Entertainment (M&E)**

M&E expenses should be supported by appropriate receipts and must have been expended for a business purpose. The receipts should also indicate the name of who the M&E was with and the purpose of the meeting, in case audited by CRA. I realize most people do not document those details, so if you do not, then be sure your M&E expenses are reasonable and you will hopefully be alright if audited. Keep in mind that M&E expenses are only 50% deductible for tax purposes. An exception to this are expenditures for the use and enjoyment of all staff, such as a Christmas party or treats for the office. However, it must be for the enjoyment of all staff. Taking a new staff member out for lunch is not for the enjoyment of all staff and would thus be subject to the 50% rule for tax purposes.

**Automobile (Auto)**

Business owners can deduct a portion of their auto expenses when using their personal vehicle for business purposes. You could report the % use of actual expenses incurred such as gas, repairs, lease payments (subject to maximum levels) and insurance. Alternatively, you could determine the business kilometers driven during the fiscal year and apply the prescribed CRA rates. Be consistent with the method used. Technically speaking, you should be keeping a log of your business travel. A log book would detail the kilometers at the start of the fiscal year and each business trip will document the starting & ending kilometers, where you went and the purpose of the trip. Your total business kilometers could then easily be summarized for the year. Business owners, keep in mind that your kilometers to and from your place of business are not eligible kilometers. That is considered to and from work as with anyone else.

## USA TAX CONSIDERATIONS

There are a number of matters which need to be considered when dealing with US tax matters that people need to be aware of. I will start by saying that US Tax questions should technically be directed towards those who specialize in the area, as there are various transactions that could have negative tax consequences or result in extremely stiff penalties. Your accountant should know his or her limitations, hopefully be able to identify areas of concern, and be able to refer you on to a specialist when appropriate. A few topics to consider are:

1. A US "citizen" who resides in Canada and owns shares in a Canadian Corporation may be required to report this to US authorities. Failure to file the required forms in the USA could result in penalties for each year of failure to report. I have heard $10,000 for one type of form that needs to be filed.

2. When you hold property in the USA and want to sell it, you will generally be subjected to withholding tax on the sale, which can be based on the gross value of the property. You should be aware of these rules and whether there are ways to reduce the required withholding amount.

3. There are also estate tax rules in the USA and one should be aware of how these rules may affect them when investing there, and what is the best method for holding those properties.

## ABOUT ME

I operate an accounting practice focusing on small and medium sized businesses and am dedicated to working with my clients by exploring various financial and tax solutions to help achieve their goals.

This newsletter is meant to provide general business and tax tips to business owners. You should discuss topics of interest with your advisors. Additional issues can be found for reference on my website or you can request electronic versions via email.

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