

# Personal Tax Advisors



1

# Taxes for Freelancers, Artists and Entrepreneurs

2

## A Bit About Me AKA “Who is this chick?”

3

## How Self-Employment is Different

- Ability to reduce tax by deducting business expenses
- Setting money aside for tax
- Registering for the GST/HST
- Special filing deadlines
- Need for better record-keeping
- Special rules around Employment Insurance

4

## Deducting Business Expenses

- The ability to report net profit, rather than gross
- Your computer, your vehicle, even your home can be at least partly deductible
- Outside of a few restrictions, the definition of a business expense can be fairly loose
- The key factor for deductibility is...

5

## Reasonable Expectation of Profit

- Profit: over the course of the lifetime of the business, the expense will earn more income than it cost
- Expectation: a prediction, which doesn't need to come true in order to be acceptable
- Reasonable: as judged by a reasonable disinterested person

6

## Setting money aside for tax

- An estimate is the best we can do: usually 15-20% of gross
- Writers tend towards the high end because their expenses are low
- Start with 20% or even 25% to be absolutely sure
- After you have a few years' track record, you can refine your estimate

7

## Where to set it aside

- Psychologically, it's easier to save what we don't see
- Put it somewhere you can't easily get at it, e.g. a Tangerine or Simplii Financial account
- Alternatively, put your income into a holding account and pay yourself a salary

8

## A Word On Grants and Royalties

- Grants and royalties should be reported as part of your business gross on T2125
- However CRA usually expects to see grant income on line 130, royalties on line 121
- Taking my advice can trigger a call from CRA Matching

So why do what I say?

9

## Why To Declare Grants and Royalties as Business Gross

- Expenses can be claimed against grants
- Reserves can be deducted on grants
- Grants and royalties subject to CPP

10

## Income from US clients

- Income must be included on Canadian tax return
- Charge 0% GST/HST
- US clients or agents may require a W8BEN

11

## How GST/HST Works

- Charge it on top of your income
- Remit what you collect, but get back what you spend
- Financially, registering is always to your advantage
- Hides your income level from potential clients
- Sign up for a free 10-page primer on GST/HST

12

## GST/HST: when and how

- Must register once you earn \$30,000 gross in any 12-month period
- You're responsible for knowing that the time has come
- Getting caught years later is common

13

## Filing on time

- Self-employed people and their partners/spouses have an extra six weeks: June 15 filing deadline
- File on time (send in your return) even if you can't pay on time
- Late filing penalties for filing late, separate from interest charged for paying late

The difference between the penalty and interest...?

14

## Late Penalties > Interest

- Late filing penalties start at 5% (range: 5-50%)
- Interest is about 0.5 % per month (indefinitely)
- Making them wait a day for the return is like making them wait a year for the money

15

## Keeping records

- Seven years from later of filing date or year to which they pertain
- Consider making copies of thermal receipts
- Receipts must include address and date to be valid



16



## Keeping records

- Credit card statements aren't considered valid receipts
- No receipts? A reasonable estimate sometimes works
- Car logs for use over 25% (try an app)
- Better an imperfect system that you'll actually use

17

## Ask me anything!\*

About things like....

- Marginal Tax Rates
- RRSPs and TFSAs
- Stuff your dad says
- Stuff some guy you met told you that time
- Stuff you saw on Reddit or Twitter or IG or whatever the kids are monitoring these days

\* tax-related, that is

18