Canada Revenue Agency · Agence du revenu du Canada

Business and Professional Income

Includes Form T2125

2015

T4002(E) Rev. 15

Canada

Is this guide for you?

Use this guide if you are a **sole proprietor**, an **unincorporated individual** or a **partner** in a **partnership**, that is a **business person**, or a **professional**. It will help you calculate the business or professional income to report on your 2015 income tax return. **Self-employed commission salespersons** should also use this guide to determine the income to report for 2015.

You are considered to be self-employed if you have a business relationship with a payer and you have the right to determine where, when, and how your work is done. For more information, see Guide RC4110, *Employee or Self-Employed?*.

Throughout this guide, we refer to other guides, forms, interpretation bulletins, and information circulars. Generally, if you need any of these, go to **www.cra.gc.ca/forms**. You may want to bookmark this address for easier access to our website in the future.

The term **income tax return** used in this guide has the same meaning as **income tax and benefit return**.

If you are blind or partially sighted, you can get our publications in braille, large print, etext, or MP3 by going to **www.cra.gc.ca/alternate**. You can also get our publications and your personalized correspondence in these formats by calling **1-800-959-5525**.

Unless otherwise noted, all legislative references are to the *Income Tax Act* and the *Income Tax Regulations*.

La version française de cette publication est intitulée *Revenus d'entreprise ou de profession libérale.*

What's new for 2015?

Direct deposit

The Government of Canada is switching to direct deposit for payments it issues.

We can deposit your refunds and rebates directly into your account at a financial institution in Canada.

For more information, see "Direct Deposit" on page 57.

Income Tax Folios

We publish interpretation bulletins (designated by the letters IT). These publications provide technical information on certain topics. A new series of technical publications called Income Tax Folios will progressively replace these IT Bulletins. This process is expected to take several years to complete. To be notified when a new folio replaces an IT or when changes are made to an existing folio, you can subscribe to our electronic mailing list at **www.cra-arc.gc.ca/esrvc-srvce/mllst/sbscrbncmtx-eng.html**.

Table of contents

Definitions

Arm's length – refers to a relationship or a transaction between persons who act in their separate interests. An arm's length transaction is generally a transaction that reflects ordinary commercial dealings between parties acting in their separate interests.

"Related persons" are not considered to deal with each other at arm's length. Related persons include individuals connected by blood relationship, marriage, common-law partnership or adoption (legal or in fact). A corporation and another person or two corporations may also be related persons.

''Unrelated persons'' may not be dealing with each other at arm's length at a particular time. Each case will depend upon its own facts. The following criteria will be considered to determine whether parties to a transaction are not dealing at arm's length:

- whether there is a common mind which directs the bargaining for the parties to a transaction;
- whether the parties to a transaction act in concert without separate interests; "acting in concert" means, for example, that parties act with considerable interdependence on a transaction of common interest; or
- whether there is actually control of one party by the other because of, for example, advantage, authority or influence.

For more information, see Income Tax Folio S1-F5-C1, Related persons and dealing at arm's length.

Available for use – generally, an asset is considered to become available for use and eligible for capital cost allowance (CCA) and investment tax credit at the **earliest of**:

- the time the property is first used by the claimant to earn income; and
- the time the property is delivered or is made available to the claimant and is capable of producing a saleable product or service.

Capital cost – the amount on which you first claim capital cost allowance. The capital cost of a property is usually the total of:

- the purchase price (not including the cost of land, which is not depreciable);
- the part of your legal, accounting, engineering, installation, and other fees that relates to buying or constructing the property (not including the part that applies to land);
- the cost of any additions or improvements you made to the property after you acquired it, if you did not claim these costs as a current expense (such as modifications to accommodate persons with disabilities); and
- for a building, soft costs (such as interest, legal and accounting fees, and property taxes) related to the period you are constructing, renovating, or altering the building, if these expenses have not been deducted as current expenses.

Capital cost allowance (CCA) – the deduction you can claim over a period of several years for the cost of depreciable property, that is, property that wears out or becomes obsolete over time such as a building, furniture, or equipment, that you use in your business or professional activities.

Depreciable property – the property on which you can claim a capital cost allowance (CCA). It is usually capital property used to earn income from a business or property. The capital cost can be written off as CCA over a number of years. You usually group depreciable properties into classes. For example, diggers, drills, and tools acquired after May 1, 2006, that cost $500 or more belong in Class 8. You have to base your CCA claim on the rate assigned to each class of property.

Fair market value (FMV) – generally, the highest dollar value you can get for your property in an open and unrestricted market between an informed and willing buyer and an informed and willing seller who are dealing at arm's length with each other.

Motor vehicle – an automotive vehicle designed or adapted for use on highways and streets. A motor vehicle does not include a trolley bus or a vehicle designed or adapted to be operated only on rails.

Non–arm's length – generally refers to a relationship or transaction between persons who are related to each other.

However, a non-arm's length relationship might also exist between unrelated individuals, partnerships or corporations, depending on the circumstances. For more information, see the definition of "arm's length."

Passenger vehicle – a motor vehicle designed or adapted primarily to carry people on highways and streets. It seats a driver and no more than eight passengers. Most cars, station wagons, vans, and some pick-up trucks are passenger vehicles. They must respect the limits for CCA, interest, and leasing. A passenger vehicle does **not** include:

- an ambulance;
- a clearly marked police or fire emergency response vehicle;
- a motor vehicle you bought to use more than 50% as a taxi, a bus used in the business of transporting passengers, or a hearse used in a funeral business;
- a motor vehicle you bought to sell, rent, or lease in a motor vehicle sales, rental, or leasing business;
- a motor vehicle (except a hearse) you bought to use in a funeral business to transport passengers;
- a van, pick-up truck, or similar vehicle that seats no more than the driver and two passengers and that, in the tax year you bought or leased it, was used more than 50% to transport goods and equipment to earn income;
- a van, pick-up truck, or similar vehicle that, in the tax year you bought or leased it, was used 90% or more to transport goods, equipment, or passengers to earn income;

- a pick-up truck that, in the tax year you bought or leased it, was used more than 50% to transport goods, equipment, or passengers to earn or produce income at a remote work location or at a special work site that is at least 30 kilometres from the nearest community with a population of at least 40,000; and
- a clearly marked emergency medical service vehicle used to carry paramedics and their emergency medical equipment.

Proceeds of disposition – usually the amount you received or will receive for your property. In most cases, it refers to the sale price of the property. This could also include compensation you received for property that has been destroyed, expropriated, or stolen.

Undepreciated capital cost (UCC) – generally, the amount left after you deduct CCA from the capital cost of a depreciable property. Each year, the CCA you claim reduces the UCC of the property.

Chapter 1 – General information

This chapter has general information that applies to all businesses (including self-employed commission sales) and professional activities. It also has information specifically for partnerships.

Business and business income

A business is an activity that you intend to carry on for profit and there is evidence to support that intention.

A business includes:

- a profession;
- a calling;
- a trade;
- a manufacture;
- an undertaking of any kind; and
- an adventure or concern in the nature of trade. For more information, see Interpretation Bulletin IT-459, *Adventure or Concern in the Nature of Trade*.

Notes
In this guide and for other reporting purposes, we treat professional activities as a separate business category.

If any of your income earning business activities takes place on a reserve, some of your business income might be exempt from tax. For more information, go to **www.cra.gc.ca/brgnls/stts-eng.html#hdng5.**

Business income includes income from any activity you do for profit. For example, income from a service business is business income. However, business income does not include employment income.

Notes
Include all your income when you calculate it for tax purposes. If you do not report all your income, you may have to pay a penalty of 10% of the amount you did not report after your first omission.

A different penalty may apply if you knowingly or under circumstances amounting to gross negligence participate in making a false statement or an omission on your income tax return. This penalty is 50% of the tax attributable to the omission or the false statement (minimum $100).

Gift cards or certificates

A gift card or certificate is a monetary-equivalent, (such as vouchers, receipts, tickets) that has a stated value and provides for payment of goods and services in the amount of the stated value.

If you sell gift cards or certificates, you must report, as business income, the amounts received from the sale on the date they are sold. A business may choose to calculate a reserve as a deduction against this income. A reserve is the amount of gift cards or certificates that you anticipate will be redeemed after the end of your fiscal year. A reserve amount that is deducted against business income in one year must be added back to business income the following year. It is your choice whether you calculate a reserve.

Do not collect the goods and services tax/harmonized sales tax (GST/HST) when a gift card or certificate is sold. When a customer uses a gift card or certificate as payment for a product or service, calculate the GST/HST on the total price of the item or service. Deduct the amount of the gift card or certificate from the amount the customer owes.

If you have already filed but have not reported income from gift cards or certificates, you can change your return online in My Account at **www.cra.gc.ca/myaccount**.

To find out how to change your return, go to **www.cra.gc.ca/changereturn**.

For more information about the Voluntary Disclosure Program, go to **www.cra.gc.ca/voluntarydisclosures**.

For more information, see Publication P-202, *Gift Certificates*, or call **1-800-959-5525**.

You were asking?

Q. When does a business start? Can you deduct the costs you incur before and during the start of a business?

A. We look at each case on its own merits. Generally, we consider your business to have started when you begin some significant activity that is a regular part of the business or that is necessary to get the business going.

For example, suppose you decide to start a merchandising business and you buy enough goods for resale to start the business. At this point, we would consider the business to have started. Usually you can deduct the expenses you incur for the business from that date. You could still deduct the expenses even if, despite all your efforts, the business ended.

On the other hand, assume you review several different business prospects in the hope of going into a business of some kind. In this case, we would not consider your business to have started, and you could not deduct any of the costs you incur.

For more information about starting a business, see Interpretation Bulletin IT-364, *Commencement of Business Operations*.

The law allows Statistics Canada to retrieve business information collected by the Canada Revenue Agency (CRA). Statistics Canada can now share with provincial statistical agencies, for research and analysis purposes only, data concerning business activities carried on in their respective provinces.

How to report your business income

Fiscal period

You report your business income based on a fiscal period. A **fiscal period** is the time covered from the day your business starts its business year to the day it ends its business year. For an existing business, the fiscal period is usually 12 months. A fiscal period cannot be longer than 12 months. However, it can be shorter than 12 months in some cases, such as when a new business starts or when a business ends.

Self-employed individuals generally have to use a December 31 year-end. If you are an eligible individual, you may be able to use another method of reporting your business income that allows you to keep a fiscal period that does not end on December 31. If your fiscal year-end is not December 31, you will need Guide RC4015, *Reconciliation of Business Income for Tax Purposes*, to calculate the amount of business income to report on your 2015 income tax return. The guide includes Form T1139, *Reconciliation of 2015 Business Income for Tax Purposes*.

If you filed Form T1139 with your 2014 income tax return, generally you have to file that form again for 2015.

Accrual method

In most cases, self-employed individuals report their business income using the accrual method of accounting. With this method, you:

- report your income in the fiscal period you earn it, regardless of when you receive the income; and
- deduct expenses in the fiscal period you incur them, whether you paid them in that period or not.
  Incur usually means you either paid or will have to pay the expense.

Income from professional activities is business income. Therefore, you report it using the accrual method.

Cash method

If you are a self-employed commission salesperson, you can use the cash method to report your income and expenses, as long as it accurately shows your income for the year.

With this method, you:

- report income in the fiscal period you receive it; and
- deduct expenses in the fiscal period you pay them.

Business records

You are required by law to keep records of all your transactions to support your income and expense claims.

Keep a record of your daily income and expenses. We do not issue record books or suggest any type of book or set of books. There are many record books and bookkeeping systems available. For example, you can use a book that has columns and separate pages for income and expenses.

Keep separate records for each business you run. If you want to keep computerized records, make sure they are clear and easy to read.

For more information, go to **www.cra.gc.ca/records.**

> **Note**
> Do not send your records with your income tax return. However, keep them in case we ask to see them later.

Benefits of keeping complete and organized records

These are some of the advantages you might benefit from when you keep complete and organized records:

- identify the source of the income;
- prove that some income is not from your business, or that it is not taxable;
- remind you of expenses you can deduct on your income tax return;
- keep you better informed about the past and present financial position of your business;
- budget, spot trends in your business, and get loans from banks and other lenders; and
- prevent problems you may run into if we audit your income tax returns.

Consequences of not keeping adequate records

If you do not keep the necessary information and you do not have any other proof, we may have to determine your income using other methods. We may also disallow expenses you deducted if you are unable to support them.

There are penalties for not keeping adequate records, for not giving the CRA access to your records when requested, and for not giving information to CRA officials when asked.

Income records

Keep track of the gross income your business earns. Gross income is your total income before you deduct any expenses, including those associated with the goods sold. Your income records should show the date, amount, and source of the income. Record the income whether you received cash, property, or services. Support all income entries with original documents. Original documents include sales invoices, cash register tapes, receipts, bank deposit slips, patient cards, fee statements, and contracts.

Example
The following sales journal is an example of how to record your income for the month of July:

	Date	Particulars	Cash sales (1) *	Credit sales (2) *	Sales returns (3) *	Total sales (4) *	GST (5%) (5) **	PST (8%) (6) **	Payment on account (7)
1	July 1	Daily sales	146.00	27.00		173.00	8.65	13.84	10.00
2	July 2	Daily sales	167.00	36.25	26.00	177.25	8.86	14.18	
3	July 3	Daily sales	155.02	19.95	10.01	164.96	8.25	13.20	32.40
4	July 4	Daily sales	147.00	29.95		176.95	8.85	14.16	

* Does not include the GST and provincial sales tax (PST) or HST.
** If you sell to a resident in one of the participating provinces, the HST replaces the GST and the PST. For more information on the HST, see Guide RC4022, *General Information for GST/HST Registrants*.

On July 1, you examine the sales invoices and cash register tapes. You find that you had cash sales of $146 and sales on account of $27. In the sales journal, you record the cash sales in column 1 and the credit sales in column 2. Since there were no merchandise returns on July 1, leave column 3 blank. Column 4 then shows the total of your cash sales and your credit sales minus any merchandise returned for the day. In columns 5 and 6, show the total GST and PST you charged on your sales.

In column 7, keep track of any cash received on previous credit sales. Do not include the amount in the daily sales figures since you would have included it in the sales figures on the day the sale took place.

Expense records

Always get receipts or other vouchers when you buy something for your business. When you buy merchandise or services, the receipts have to show:

- the date of the purchase;
- the name and address of the seller or supplier;
- the name and address of the buyer;
- a full description of the goods or services; and
- the vendor's business number if they are a GST/HST registrant.

Example
The following expense journal is an example of how to record your expenses for the month of July:

Date	Particulars	Cheque No.	Bank	GST (5%)*	Purchases	Legal & Acct.	Adv.	Fees	Repairs	Capital items
July 1	XYZ Radio	407	367.50	17.50			350.00			
July 1	Smith Hardware	408	26.95	1.28					25.67	
July 2	City of Ottawa	409	157.50	7.50				150.00		
July 3	Andy's Accounting	410	262.50	12.50		250.00				
July 5	Wholesale Supply Inc.	411	1,836.60	87.46	1,749.14					
July 5	Ed's Used Cars	412	1,575.00	75.00						1,500.00

* In participating provinces, the HST has replaced the GST and the PST. For more information on the HST, see Guide RC4022, *General Information for GST/HST Registrants*.

You were asking?

Q. What should I do if there is no description on a receipt?

A. When you buy something, make sure the seller describes the item. However, sometimes that is not possible, as with a cash register tape. In this case, you should write what the item is on the receipt or in your expense journal.

Q. What should I do if a supplier does not want to give me a receipt?

A. When you buy something, make sure you ask for a receipt. Suppliers who are GST/HST registrants are required to provide receipts if requested of them. You have to get documentary evidence to support the transactions you enter in your books and records. Your business-related transactions may be denied if you do not have the proper documentary evidence to support your purchases. For more information, see Guide RC4022, *General Information for GST/HST Registrants*.

Keep a record of the properties you bought and sold. This record should show who sold you the property, how much you paid for it, and the date you bought it. This information will help you calculate your claim for CCA and other amounts.

If you sell or trade a property, show the date you sold or traded it and the amount of the payment or credit from the sale or trade-in.

Time limits for keeping records

Keep your records and supporting documents for the length of time specified below for your situation:

- if you file your income tax return on time, a minimum of six years after the end of the tax year to which they relate;
- if you file your income tax return late, six years from the date you file that return; and
- if you filed an **objection** or **appeal**, until the latest of the following dates:
  - the date the objection or appeal is resolved;
  - the date for filing any further appeal ends; or
  - the date the six-year record keeping period ends.

These retention periods do not apply to certain records. For more information, see Information Circular IC78-10R5, *Books and Records Retention/Destruction*.

If you want to destroy your records and supporting documents before the minimum six-year period is over, you must first get written permission from your tax services office. To do this, either use Form T137, *Request for Destruction of Records*, or prepare your own written request. For more information, visit **www.cra.gc.ca/records**.

Instalment payments

As a self-employed individual, you may have to make instalment payments for 2015. Your 2015 instalment payments are due on March 15, June 15, September 15, and December 15. In most cases, we will send you reminders showing the instalment amount we have calculated for you. However, there are different methods for calculating instalment payments.

For more information about instalment payments and instalment interest charges, go to **www.cra.gc.ca/instalments**.

You may have to pay interest and a penalty if you do not pay the full instalment amount you owe on time.

> **Note**
> When the due date for **making a payment** falls on a **Saturday**, a **Sunday**, or a **public holiday** recognized by the CRA, we consider the payment to be made on time if we receive it on the **next open business day**.

Dates to remember

February 29, 2016 – If you have employees, file your 2015 T4 and T4A information returns by this date. Also, give your employees their copies of the T4 and T4A slips by this date.

March 15, 2016 – Make your first 2016 instalment payment by this date.

March 31, 2016 – Most partnerships with individuals as partners are required to file a partnership information return by March 31, 2016. For more information, see Guide T4068, *Guide for the Partnership Information Return (T5013 Forms)*.

April 30, 2016 – Pay any balance owing for 2015 by this date. Also, file your 2015 income tax return if the expenditures of the business are mainly the cost or the **capital cost** (see "Definitions" on page 5) of tax shelter investments.

June 15, 2016 – Make your second 2016 instalment payment by this date. Also, file your 2015 income tax return by this date if you have self-employment income or if you are the spouse or common-law partner of someone who does, unless the expenditures of the business are mainly the cost or the capital cost of tax shelter investments. Remember to pay any balance owing by April 30, 2016, to avoid interest charges.

June 30, 2016 or the period end date plus 6 months – If your business is involved in the construction industry and hires subcontractors, you may have to file a 2015 T5018 information return, that consists of Form T5018SUM, *Summary of Contract Payments,* and the related T5018 slips, to report your payments. For more information, go to **www.cra.gc.ca/contract** and choose the topic entitled "Construction industry (T5018)".

September 15, 2016 – Make your third 2016 instalment payment by this date.

December 15, 2016 – Make your fourth 2016 instalment payment by this date.

> **Notes**
> When the due date for **filing a return** falls on a **Saturday**, a **Sunday**, or a **public holiday** recognized by the CRA, we consider the return to be filed on time if it is sent to us on the **next open business day**.
>
> When the due date for **making a payment** falls on a **Saturday**, a **Sunday**, or a **public holiday** recognized by the CRA, we consider the payment to be made on time if we receive it on the **next open business day**.

Employment insurance (EI) premiums on self-employed income

Self-employed individuals can choose to pay EI premiums to be eligible to receive EI special benefits. For example, if you registered in 2015 to participate in this program, premiums for 2015 will be calculated on your 2015 income tax return and will be payable by April 30, 2016.

If later you pay your income tax by instalments, EI premiums may be included in your instalment payments.

When you register for the program, EI premiums will be payable on your self-employment income for the entire year, regardless of the date you register. For example, whether you register in April 2015 or December 2015, you will pay EI premiums on your self-employment income for the entire 2015 year.

EI premiums are payable on your earnings from self-employment, up to an annual maximum amount. The annual maximum insurable amount for 2015 is $49,500.

Remember to claim the corresponding provincial or territorial non-refundable tax credit, on **line 5829** of your provincial or territorial Form 428.

For more information, visit **www.servicecanada.gc.ca**.

GST/HST registration

Generally, you must register for the GST/HST if your total gross revenue from your worldwide taxable supplies of property and services is more than $30,000 in a single calendar quarter or over four consecutive calendar quarters. Taxable supplies of property and services include those to which GST/HST at the rates of 5%, 13%, 14% or 15%, those that are exposed to GST at a rate of 0% (zero-rated), and those from all your associates. In your calculation, do not include any revenues from sales of capital property, supplies of financial services, or goodwill from the sale of a business. If you operate a taxi or limousine service, you have to register for the GST/HST regardless of your income.

If your gross revenue is equal to or less than $30,000, you do not have to register, but you can do so if you want to. If you are registered, you can claim input tax credits.

> **Note**
> Nova Scotia, New Brunswick, Ontario, Newfoundland and Labrador, and Prince Edward Island harmonized the GST with their provincial sales tax to create the HST.

For more information on the GST/HST, go to **www.cra.gc.ca/gsthst**. For more information on who is required to be registered, see the *GST/HST Memoranda Series*, 2-1 *Required registration*.

The GST/HST Registry

The GST/HST Registry is an online service that allows you to check the GST/HST registration number of a business, which helps make sure that claims submitted for input tax credits include only the GST/HST charged by suppliers who are registered for the GST/HST. For more information, go to **www.cra.gc.ca/gsthstregistry**.

You can check the Quebec Sales Tax (QST) registration number by going to the QST registry on the Revenu Québec website at **www.revenuquebec.ca/en/sepf/services/sgp_validation_tvq/default.aspx**.

What is a partnership?

A partnership is the relationship that exists between persons carrying on a business in common with the expectation of making a profit. You can have a partnership without a written agreement. To help you decide if you are a partner in a certain business, determine the type and extent of your involvement in the business and check the laws of your province or territory.

When you form, change, or dissolve a relationship that may be a partnership, consider:

- whether the relationship is a partnership;
- the special rules about capital gains or losses and the recapture of CCA that apply when you transfer properties to a partnership;
- the special rules that apply when you dissolve a partnership; and
- the special rules that apply when you sell or dispose of your interest in a partnership.

For more information about partnerships, see Income Tax Folio S4-F16-C1, *What is a Partnership?*

Limited partnership

A limited partnership is composed of one or more general partners and one or more limited partners. A general partner has unlimited liability for the debts and obligations of the partnership. A limited partner also has unlimited liability for the debts or obligations of the partnership, unless they do not participate in running the business.

Reporting partnership income

A partnership does not generally pay income tax on its income and does not file an income tax return. Instead, each partner files an income tax return to report his or her share of the partnership's net income or loss. This requirement is the same whether the share of income is received in cash or as a credit to the partner's capital account.

Partnership losses

If a partnership has a loss from carrying on a business in a tax year, this loss is divided between the partners. In general, the partner's share of the loss can either be applied against that partner's income for the year from other sources or included in the calculation of that partner's non-capital loss for the year, whichever applies.

For the following, the loss carry-forward period is 20 years:

- non-capital losses, farm losses, restricted farm losses, and life insurer's Canadian life investment losses incurred; and
- investment tax credits earned for scientific research and experimental development (SR&ED).

Filing requirements for partnerships

A partnership that carries on a business in Canada, a Canadian partnership with Canadian or foreign operations or investments, or a specified investment flow-through (SIFT) partnership may have to file a T5013 partnership information return for each of its fiscal periods if:

- at the end of the fiscal period, the partnership has an absolute value of revenues plus an absolute value of expenses of more than $2 million, or more than $5 million in assets; or
- anytime during the fiscal period:
  - the partnership is a tiered partnership (for example, the partnership has another partnership as a partner or is itself a partner in another partnership);
  - the partnership has a corporation or a trust as a partner;
  - the partnership invested in flow-through shares of a principal-business corporation that incurred Canadian resource expenses and renounced those expenses to the partnership; or
  - the Minister of National Revenue requests one in writing.

For more information about the partnership information return and any other filing exemptions, go to **www.cra.gc.ca/partnership** or see Guide T4068, *Guide for the Partnership Information Return (T5013 Forms)*.

Capital cost allowance (CCA)

A partnership can own **depreciable property** (see "Definitions" on page 5) and claim CCA on it. Individual partners however cannot claim CCA on property the partnership owns.

From the capital cost of depreciable property, subtract any investment tax credit allocated to the individual partners. We consider this allocation to be made at the end of the partnership's fiscal period. In addition, you have to reduce the capital cost by any type of government assistance received. Box 040 of your FormT5013 will show the amount of CCA the partnership claimed on your behalf. This amount has already been deducted from your business income in box 116 or your professional income in box 120 of the Form T5013. Do **not** deduct this amount again. For more information about CCA and the adjustments to capital cost, see Chapter 4 beginning on page 32.

Any recapture of CCA or terminal loss on the sale of a partnership's depreciable property is included in the partnership's income or loss for the year that is allocated to the partners. Any taxable capital gain on the sale of a partnership's depreciable property is also allocated to the partners. For more information about capital gains and losses, as well as recapture and terminal losses, see Chapter 4 beginning on page 32.

Eligible capital expenditures

In some cases,, a partnership can choose to recognize a capital gain on the disposition of eligible capital property as if the property were non-depreciable capital property. For more information about eligible capital expenditures, see Chapter 5 on page 48 and Guide T4068, *Guide for the Partnership Information Return (T5013 Forms)*.

GST/HST rebate for partners

If you are an individual who is a member of a partnership, you may be able to get a rebate for the GST/HST you paid on certain expenses. You may qualify for the GST/HST partner rebate if:

- the partnership is a GST/HST registrant; and
- you personally paid GST/HST on expenses that:
  - you did not incur on the account of the partnership; and
  - you deducted from your share of the partnership income on your income tax return.

However, special rules apply if the partnership reimbursed you for those expenses.

Examples of expenses subject to the GST/HST are vehicle costs and certain business-use-of-home expenses. The rebate may also apply to the GST/HST you paid on motor vehicles, musical instruments, and aircraft, for which you deducted CCA.

The eligible portion of CCA is the part of CCA that you deduct on your income tax return in the tax year, that relates specifically to a motor vehicle, musical instrument, or aircraft on which you paid GST/HST and that is eligible for the rebate to the extent that the partnership used the property to make taxable supplies.

If you deduct CCA on more than one property of the same class, you have to separate the part of the CCA for the property that qualifies for the rebate from the CCA for the other property. If any part of the rebate relates to the CCA deduction for a motor vehicle, a musical instrument, or an aircraft, you have to reduce the **undepreciated capital cost (UCC)** (see "Definitions" on page 5) of the related property by that part of the rebate.

File Form GST370, *Employee and Partner GST/HST Rebate Application*, to claim your GST/HST rebate for partners. If you get this rebate, you have to include it in your income for the tax year in which you receive it.

For example, if in 2015 you receive a GST/HST rebate for the 2014 tax year (on your 2014 notice of assessment) you have to include the amount of the rebate on your income tax return for 2015:

- Report the amount of the GST/HST rebate for partners that relates to eligible expenses other than CCA on line 9974 in Part 6 of your Form T2125, *Statement of Business or Professional Activities.*
- In column 2 of Area A on page 5 of your 2015 Form T2125, reduce the UCC for the beginning of 2015 by the part of the rebate that relates to the eligible CCA.

For more information, see Guide RC4091, *GST/HST Rebate for Partners*, which includes Form GST370.

Example
Patrick is a partner in an Alberta partnership called ABC Contracting. The partnership is registered for the GST/HST and has a December 31 year-end. Under the partnership agreement, Patrick is required to personally pay his motor vehicle expenses. Patrick's GST/HST fraction is (5/105). For more information on GST/HST fractions, see Guide RC4091, *GST/HST Rebate for Partners*.

The following are his 2015 motor vehicle expenses for which he did not receive any allowance or reimbursement:

Total eligible expenses other than CCA	$ 3,150.84
CCA	5,100.00
Total eligible expenses including CCA	$ 8,250.84

Patrick calculates the **GST/HST rebate for partners** that he is entitled to as follows:

$8,250.84 × (5/105) = $392.90

He will file Form GST370 and include $392.90 on line 457 of his **2015 income tax return**.

Patrick calculates the **GST/HST rebate for partners** related to his **eligible expenses other than CCA**:

$3,150.84 × (5/105) = $150.04

When filing his **2016** income tax return, he will include $150.04 on line 9974 in Part 6 on page 3 of his **2016 Form T2125**, *Statement of Business or Professional Activities*.

Patrick also calculates the amount of the **GST/HST rebate for partners** that relates to **CCA**:

$5,100 × (5/105) = $242.86

When filing his 2016 income tax return, he will **reduce the 2016 beginning UCC** of his motor vehicle by $242.86 in column 2 of Area A on page 5 of his **2016** Form T2125.

Investment tax credit

An investment tax credit lets you subtract, from the taxes you owe, part of the cost of some types of property you acquired or expenditures you incurred. You may be able to claim this tax credit in 2015 if you bought qualifying property, incurred qualified expenditures, or were allocated renounced Canadian exploration expenses. You may also be able to claim the credit if you have unused investment tax credits from years before 2015. For more information about investment tax credits, see Form T2038(IND), *Investment Tax Credit (Individuals)*.

Apprenticeship job creation tax credit

The apprenticeship job creation tax credit (AJCTC) is a non-refundable investment tax credit equal to 10% of the eligible salaries and wages payable to eligible apprentices for employment after May 1, 2006. The maximum credit an employer can claim is $2,000 per year for each eligible apprentice.

An "eligible apprentice" is someone who is working in a prescribed trade in the first two years of his or her apprenticeship contract. The contract must be registered with a federal, provincial, or territorial government under an apprenticeship program designed to certify or license individuals in the trade.

The amount of the credit is added to the investment tax credit and is available to reduce federal taxes payable for the tax year. Unused amounts can be carried back 3 years and carried forward 20 years. The AJCTC is reported on Form T2038(IND), *Investment Tax Credit (Individuals)*.

Investment tax credit for child care spaces

Employers who carry on a business in Canada, other than a child care services business, can include a non-refundable amount in their investment tax credit calculation for each new child care space they create in a licensed child care facility they operate for the benefit of the children of their employees. This non-refundable amount is equal to the lesser of the following amounts:

- $10,000 per child care space created; **or**
- 25% of the eligible expenditure incurred after March 18, 2007.

For more information, see Form T2038(IND), *Investment Tax Credit (Individuals)*.

Chapter 2 – Income from a business or a profession

Sole proprietorships

If you are a sole proprietor, you must fill in all the applicable areas and lines on Form T2125, *Statement of Business or Professional Activities*.

Partnerships

The details of your business or professional activities that you have to give us depend on the type of partnership you are in. If you are a partner in a partnership that **has to file** a partnership information return, complete Form T2125 as follows:

- Fill in the "Identification" area.
- Enter on line M in Part 6 on page 3 the amount of income shown in box 116, "Business income," box 120, "Professional income," or box 122, "Commission income," of your T5013 slip, *Statement of Partnership Income*.
- Fill in the "Other amounts deductible from your share of net partnership income (loss)" chart found on page 3 of the form to claim any expenses the partnership did not reimburse you for and any other deductible amounts. Also, fill in the "Calculation of business-use-of-home expenses" chart if applicable. For more information, see page 31.

- If you did not make any adjustments to the amount in box 116, box 120, or box 122 of your T5013 slip, the amount you enter on line 9946 will be the same as the amount you entered on line M.

If you are a partner in a partnership that **does not have to file** a partnership information return, complete Form T2125 as follows:

- Fill in the "Identification" area.
- Calculate the business income for all partners.
- Calculate the business part of expenses for all partners.
- Fill in the "Other amounts deductible from your share of net partnership income (loss)" chart on page 3 to claim any expenses that the partnership did not reimburse you for and any other deductible amounts. Also, fill in the "Calculation of business-use-of-home expenses" chart if applicable. For more information, see page 31.
- Fill in the "Details of other partners" chart on page 4.

To see if your partnership has to file a partnership information return, see "What is a partnership?" on page 10.

We explain how to fill in each of the lines of Form T2125 in this chapter, as well as in Chapter 3 beginning on page 19.

How to complete Form T2125, *Statement of Business or Professional Activities*

In the middle of this guide, you will find two copies of Form T2125, *Statement of Business or Professional Activities*. This form can help you calculate your income and expenses for income tax purposes. We encourage you to use it. However, we will continue to accept other types of financial statements.

If you have **both** business and professional income, you have to complete a **separate** Form T2125 for each. You also have to complete a separate form for each business or professional activity you have, if you have **two or more** of either. For more information, see Interpretation Bulletin IT-206, *Separate Businesses*.

File each completed Form T2125 with your income tax return.

Identification

Fill in all the lines that apply to your business or professional activities.

Enter your account number (15 characters), assigned by the CRA, in the appropriate area.

Indicate the period your business year covered, which is your fiscal period. For an explanation of fiscal period, see page 7.

Enter the six-digit **industry code** that corresponds to your business from the appendix beginning on page 52.

Notes
Only use the industry codes from the appendix if you are filing your General Income Tax and Benefits Return on paper.

If you are filing your return electronically, you have to use the industry codes available from your tax preparation software.

If more than one code describes your business, or if your business has more than one activity, use the code that most closely describes your main business activity. For example, you might operate a bookstore. However, the store might also sell postage stamps. You would use industry code 451210 (for books or stationery) and not industry code 491110 (for postal services).

If you have a tax shelter, enter the identification number on the appropriate line. If you are claiming a deduction or losses for 2015, attach to your income tax return any applicable T5003 slip, *Statement of Tax Shelter Information,* as well as a completed Form T5004, *Claim for Tax Shelter Loss or Deduction*. For more information on tax shelters, go to **www.cra.gc.ca/taxshelters**.

Note
Tax shelter numbers are used for identification purposes only. They do not guarantee that taxpayers are entitled to receive the proposed tax benefits.

Tax tip
For more information about how to protect yourself against tax schemes, go to **www.cra.gc.ca/alert**.

If your business or professional activities are the activities of a partnership, enter the first 9 digits of the "Partnership account number" shown in box 001 of the T5013 slip you received in the "Partnership business number" field of Form T2125.

In the field "Your percentage of the partnership" of Form T2125, enter the "Partner's share (%) of partnership" shown in box 005 of the T5013 slip you received, if applicable.

If you are not preparing Form T2125 yourself, enter the name and address of the person or firm that is preparing it for you.

Internet business activities

You may earn income from your webpages or websites:

- By selling goods and/or services on your own page(s) or site(s). You may have a shopping cart and process payment transactions yourself or use a third-party service.
- If your site doesn't support transactions but your customers call, fill in and submit a form or email you to make a purchase order, booking, etc.
- By selling goods and/or services on auction, marketplace or similar sites operated by others.
- If you earn income from advertising, income programs or traffic your site generates. This would include:
  - Static advertisements you place on your site for other businesses

- Affiliate programs
- Advertising programs, or
- Other types of traffic programs.

Enter the number of webpages and websites from which your business earns income.

Enter the address(es) of your page(s) and/or site(s) in the fields provided. If you have more than five sites, enter the addresses of those that generate the most internet income.

If you don't have a website but you have created a profile or other page describing your business on blogs, auction, market place or any other portal or directory site(s), then enter the address(es) of the page(s) if they generate income.

Enter the percentage of income generated from the Internet. If you do not know the exact percentage, provide an estimate.

Part 1 – Business income

Tick the box in Part 1 to show that you have non-professional **business income**.

You should fill in this part **only** if you have business income. If you have professional income, leave this part blank and fill in Part 2. If you have both business and professional income, you have to complete a separate Form T2125 for each.

Sales, commissions, or fees

Your sales include all sales, whether you receive or will receive money, something the same as money (such as credit units that have a notional monetary value), or something from bartering. Bartering occurs when two people agree to exchange goods or services without using money. For more information, see Interpretation Bulletin IT-490, *Barter Transactions*.

On line A enter the gross sales, commissions, or fees (including GST/HST, collected or collectible).

On line (i) enter any GST/HST, provincial sales tax, returns, allowances, discounts and GST/HST adjustments (included on line A). Line B is the total of line A **minus** line (i).

Note
If you elected to use the quick method of accounting to calculate your GST/HST remittances, calculate government assistance as follows:

- On line (ii), enter GST/HST collected or collectible on sales, commissions and fees eligible for the quick method;
- For each applicable remittance rate, include the sales, commissions and fees eligible for the quick method **plus** GST/HST collected or collectible. Then **multiply** this amount by the quick method remittance rate and enter the result on line (iii). This is the amount you entered on line 103 of your GST/HST return;
- The subtotal at line (iv) is line (ii) **minus** line (iii).

For more information on the quick method and examples of how it works, see Guide RC4058, *Quick Method of Accounting for GST/HST*.

Line C (Adjusted gross sales) is the total of the amounts from line B **plus** line (iv).

Adjusted gross sales – Line C
Enter this amount on line 8000 in Part 3 on page 2 of Form T2125.

Part 2 – Professional income

Tick the box in Part 2 to show that you have **professional income**.

You should fill in this part **only** if you have professional income. If you have business income, leave this part blank and fill in Part 1. If you have both professional and business income, you have to fill in a separate Form T2125 for each.

As mentioned in Chapter 1 on page 6, professional activities are business activities. Usually, you calculate your income from professional activities using the same rules as for a business. However, some aspects of professional activities are different from those of other types of businesses. Some of these differences are discussed in this section.

Professional fees

Your professional income includes all fees you receive for goods or services you provide, whether you receive or will receive money, something the same as money (such as credit units that have a notional monetary value), or something from bartering. Bartering occurs when two people agree to exchange goods or services without using money. For more information, see Interpretation Bulletin IT-490, *Barter Transactions*.

As a professional, your income generally includes the value of your work-in-progress (WIP). WIP is goods or services that you have not yet finished providing at the end of your fiscal period.

Your professional fees for the current year are the total of:

- all amounts you received during the year for professional services, whether you provided the services before or during the current year or after your current year-end;

plus:

- all amounts receivable at the end of the current year for professional services you provided during the current year; and
- the value of your WIP at the end of your current year for which you have not received any amount during the year;

minus:

- all amounts receivable at the end of your previous year-end; and
- the value of your WIP that was included in professional fees at the end of your previous year.

On line D enter the gross professional fees including WIP and GST/HST collected or collectible.

On line (i) enter any GST/HST, provincial sales tax, returns, allowances, discounts and GST/HST adjustments (included on line D) and any WIP at the end of the year you elected to exclude. Line E is the total of line D **minus** line (i).

Note
If you elected to use the quick method of accounting to calculate your GST/HST remittances, calculate government assistance as follows:

- On line (ii) enter GST/HST collected or collectible on professional fees eligible for the quick method;
- For each applicable remittance rate, include (professional fees eligible for quick method **plus** the GST/HST collected or collectible) **multiplied** by the quick method remittance rate (place this amount on line (iii). This is the amount that you entered on line 103 of your GST/HST return.
- The subtotal at line (iv) is line (ii) **minus** line (iii).

For more information about the Quick method and examples of how it works, see Guide RC4058, *Quick Method of Accounting (or GST/HST*.

Add the WIP for the start of the year if you excluded it at the end of last year.

Line F (Adjusted professional fees) is the total of the amounts from line E **plus** lines (iv) and (v).

Election to exclude your WIP

You can choose to exclude your WIP when you calculate your income if you are one of the following professionals:

- an accountant;
- a dentist;
- a lawyer (including a notary in Quebec);
- a medical doctor;
- a chiropractor; or
- a veterinarian.

If you did not choose to exclude your WIP in any previous year, you can do so in 2015. You do not need a special form to do this. Attach a letter to your income tax return telling us that you want to exclude your WIP.

You can also exclude your WIP by doing the following:

- On the "WIP, end of the year, per election to exclude WIP" line, write the amount you included as WIP at the end of the year in your professional fees on line D.
- On the "Work-in-progress, start of the year, per election to exclude WIP" line, write the amount of your WIP at the start of the year, if you excluded it at the end of last year.

Make this election when you file the original income tax return to which it relates. If you are filing an amended return, you cannot make this election.

For partnerships, an authorized partner must choose to exclude the partnership's WIP on behalf of all partners.

The choice to exclude WIP stays in effect for each following year, unless you file an application and we let you make the change.

For more information about excluding WIP, see Interpretation Bulletin IT-457, *Election by Professionals to Exclude Work in Progress from Income*.

Adjusted professional fees – Line F

Enter this amount on line 8000 in Part 3 on page 2 of Form T2125.

Part 3 – Gross business or professional income

Line 8000 – Adjusted gross sales or adjusted professional fees

If you are completing Form T2125 for a business activity, enter your adjusted gross sales from line C in Part 1.

If you are completing Form T2125 for a professional activity, enter your adjusted professional fees from line F in Part 2.

Line 8290 – Reserves deducted last year

Include any reserves you deducted for 2014. For more information, see "Allowable reserves" on page 27.

Line 8230 – Other income

Enter the total income you received from other sources. Some examples of other income you would report on this line are:

- a recovery of an amount you wrote off as a bad debt in a previous year;
- the value of vacation trips or other prizes awarded to you because of your business or professional activities;
- payments for land you leased for petroleum or natural gas exploration. For more information, see Interpretation Bulletin IT-200, *Surface Rentals and Farming Operations*; and
- grants, subsidies, incentives, or assistance you get from a government, government agency, or non-government agency. Since input tax credits are considered government assistance, include on this line the amount you claimed on line 108 of your GST/HST return only if you cannot apply the rebate, grant, or assistance you received to reduce a particular expense or an asset's capital cost. For more information, see "Grants, subsidies, and rebates" on page 39.

If you used the quick method to calculate your GST/HST remittances, report the 1% credit (maximum $300) that you claimed on line 107 of your GST/HST return. For more information, see Interpretation Bulletin IT-273, *Government Assistance – General Comments*.

Note
Report the amount received in the year for the GST/HST rebate for partners that relates to eligible expenses other than CCA on line 9974 in Part 6 on page 3 of Form T2125. See "Part 6 – Your net income (loss)" on page 30.

Also, do not include in income any other rebate, grant, or assistance you receive, but subtract that amount from the applicable expense or the cost of capital property it relates to. If the rebate, grant, or assistance is for a depreciable asset, subtract the amount you received from the asset's capital cost. This will affect the amount of CCA you can claim for that asset. For information about CCA, see Chapter 4 beginning on page 32. If the asset qualifies for the investment tax credit, this reduction to the capital cost will also affect your claim for the investment tax credit. For more information, see Form T2038(IND), *Investment Tax Credit (Individuals)*.

Line 8299 – Gross business or professional income

Enter your gross business or professional income. This is your adjusted gross sales or adjusted professional fees (line 8000) **plus** any reserves deducted last year (line 8290) and any other income (line 8230). Enter this amount on the appropriate line of your income tax return.

> **Note**
> Generally, you have to register for the GST/HST if your total revenues from worldwide taxable supplies (before expenses) from all your businesses and those of your associates are more than $30,000 over the last four consecutive calendar quarters or in any single calendar quarter.

Part 4 – Cost of goods sold and gross profit

Fill in this part if you have a business and your business buys goods for resale or makes goods for sale.

Claim the cost of the goods you buy or make for sale in the fiscal period in which you sell them. Enter only the business part of the costs on the form.

To calculate your cost of goods sold, you need to know the following:

- the value of your inventory at the start of your fiscal period;
- the value of your inventory at the end of your fiscal period; and
- the cost of your purchases (net of discounts) for the fiscal period.

Line 8300 – Opening inventory and Line 8500 – Closing inventory

Enter your opening and closing inventory on the appropriate lines. These amounts must include raw materials, goods in process, and finished goods. The way you value your inventory is important in determining your income. For income tax purposes, choose one of the following two methods:

- value your entire inventory at its **FMV** (see "Definitions" on page 5). Use the price you would pay to replace the item or the amount you would get if you sold the item; or
- value individual items in your inventory at either their FMV or their cost, whichever is less. Cost is the price you incur for an item. Cost also includes any expenses you incur to bring the item to the business location and put it in a condition so that you can use it in the business. When you cannot easily tell one item from another, you can value the items as a group.

Once you have chosen a method for valuing your inventory, you have to use that method consistently.

If this is your first year of reporting business income, you can choose either method to value your inventory. In your first year of business, you will not have an opening inventory amount to enter on line 8300. If this is not your first year of business, continue to use the same method you used in past years. The value of your inventory at the start of a fiscal period has to be the same as the value of your inventory at the end of the preceding fiscal period.

Do an actual stock count at the end of each fiscal period, unless you use a perpetual inventory system. Under this system, you do periodic stock counts and keep a written record of each count. Remember to keep your inventory records with your other records.

Businesses that are adventures or concerns in the nature of trade must value their inventory at cost.

For more information about valuing inventory, see Interpretation Bulletin IT-473, *Inventory Valuation*.

Inventory value of an artistic endeavour

An artistic endeavour occurs when you are in the business of creating paintings, murals, original prints, etchings, drawings, sculptures, or similar works of art. An artistic endeavour does not include reproducing works of art.

When you calculate your income from an artistic endeavour, you can choose to value your closing inventory at nil. To do this, show your closing inventory as "nil" on line 8500. Your choice stays in effect for each following year, unless you request a change from the CRA and we allow the change. You cannot use this option if you did not create the work of art or if you are in the business of reproducing works of art.

For more information, see Interpretation Bulletin IT-504R2-CONSOLID, *Visual Artists and Writers*.

Gifts of inventory by an artist

If you donate a work of art you created, you may not have to report a profit on your donation for income tax purposes. To benefit from this tax treatment, your gift must fall under the definition of gifts of certified cultural property. For more information about gifts and donations, see Pamphlet P113, *Gifts and Income Tax*.

Line 8320 – Purchases during the year (net of returns, allowances, and discounts)

The cost of goods you buy to resell or use in manufacturing other goods includes costs such as delivery, freight, and express charges. Enter the amount of your net purchases during the year (your total purchases **minus** any discounts you received).

Sometimes you might use goods you bought for the business for personal use. When this happens, you have to subtract the cost of these goods from your total purchases for the year. Do this before you enter the amount of the purchases.

Line 8340 – Direct wage costs

Include the remuneration you paid to employees who work directly in the manufacture of your goods. Do not include:

- indirect wages;
- a salary paid to yourself or a partner (see "Details of equity" on page 31); and
- withdrawals you may have made from the business (see "Details of equity" on page 31).

For more information, see "Line 9060" on page 22.

Line 8360 – Subcontracts

Enter all the costs of hiring outside help to perform tasks related to the goods you sell.

Line 8519 – Gross profit

Enter your gross profit, which is your gross business income (line 8299 in Part 3 on page 2) **minus** your cost of goods sold (line 8518).

The following example summarizes this chapter. Since the rules for calculating business and professional income are similar, our example focuses on a business.

Example

Cathy is the sole proprietor of a fashion boutique that has a December 31 fiscal year-end. She rents the premises where the store is located. Cathy entered the following details in her sales journals for 2015.

Total sales	$189,000
GST/HST and provincial sales tax on total sales	$ 28,350
Returned items	$ 1,000
Inventory at the start of 2015	$ 36,500
Inventory at the end of 2015	$ 30,000
Purchases (including freight and other expenses)	$ 88,000

Cathy fills in "Part 1 – Business income," "Part 3 – Gross business or professional income," and "Part 4 – Cost of goods sold and gross profit" on Form T2125 as follows:

Part 1 – Business income

☑ If you have business income, tick this box and complete this part. **Do not complete parts 1 and 2 on the same form.**

Gross sales, commissions, or fees (including GST/HST collected or collectible)		217,350.00	A
Minus any GST/HST, provincial sales tax, returns, allowances, discounts, and GST/HST adjustments (included on line A above)		29,350.00	(i)
Subtotal (amount A **minus** amount (i))		188,000.00	B
For those using the quick method – Government assistance calculated as follows: GST/HST collected or collectible on sales, commissions and fees eligible for the quick method			(ii)
GST/HST remitted, calculated on (sales, commissions, and fees eligible for the quick method plus GST/HST collected or collectible) multiplied by the applicable quick method remittance rate			(iii)
Subtotal (amount (ii) **minus** amount (iii))			(iv)
Adjusted gross sales (amount B **plus** amount (iv)) – Enter this amount on line 8000 in Part 3 below		188,000.00	C

Part 3 – Gross business or professional income

Adjusted gross sales (from amount C in Part 1) or adjusted professional fees (from amount F in Part 2)		8000	188,000.00	G
Plus				
Reserves deducted last year	8290			
Other income	8230			
Total of the above two lines		►		H
Gross business or professional income (amount G **plus** amount H)		8299	188,000.00	

Enter this amount on the appropriate line of your income tax and benefit return: business on line 162, professional on line 164, or commission on line 166.

If GST/HST has been remitted or an input tax credit has been claimed, do not include GST/HST when you calculate the cost of goods sold, expenses, or net income (loss) in parts 4 to 6.

Part 4 – Cost of goods sold and gross profit

If you have business income, complete this part. Enter only the business part of the costs.

Gross business income from line 8299 in Part 3 above				188,000.00	I
Opening inventory (include raw materials, goods in process, and finished goods)	8300	36,500.00			
Purchases during the year (net of returns, allowances, and discounts)	8320	88,000.00			
Direct wage costs	8340				
Subcontracts	8360				
Other costs	8450				
Total of the above five lines		124,500.00			
Minus					
Closing inventory (include raw materials, goods in process, and finished goods)	8500	30,000.00			
Cost of goods sold	8518	94,500.00	►	94,500.00	J
Gross profit (amount I **minus** amount J)			8519	93,500.00	

Chapter 3 – Expenses

This chapter discusses the more common expenses you might incur to earn income from your business (including self-employed commission sales) or professional activities. Incur means that you paid or will have to pay the expense.

Current or capital expenses?

Renovations and expenses that extend the useful life of your property or improve it beyond its original condition are usually capital expenses. However, an increase in a property's market value because of an expense is not a major factor in deciding whether the expense is capital or current. To decide whether an amount is a current expense or a capital expense, consider your answers to the questions in the following chart.

Criteria	Capital expenses	Current expenses
Does the expense provide a lasting benefit?	A capital expense generally gives a lasting benefit or advantage. For example, the cost of putting vinyl siding on the exterior walls of a wooden house is a capital expense.	A current expense is one that usually recurs after a short period. For example, the cost of painting the exterior of a wooden house is a current expense.
Does the expense maintain or improve the property?	The cost of a repair that improves a property beyond its original condition is probably a capital expense. If you replace wooden steps with concrete steps, the cost is a capital expense.	An expense that simply restores a property to its original condition is usually a current expense. For example, the cost of repairing wooden steps is a current expense.
Is the expense for a part of a property or for a separate asset?	The cost of replacing a separate asset within a property is a capital expense. For example, the cost of buying a compressor to use in your business operation is a capital expense. The reason is that a compressor is a separate asset and is not part of the building.	The cost of repairing a property by replacing one of its parts is usually a current expense. For instance, electrical wiring is part of a building. Therefore, an amount you spend to rewire is usually a current expense, as long as the rewiring does not improve the property beyond its original condition.
What is the value of the expense? (Use this test only if you cannot determine whether an expense is capital or current by considering the three previous tests.)	Compare the cost of the expense to the value of the property. Generally, if the cost is considerable in relation to the value of the property, it is a capital expense.	This test is not a determining factor by itself. You might spend a large amount of money for maintenance and repairs to your property all at once. If this cost was for ordinary maintenance that was not done when it was necessary, it is a maintenance expense, and you can deduct it as a current expense.
Is the expense for repairs to the used property that you acquired made to put it in suitable condition for use?	The cost of repairing used property that you acquired to put it in a suitable condition to use in your business is considered a capital expense even though in other circumstances it would be treated as a current operating expense.	When the repairs are for ordinary maintenance of a property that you already had in your business, the expense is usually current.
Is the expense for repairs made to an asset in order to sell it?	The cost of repairs made in anticipation of selling a property or as a condition of sale is regarded as a capital expense.	When the repairs would have been made anyway, but a sale was negotiated during the course of the repairs or after their completion, the expense is considered current.

For more information, see Chapter 4 beginning on page 32, and Interpretation Bulletin IT-128, *Capital Cost Allowance – Depreciable Property*.

You cannot claim expenses you incur to buy capital property. However, as a rule, you can deduct any reasonable current expense you incur to earn business or professional income. The deductible expenses include any GST/HST you incur on these expenses minus the amount of any input tax credit claimed. Also, since you cannot deduct personal expenses, enter only the business part of expenses on Form T2125.

Note
When you claim the GST/HST you paid on your business expenses as an input tax credit, reduce the amounts of the business expenses you show on Form T2125 by the amount of the input tax credit. Do this when the GST/HST for which you are claiming the input tax credit was paid or became payable. Similarly, subtract any other rebate, grant, or assistance from the expense to which it applies. Enter the net figure on the proper line of Form T2125. Any such assistance you claim for the purchase of depreciable property used in your business will affect your claim for CCA. If you cannot apply the rebate, grant, or assistance you received to reduce a particular expense, or to reduce an asset's capital cost, include the total on line 8230, "Other income," in Part 3 of Form T2125. For more information, see "Grants, subsidies, and rebates" on page 39.

"**Enter only the business part**" means that you do not include any of the following in your expenses:

- salary or wages (including drawings) paid to self, partner(s), or both;
- cost of saleable goods or services that you, your family, or your partners and their families used (including items such as food, home maintenance, and business properties);
- charitable donations and political contributions;
- interest and penalties you paid on your income tax;
- most life insurance premiums (for more information, see "Line 8690 – Insurance" on page 21);
- the part of expenses that can be attributed to the non-business use of business property; and
- most fines and penalties imposed after March 22, 2004, under the law of Canada, a province, or a foreign country.

Prepaid expenses

A prepaid expense is an expense you pay for ahead of time. Under the accrual method of accounting, claim any expense you prepay in the year or years in which you get the related benefit. For example, suppose your fiscal year-end is December 31, 2015. On June 30, 2015, you prepay the rent on your store for a full year (July 1, 2015, to June 30, 2016). You can only deduct one-half of this rent as an expense in 2015. You deduct the other half as an expense in 2016.

For more information, see Interpretation Bulletin IT-417, *Prepaid Expenses and Deferred Charges*.

Part 5 – Net income (loss) before adjustments

Line 8521 – Advertising

You can deduct expenses for advertising, including advertising in Canadian newspapers and on Canadian television and radio stations. You can also include on this line any amount you paid as a finder's fee.

Certain restrictions apply to the amount of the expense you can deduct for advertising in a periodical. You can deduct all the expense if your advertising is directed at a Canadian market and the original editorial content in the issue is 80% or more of the issue's total non-advertising content.

You can deduct 50% of the expense if your advertising in a periodical is directed at a Canadian market and the original editorial content in the issue is less than 80% of the issue's total non-advertising content.

You cannot deduct expenses for advertising directed mainly at a Canadian market when you advertise with a foreign broadcaster.

Line 8523 – Meals and entertainment

The maximum amount you can claim for food, beverages, and entertainment expenses is 50% of the lesser of the following amounts:

- the amount incurred for these expenses; or
- an amount that is reasonable in the circumstances.

These limits also apply to the cost of your meals when you travel or go to a convention, conference, or similar event. However, special rules can affect your claim for meals in these cases. For more information, see "Line 9200 – Travel" on page 23 and "Convention expenses" on page 27.

These limits do not apply if:

- your business regularly provides food, beverages, or entertainment to customers for compensation (for example, a restaurant, hotel, or motel);
- you bill your client or customer for the meal and entertainment costs, and you show these costs on the bill;
- you include the amount of meal and entertainment expenses in an employee's income or would include them if the employee did not work at a remote or special work location; in addition, the amount cannot be paid or payable for a conference, convention, seminar, or similar event and the special work location must be at least 30 kilometres from the closest urban centre with a population of 40,000 or more (visit **www.statcan.gc.ca)**;
- you incur meal and entertainment expenses for an office party or similar event, and you invite all your employees from a particular location. The limit is six such events per year;
- the meal and entertainment expenses you incur are for a fund-raising event that was mainly for the benefit of a registered charity; or
- you provide meals to an employee housed at a temporary work camp constructed or installed specifically to provide meals and accommodation to employees working at a construction site (note that the employee cannot be expected to return home daily).

Entertainment expenses include tickets and entrance fees to an entertainment or sporting event, gratuities, cover charges, and room rentals such as for hospitality suites.

For more information, see Interpretation Bulletin IT-518, *Food, Beverages, and Entertainment Expenses*.

Expenses for food and beverages consumed by a long-haul truck driver during an eligible travel period are deductible at 80%.

An eligible travel period is a period of at least 24 continuous hours throughout which the driver is away from the municipality and metropolitan area that he or she resides in (the residential location) and is driving a long-haul truck that transports goods to, or from a location that is beyond a radius of at least 160 kilometres from the residential location.

Self-employed foot and bicycle couriers and rickshaw drivers can deduct the cost of extra food and beverages they must consume in a normal working day (8 hours) because of the nature of their work. The daily flat rate that can be claimed is $17.50.

If you are claiming this deduction you should be prepared to provide log books showing the days worked and the hours worked on each of these days during the tax year. The CRA may also ask for dispatch slips or other documents to support the days worked during the tax year.

If you want to claim more than the flat-rate amount, the CRA will also need:

- supporting receipts for all food and beverages claimed; and
- something that clearly shows the extra amount of food and beverages required because of the nature of your work, and how this amount exceeds what the average person would consume both in terms of cost and quantity.

Line 8590 – Bad debts

You can deduct an amount for a bad debt if:

- you had determined that an account receivable is a bad debt in the year; and
- you had already included the receivable in income.

For more information, see Interpretation Bulletin IT-442, *Bad Debts and Reserves for Doubtful Debts*.

Line 8690 – Insurance

You can deduct all ordinary commercial insurance premiums you incur on any buildings, machinery, and equipment you use in your business. For more information about claiming your motor vehicle insurance costs, see "Line 9281 – Motor vehicle expenses" on page 23.

The insurance costs related to business use of work space in your home have to be claimed on line 9945, "Business-use-of-home expenses." For more information, see page 30.

In most cases, you cannot deduct your life insurance premiums. However, if you use your life insurance policy as collateral for a loan related to your business, you might be able to deduct a limited part of the premiums you paid. For more information, see Interpretation Bulletin IT-309, *Premiums on Life Insurance Used as Collateral*.

Line 8710 – Interest

You can deduct interest you incurred on money borrowed for business purposes or to acquire property for business purposes.

However, there are limits on:

- the interest you can deduct on money you borrow to buy a passenger vehicle. For more information, see "Interest" on page 25.
- the amount of interest you can deduct for vacant land. Usually, you can only deduct interest up to the amount of income from the land that remains after you deduct all other expenses. You cannot use any remaining amounts of interest to create or increase a loss, and you cannot deduct them from other sources of income.

Fees, penalties, or bonuses paid for a loan

You can deduct the fee you pay to reduce the interest rate on your loan. You can also deduct any penalty or bonus a financial institution charges you to pay off your loan before it is due. Treat the fee, penalty, or bonus as prepaid interest and deduct it over the remaining original term of your loan.

For example, if the term of your loan is five years and in the third year you pay a fee to reduce your interest rate, treat this fee as a prepaid expense and deduct it over the remaining term of the loan. For more information, see "Prepaid expenses" on page 20.

Fees deductible over five years

You can deduct certain fees you incur when you get a loan to buy or improve your business property. These fees include:

- application, appraisal, processing, and insurance fees;
- loan guarantee fees;
- loan brokerage and finder's fees; and
- legal fees related to financing.

You deduct these fees over a period of five years, regardless of the term of your loan. Deduct 20% in 2015 and 20% in each of the next four years. The 20% limit is reduced proportionally for fiscal periods of less than 12 months.

However, if you repay the loan before the end of the five-year period, you can deduct the remaining financing fees then. The number of years for which you can deduct these fees is not related to the term of your loan.

Fees deductible in the year incurred

If you incur standby charges, guarantee fees, service fees, or any other similar fees, you may be able to deduct them in full in the year you incur them. To do so, they have to relate only to that year. For more information, see Interpretation Bulletin IT-341, *Expenses of Issuing or Selling Shares, Units in a Trust, Interests in a Partnership or Syndicate, and Expenses of Borrowing Money*.

Interest deductible on property no longer used for business purposes

You may be able to deduct interest expenses for a property you used for business purposes, even if you have stopped using the property for such purposes because you are no longer in business. For more information, see Income Tax Folio S3-F6-C1, *Interest Deductibility and Related Issues*.

Interest on loans made against insurance policies

You can deduct interest you paid on a loan made against an insurance policy, as long as the insurer did not add the interest you paid to the adjusted cost base of the insurance policy. To claim the interest you paid for 2015, have the insurer verify the interest before June 16, 2016, on Form T2210, *Verification of Policy Loan Interest by the Insurer*.

Capitalizing interest

You can choose to capitalize interest on money you borrow:

- to buy depreciable property;
- to buy a resource property; or
- for exploration and development.

When you choose to capitalize interest, add the interest to the cost of the property or exploration and development costs instead of deducting the interest as an expense.

Interest related to work space in your home

The interest related to business use of work space in your home has to be claimed on line 9945, "Business-use-of-home expenses." For more information, see page 30.

Line 8760 – Business tax, fees, licences, dues, memberships, and subscriptions

You can deduct all annual licence fees and business taxes you incur to run your business. You can also deduct annual dues or fees to keep your membership in a trade or commercial association. You cannot deduct club membership dues (including initiation fees) if the main purpose of the club is dining, recreation, or sporting activities.

Line 8810 – Office expenses

You can deduct the cost of office expenses. These include small items such as pens, pencils, paper clips, stationery, and stamps. Office expenses do not include items such as calculators, filing cabinets, chairs, and desks. These are capital items. For more information on capital property, see Chapter 4 beginning on page 32.

Line 8811 – Supplies

You can deduct the cost of items the business used indirectly to provide goods or services (for example, drugs and medication used by a veterinarian or cleaning supplies used by a plumber).

Line 8860 – Legal, accounting, and other professional fees

You can deduct the fees you incurred for external professional advice or services, including consulting fees.

You can deduct accounting and legal fees you incur to get advice and help with keeping your records. You can also deduct fees you incur for preparing and filing your income tax and GST/HST returns.

You can deduct accounting or legal fees you paid to have an objection or appeal prepared against an assessment for income tax, Canada Pension Plan or Quebec Pension Plan contributions, or employment insurance premiums. However, the full amount of these deductible fees must first be reduced by any reimbursement of these fees that you have received. Report the difference on line 232 of your income tax return. If you received a reimbursement in 2015 for the types of fees that you deducted in a previous year, report the amount you received on line 130 of your 2015 income tax return.

You cannot deduct legal and other fees you incur to buy a capital property. Instead, add these fees to the cost of the property. For more information on capital property, see Chapter 4 beginning on page 32.

For more information, see Interpretation Bulletin IT-99R5-CONSOLID, *Legal and Accounting Fees*.

Line 8871 – Management and administration fees

You can deduct management and administration fees including bank charges incurred to operate your business. Do not include on this line, employees' salaries, property taxes, or rents paid. You can claim these amounts at a different place on Form T2125.

Line 8910 – Rent

You can deduct rent incurred for property used in your business. For example, you can deduct rent for the land and building where your business is situated. The rent expense related to the business use of work space in your home has to be claimed on line 9945, "Business-use-of-home expenses." For more information, see page 30.

Line 8960 – Maintenance and repairs

You can deduct the cost of labour and materials for any minor repairs or maintenance done to property you use to earn income. However, you cannot deduct the value of your own labour.

You cannot deduct costs you incur for repairs that are capital in nature. However, you can claim CCA. For more information about CCA, see Chapter 4 beginning on page 32.

The maintenance and repairs related to business use of work space in your home have to be claimed on line 9945, "Business-use-of-home expenses." For more information, see page 30.

Line 9060 – Salaries, wages, and benefits

You can deduct gross salaries and other benefits you pay to employees. Do not include on this line salaries and wages described in "Line 8340 – Direct wage costs" or "Line 8360 – Subcontracts" on page 17, or salaries and drawings of the owner(s) of the business described in "Line 9932 – Drawings in " on page 32. Salaries or drawings paid or payable to you or your partners are not deductible. For more information, see "Details of equity" on page 31.

The Canada Pension Plan (CPP) is for all workers, including the self-employed. Employers, employees, and most self-employed individuals have to contribute to the CPP. The CPP can provide basic benefits when you retire or if you become disabled. When you die, the CPP can provide benefits to your surviving spouse or common-law partner and your dependent children under the age of 25. For more information on contributions and benefits, visit **www.servicecanada.gc.ca.**

Quebec workers including the self-employed are covered under the Quebec Pension Plan (QPP).

As the employer, you can deduct your part of CPP or QPP contributions, employment insurance premiums, provincial parental insurance plan (PPIP) premiums (the PPIP is an income replacement plan for residents of Quebec—for details, contact Revenu Québec), and workers' compensation amounts payable on employees' remuneration. For information on making payroll deductions, go to **www.cra.gc.ca/payroll**.

You can also deduct any insurance premiums you pay for an employee for a sickness, an accident, a disability, or an income insurance plan.

You can deduct the salary you pay to your child, as long as you meet **all** these conditions:

- you pay the salary;
- the work your child does is necessary for earning business or professional income; and
- the salary is reasonable when you consider your child's age, and the amount you pay is what you would pay someone else.

Keep documents to support the salary you pay your child. If you pay your child by cheque, keep the cancelled cheque. If you pay cash, have the child sign a receipt.

Instead of cash, you can pay your child with a product from your business. When you do this, claim the value of the product as an expense and add to your gross sales an amount equal to the value of the product. Your child has to include the value of the product in his or her income.

You can also deduct the salary you pay to your spouse or common-law partner. When you pay your spouse or common-law partner a salary, use the same rules that apply to paying your child.

Report the salaries you pay to your children and spouse or common-law partner on T4 slips, the same as you would for other employees. However, you cannot claim as an expense the value of board and lodging you provide to your dependent children and your spouse or common-law partner.

Line 9180 – Property taxes

You can deduct property taxes you incurred for property used in your business. For example, you can deduct property taxes for the land and building where your business is situated. The property tax related to the business use of work space in your home has to be claimed on line 9945, "Business-use-of-home expenses." For more information, see page 30.

Line 9200 – Travel

You can deduct travel expenses you incur to earn business and professional income. Travel expenses include public transportation fares, hotel accommodation, and meals.

In most cases, the 50% limit applies to the cost of meals, beverages, and entertainment when you travel. We discuss this limit in "Line 8523 – Meals and entertainment" on page 20.

The 50% limit also applies to the cost of food and beverages served and entertainment enjoyed when you travel on an airplane, train, or bus when the ticket price does not include such amounts.

Line 9220 – Telephone and utilities

You can deduct expenses for telephone and utilities, such as gas, oil, electricity, and water, if you incurred the expenses to earn income. The expenses for utilities that are related to the business use of work space in your home have to be claimed on line 9945, "Business-use-of-home expenses." For more information, see page 30.

Line 9224 – Fuel costs (except for motor vehicles)

You can deduct the cost of fuel (including gasoline, diesel, and propane), motor oil, and lubricants used in your business. For information about claiming the fuel used in your motor vehicle, see "Line 9281 – Motor vehicle expenses" on this page.

The cost of fuel related to the business use of work space in your home has to be claimed on line 9945, "Business-use-of-home expenses." For more information, see page 30.

Line 9275 – Delivery, freight, and express

You can deduct the cost incurred in the year of delivery, freight, and express that relates to your business.

Line 9281 – Motor vehicle expenses

You can deduct expenses you incur to run a motor vehicle you use to earn business income. Fill in "Chart A – Motor vehicle expenses" on page 6 of Form T2125. The chart will help you calculate the amount of motor vehicle expenses you can deduct. If you are a partner in a business partnership and you incur motor vehicle expenses for the business through the use of your personal vehicle, you can claim those expenses related to the business on line 9943, "Other amounts deductible from your share of net partnership income (loss)," in Part 6 on page 3 of the form. For more information, see page 30.

Keeping records

You can deduct motor vehicle expenses only when they are reasonable and you have receipts to support them. To receive the full benefit of your claim for each vehicle, keep a record of the total kilometres you drive and the kilometres you drive to earn business income. For each business trip, list the date, destination, purpose, and number of kilometres you drive. Record the odometer reading of each vehicle at the start and end of the fiscal period.

If you change motor vehicles during the fiscal period, record the dates of the changes and the odometer readings when you buy, sell, or trade the vehicles.

Simplified logbook for motor vehicle expense provisions

Following a federal initiative to reduce the paper burden on businesses, you can choose to maintain a full logbook for one complete year to establish a base year's business use of a vehicle.

After one complete year of keeping a logbook to establish the base year, you can use a three-month sample logbook to foresee business use for the entire year, as long as the usage is within the same range (within 10%) of the results of the base year. Businesses will have to show that the use of the vehicle in the base year remains representative of its normal use.

For more information on the sample logbook policy, go to **www.cra.gc.ca/autolog**.

What type of vehicle do you own?

The kind of vehicle you own can affect the expenses you deduct. For income tax purposes, there are two types of vehicles:

- motor vehicles; and
- passenger vehicles.

If you own or lease a passenger vehicle, there may be a limit on the amounts you can deduct for CCA, interest, and leasing costs.

We explain the CCA limits on page 37, the interest limits and the leasing costs on page 25.

To help you determine what type of vehicle you have, see the chart on page 25. The chart does not cover every situation, but it gives some of the main definitions to help you determine the type of vehicle you own.

Deductible expenses

The types of expenses you can claim on line 9281 include:

- licence and registration fees;
- fuel and oil costs;
- insurance;
- interest on money borrowed to buy a motor vehicle;
- maintenance and repairs; and
- leasing costs.

You can also claim CCA, but you enter this amount on line 9936. For information about CCA, see Chapter 4 on page 32.

Business use of a motor vehicle

If you use a motor vehicle for business and personal use, you can deduct only the part of the expenses that you paid to earn income. However, you can deduct the full amount of parking fees related to your business activities and supplementary business insurance for your motor vehicle. To support the amount you can deduct, keep a record of the total kilometres you drive and the kilometres you drive to earn income.

Example

Paul owns a hardware store that has a December 31 year-end. He has a van that he uses for the business. Paul noted the following for 2015:

Kilometres driven to earn business income		27,000
Total kilometres driven		30,000
Expenses:		
Licence and registration fees	$	100
Gas and oil	$	2,400
Insurance	$	1,900
Interest	$	800
Maintenance and repairs	$	200
Total expenses for the van	$	5,400

Paul calculates the expenses he can deduct for his van for 2015 as follows:

$$\frac{27{,}000 \text{ (business kilometres)}}{30{,}000 \text{ (total kilometres)}} \times \$5{,}400 = \$4{,}860$$

The deductible **business** part of Paul's van expenses is $4,860. He also has business parking fees of $40 and a supplementary business insurance cost of $100. As such, he can claim $5,000 on line 9281 in Part 5 of Form T2125.

Joint ownership

If you and another person own or lease a passenger vehicle, the limits on CCA, interest, and leasing still apply. As a joint owner, the total amount you and any other owners deduct cannot be more than the amount one person owning or leasing the vehicle could deduct.

More than one vehicle

If you use more than one motor vehicle for your business, keep a separate record for each vehicle that shows the total and business kilometres you drive, as well as the cost to run and maintain the vehicle. Calculate each vehicle's expenses separately.

For more information, see Interpretation Bulletin IT-521, *Motor Vehicle Expenses Claimed by Self-Employed Individuals*.

Vehicle definitions			
Type of vehicle	**Seating (includes driver)**	**Business use in year bought or leased**	**Vehicle definition**
Coupe, sedan, station wagon, sports car, or luxury car	1 to 9	1% to 100%	passenger*
Pickup truck used to transport goods or equipment	1 to 3	more than 50%	motor*
Pickup truck (other than above)**	1 to 3	1% to 100%	passenger
Pickup truck with extended cab used to transport goods, equipment, or passengers	4 to 9	90% or more	motor
Pickup truck with extended cab (other than above)**	4 to 9	1% to 100%	passenger
Sport utility used to transport goods, equipment, or passengers	4 to 9	90% or more	motor
Sport utility (other than above)	4 to 9	1% to 100%	passenger
Van or minivan used to transport goods or equipment	1 to 3	more than 50%	motor
Van or minivan (other than above)	1 to 3	1% to 100%	passenger
Van or minivan used to transport goods, equipment, or passengers	4 to 9	90% or more	motor
Van or minivan (other than above)	4 to 9	1% to 100%	passenger

* For more information, see "Definitions" on page 5.

** A vehicle in this category that is used more than 50% to transport goods, equipment, or passengers while earning or producing income at a remote work location or at a special work site that is at least 30 kilometres from the nearest community with a population of 40,000 is considered a **motor vehicle**.

Interest

You can deduct interest on money you borrow to buy a motor vehicle or passenger vehicle you use to earn income. Include the interest as an expense when you calculate your allowable motor vehicle expenses.

When you use a passenger vehicle to earn income, there is a limit on the interest you can deduct. To calculate the amount of interest you can deduct, fill in "Chart B – Available interest expense for passenger vehicles" on page 6 of Form T2125.

Example

On May 1, 2015, Julie bought a car that she uses to earn business income. Julie's fiscal year ends on December 31. The car is a passenger vehicle. Julie borrowed money to buy her car, and the interest payable in 2015 was $1,500. Her available interest expense **is the lesser of the following two amounts:**

- the total interest payable in 2015 ($1,500); or
- $10 multiplied by the number of days in the fiscal period that interest was payable ($10 × 245 days = $2,450).

Julie can claim an interest expense of $1,500.

She also recorded the following information for 2015:

Kilometres driven to earn business income		25,000
Total kilometres driven		30,000
Expenses:		
Gasoline and oil	$	1,330
Interest expense	$	1,500
Insurance	$	750
Licence and registration fees	$	70
Repairs and maintenance	$	100
Total car expenses	$	3,750

Julie calculates the expenses she can deduct for her car for 2015 as follows:

$$\frac{25{,}000 \text{ (business kilometres)}}{30{,}000 \text{ (total kilometres)}} \times \$3{,}750 = \$3{,}125$$

Leasing costs

You can deduct amounts you incur to lease a motor vehicle you use to earn income. Include these amounts on line 9281.

When you use a passenger vehicle to earn income, there is a limit on the amount of the leasing costs you can deduct. To calculate your eligible leasing costs, fill in "Chart C – Eligible leasing costs for passenger vehicles" on page 6 of Form T2125.

If the lease agreement for your passenger vehicle includes items such as insurance, maintenance, and taxes, add them to the total lease charges entered on line 1 of Chart C.

Note

Generally, leases include taxes (GST/HST or PST), but not items such as insurance and maintenance. You have to pay these amounts separately. Include the taxes on line 1 of Chart C, and list the items such as insurance and maintenance on the appropriate lines of "Chart A – Motor vehicle expenses."

The GST/HST rate that you should use to fill in "Chart C – Eligible leasing costs for passenger vehicles" on page 6 of Form T2125 is the rate that was in effect at the start of each lease period.

For your 2015 fiscal period, use the GST rate of 5% or the HST rate of your specific province to fill in Chart C.

To show you how to calculate your eligible leasing costs, fill in the following example using Chart C on page 6 of Form T2125.

Example
Kim owns a pet store. Her business has a July 31 fiscal year-end. On February 1, 2015, she started leasing a car that is a passenger vehicle. The PST rate for her province is 8% and the GST rate is 5%. Kim entered the following for 2015:

Monthly lease payment	$ 500
Lease payments for 2015	$ 3,000
Manufacturer's suggested list price	$ 33,000
Number of days in 2015 she leased the car	181
GST and PST on $30,000	$ 3,900
GST and PST on $35,294	$ 4,588
GST and PST on $800	$ 104

Total lease charges incurred in Kim's 2015 fiscal period for the vehicle	$ 3,000	**1**
Total lease payments deducted in her fiscal periods before 2015 for the vehicle	$ 0	**2**
Total number of days the vehicle was leased in 2015 and previous fiscal periods	181	**3**
Manufacturer's list price	$ 33,000	**4**
The amount on line 4 or $39,882 (35,294 + 4,588), whichever is more, **multiplied** by 85% ($39,882 × 85%)	$ 33,900	**5**
($904 × 181) ÷ 30	$ 5,454	**6**
($33,900 × $3,000) ÷ $33,900	$ 3,000	**7**

Kim's eligible leasing cost is either line 6 or line 7, whichever amount is less. In this case, her allowable claim is $3,000.

Repayments and imputed interest

When you lease a passenger vehicle, you may have a repayment owing to you, or you may have imputed interest. If so, you will not be able to use "Chart C – Eligible leasing costs for passenger vehicles" on page 6 of Form T2125.

Imputed interest is interest that would be owing to you if interest were paid on money deposited to lease a passenger vehicle. You calculate imputed interest for leasing costs on a passenger vehicle only if **all** the following apply:

- one or more deposits were made for the leased passenger vehicle;
- the deposit(s) is/are refundable; and
- the total of the deposit(s) is/are more than $1,000.

For more information, see Interpretation Bulletin IT-521, *Motor Vehicle Expenses Claimed by Self-Employed Individuals*.

Line 9935 – Allowance on eligible capital property

If you buy a property such as goodwill or a franchise for your business, you may be able to claim an annual allowance. For more information, see Chapter 5 beginning on page 48.

Line 9936 – Capital cost allowance (CCA)

If you use a property you own such as a building, a motor vehicle, or equipment in your business, you might be able to claim CCA. For more information, see Chapter 4 beginning on page 32.

Line 9270 – Other expenses

There are expenses you can incur to earn income, other than those listed on Form T2125. We cover some of them in the following sections. Enter on this line the total of other expenses you incurred to earn income, as long as you did not include them on a previous line. You do not have to list these expenses on the form.

Disability-related modifications

You can deduct expenses you incur for eligible disability-related modifications made to a building in the year you paid them, instead of adding them to the capital cost of your building. Eligible disability-related modifications include changes you make to accommodate wheelchairs, such as:

- installing hand-activated power door openers;
- installing interior and exterior ramps; and
- modifying a bathroom, an elevator, or a doorway.

You can also deduct expenses paid to install or get the following disability-related devices and equipment:

- elevator car-position indicators (such as braille panels and audio indicators);
- visual fire alarm indicators;
- telephone devices to help people that have a hearing impairment; and
- listening devices for group meetings.

In addition, you may be able to deduct expenses for disability-specific computer software and hardware attachments.

Computer and other equipment leasing costs

If you lease computers, cellular telephones, fax machines, and other equipment, you can deduct the percentage of the lease costs that reasonably relates to earning your business income. You can also deduct the percentage of airtime expenses for a cellular telephone that reasonably relates to earning your business income.

If you buy a computer, cellular telephone, fax machine, or other such equipment, you cannot deduct the cost. You can deduct CCA and interest you paid on money you borrowed to buy this equipment that reasonably relates to earning your business income. For more information on CCA, see Chapter 4 beginning on page 32.

Leasing costs

Deduct the lease payments you incurred in the year for property used in your business. If you lease a passenger vehicle, see "Line 9281 – Motor vehicle expenses" on page 23.

If you entered into a lease agreement after April 26, 1989, you can choose to treat your lease payments as combined payments of principal and interest. However, you and the person you are leasing from have to agree to treat the payments this way. In this case, we consider that you:

- bought the property rather than leased it; and
- borrowed an amount equal to the FMV of the leased property.

You can deduct the interest part of the payment as an expense. You can also claim CCA on the property.

You can make this choice as long as the property qualifies and the total FMV of all the property included in the lease is more than $25,000. Digging equipment that you lease with a FMV of $35,000 is an example of property that qualifies. However, office furniture and passenger vehicles often do not qualify.

To treat your lease this way, file **one** of these forms with your income tax return for the year you make the lease agreement:

- Form T2145, *Election in Respect of the Leasing of Property*; or
- Form T2146, *Election in Respect of Assigned Leases or Subleased Property*.

Convention expenses

You can deduct the cost of attending up to two conventions a year. The conventions have to:

- relate to your business or professional activity; and
- be held by a business or professional organization within the geographical area where the organization normally conducts its business.

This second limit may not apply if an organization from another country sponsors the convention and the convention relates to your business or professional activity.

Sometimes convention fees include the cost of food, beverages, or entertainment. However, the convention organizer may not show these amounts separately on your bill. If this is the case, subtract $50 from the total convention fee for each day the organizer provides food, beverages, or entertainment.

You can deduct this daily $50 amount as a meal and entertainment expense. However, the 50% limit applies to the daily $50 amount. We discuss the 50% limit in "Line 8523 – Meals and entertainment" on page 20.

Example
Cathy attended a two-day convention in May 2015 that cost her $600. The organizer did not indicate what part of the $600 fee was for food and entertainment. Her convention expense is $500 [$600 – ($50 × 2)].

Cathy can also claim a meal and entertainment expense of $50 ($50 × 2 × 50%).

Food, beverages, or entertainment do not include incidental items such as coffee and doughnuts available at convention meetings or receptions.

For more information, see Interpretation Bulletin IT-131, *Convention Expenses*.

Allowable reserves

You can deduct an amount for a reserve, contingent account, or a sinking fund as long as the *Income Tax Act* allows it and the amount is reasonable. You can find more information about allowable reserves in following publications:

- Interpretation Bulletin IT-154, *Special Reserves*;
- Interpretation Bulletin IT-442, *Bad Debts and Reserves for Doubtful Debts*;
- Guide T4037, *Capital Gains*, and Form T2017, *Summary of Reserves on Dispositions of Capital Property*; and
- Guide T4011, *Preparing Returns for Deceased Persons*.

Private health services plan (PHSP) premiums

You can deduct premiums paid or payable to a private health services plan (PHSP) if you meet the following conditions:

- your **net income from self-employment** (excluding losses and PHSP deductions) for the current or previous year is more than 50% of your **total income*;** or
- your **income from sources other than self-employment**** is $10,000 or less for the current or previous year;
- you are actively engaged in your business on a regular and continuous basis, individually or as a partner; and
- the premiums are paid or payable to insure yourself, your spouse or common-law partner, or any member of your household.

Notes

* To make this claim, **calculate your total income** as follows:

- the amount from line 150 of your 2014 or 2015 income tax return, whichever applies, before you deduct any amounts for PHSPs; **minus**
- the amounts you entered on lines 207, 212, 217, 221, 229, 231, and 232 of your 2014 or 2015 income tax return, whichever applies.

** To make this claim, **calculate your income from sources other than self-employment** as follows**:**

- the amount from line 150 of your 2014 or 2015 income tax return, whichever applies, before you deduct any amounts for PHSPs; **minus**
- the amounts you entered on lines 135, 137, 139, 141, 143 (excluding business losses that reduced the net amount reported on those lines), 207, 212, 217, 221, 229, 231, and 232 of your 2014 or 2015 income tax return, whichever applies.

You cannot claim a deduction for PHSP premiums if another person deducted the amount, or if you or anyone else claimed the premiums as a medical expense. For your premiums to be deductible, your PHSP coverage has to be paid or payable under a contract with one of the following:

- an insurance company;
- a trust company;
- a person or partnership in the business of administering PHSPs;
- a tax-exempt trade union of which you or the majority of your employees are members; or
- a tax-exempt business organization or tax-exempt professional organization of which you are a member.

For more information on PHSPs, see Interpretation Bulletin IT-339, *Meaning of "Private Health Services Plan" (1988 and subsequent taxation years)*.

For this claim, the following terms apply:

- **Arm's length** (see "Definitions" on page 5) employees are, generally, employees who are not related to you and not carrying on your business with you, for example, as your partners.
- **Qualified employees** are arm's length, full-time employees who have three months' service since they last became employed with a business carried on by you, a business in which you are a majority interest partner, or a business carried on by a corporation affiliated with you. Temporary or seasonal workers are not qualified employees.
- **Insurable persons** are people to whom coverage is extended and who are either:
  - qualified employees;
  - people who would be qualified employees if they had worked for you for three months; or
  - people carrying on your business (including yourself and your partners).

How to calculate your maximum deduction for PHSPs

The following sections explain how to calculate your maximum PHSP deduction based on whether you had employees and whether you insured them throughout the year or for part of the year. Find the section that describes your situation.

> **Note**
> All PHSP deduction limits and calculated limits must include applicable taxes in the total.

If you did not have any employees in 2015

Your PHSP deduction is restricted by an annual dollar limit. The limit is a maximum of:

- $1,500 for yourself;
- $1,500 for your spouse or common-law partner and each household member that is 18 years of age or older at the start of the period that they were insured; and
- $750 for each household member under the age of 18 at the start of the period.

The maximum deduction is also limited by the number of days the person was insured. Calculate your allowable maximum for the year by using the following formula:

$\frac{A}{365} \times (B + C)$, where:

A is the number of days during the period of the year that you insured yourself and your household members, if applicable, but insured less than 50% of your employees;

B equals $1,500 × the number of people covered under the plan that includes you, your spouse or common-law partner, and your household members that are 18 years of age or older; and

C equals $750 × the number of household members under the age of 18 that were insured during the period.

Example 1
Edwin was a sole proprietor who ran his business alone in 2015. He had no employees and did not insure any of his household members. Edwin paid $2,000 for PHSP coverage in 2015. In his case, the coverage lasted from July 1 to December 31, 2015, a total of 184 days. Edwin's maximum allowable PHSP deduction is calculated as follows:

$\frac{184}{365} \times \$1,500 = \$756$

Even though Edwin paid $2,000 in premiums in 2015, he can only deduct $756 because the annual limit is $1,500 and he was only insured for about half of the year. If he had been insured for the entire year, his deduction limit would have been $1,500.

Example 2
Tony was a sole proprietor who ran his business alone in 2015. He had no employees. From January 1 to December 31, he insured himself, his wife, and his two sons. Tony paid $1,800 to insure himself, $1,800 to insure his wife, and $1,000 for each of his sons. One of his sons was 15 years old and the other turned 18 on September 1. Tony's PHSP deduction is limited to the following amounts:

- $1,500 for himself;
- $1,500 for his wife;
- $750 for his 15-year-old son; and
- $750 for the son who turned 18. The $750 limit applies because he did not turn 18 until after the insured periods.

If you had employees throughout 2015

If you had at least one **qualified employee** throughout all of 2015, and at least 50% of the **insurable persons** (read the meaning on page 28) in your business were qualified employees, your claim for PHSP premiums is limited in a different way. Your limit is based on the lowest cost of equivalent coverage for each of your qualified employees.

Use the following steps to calculate your maximum allowable claim for the PHSP premiums paid or payable for yourself, your spouse or common-law partner, and your household members.

For each of your qualified employees, do the following calculation:

X × Y = Z, where:

X equals the amount you would pay to provide yourself, your spouse or common-law partner, and your household members with coverage equal to that provided to a particular employee and his or her spouse or common-law partner and household members;

Y equals the percentage of the premium you pay for that particular employee; and

Z equals your limit based on that particular employee.

If you had more than one qualified employee, you have to do the X × Y = Z calculation for each employee. Your limit is the least of the amounts you calculate for each employee.

Example 1
You have one qualified employee. To provide yourself with coverage equivalent to his, you pay a premium of $1,800. You pay 60% of your employee's premium. Your deduction limit for yourself is $1,080, calculated as follows:

$1,800 (amount X) × 60% (amount Y) = $1,080 (amount Z).

The maximum you can claim is $1,080 if you had only one qualified employee.

Example 2
You have three qualified employees—Jack, Jill and Sue. The following table shows how much you would pay for coverage equivalent to each of theirs and the percentage of each employee's premium that you pay.

Name of employee	Cost of equivalent coverage for yourself (X)	% of the employee's premium you pay (Y)
Jack	$1,500	20%
Jill	$1,800	50%
Sue	$1,400	40%

You have to do X × Y = Z calculation three times:

For Jack: $1,500 × 20% = $300
For Jill: $1,800 × 50% = $900
For Sue: $1,400 × 40% = $560

Your limit is $300, the least of the amounts calculated for the three employees.

Note
If you have a qualified employee with no coverage, you cannot claim your PHSP premiums as a deduction from self-employment income. However, you may be able to claim them as medical expenses.

If you had employees throughout 2015, but the number of insurable **arm's length employees** was less than 50% of all the insurable persons in your business, your maximum allowable deduction is the **lesser of** the following two amounts:

Amount 1
Determine this amount by using the following formula:

$\frac{A}{365} \times (B + C)$, where:

A is the number of days during the period of the year that you insured yourself and your household members, if applicable, but insured less than 50% of your employees;

B equals $1,500 × the number of people covered under the plan that includes you, your spouse or common-law partner, and your household members that are 18 years of age or older; and

C equals $750 × the number of household members under the age of 18 that were insured during the period.

Amount 2
If you had at least one **qualified employee**, amount 2 is the lowest cost of equivalent coverage for each qualified employee, calculated by using the X × Y = Z formula on this page. If you did not have at least one qualified employee, the limit in Amount 1 will apply.

If you had employees for part of the year

For the part of the year that you had at least one qualified employee and your insurable arm's length employees represented at least 50% of all the insurable persons in your business, calculate your limit **for that period** by using the X × Y = Z formula on this page, "If you had employees throughout 2015."

For the rest of the year that you had no employees or that your insurable arm's length employees represented less than 50% of all of the insurable persons in your business, your deduction limit **for that remaining period** is the **lesser of** Amount 1 and Amount 2, calculated the same way as in the previous section.

Undeducted premiums

If you deduct only part of your PHSP premium on line 9270, and you paid the premium in the year, you can include the undeducted balance when you calculate your non-refundable medical expense tax credit. For more information, see Line 330 in your *General Income Tax and Benefit Guide – 2015.*

Line 9369 – Net income (loss) before adjustments

Enter on this line the gross income **minus** the deductible expenses. If you are a partner in a partnership, this amount is the net business income of all partners.

Part 6 – Your net income (loss)

On line M of Form T2125, enter your share of the amount on line 9369, "Net income (loss) before adjustments". This is the amount left after you subtract the amounts the other partners are responsible for reporting as specified in the partnership agreement.

Line 9974 – GST/HST rebate for partners received in the year

If you received a GST/HST rebate for partners, report the amount of the rebate that relates to eligible expenses other than CCA on line 9974 of Form T2125 in the year you receive it.

Enter the total of lines M and N on line O.

In the "Details of other partners" chart on page 4 of Form T2125, show the full names and addresses of the other partners, as well as a breakdown of their shares of the net income or loss from line 9369 and their percentages of ownership shares in the partnership.

Line 9943 – Other amounts deductible from your share of net partnership income (loss)

If you are a partner in a business partnership and you incur motor vehicle expenses for the business using your personal vehicle, you can claim those expenses related to the business on this line. The expenses must not have been claimed anywhere else on the form.

Claim this amount only if the partnership did not repay you for these expenses. The limits discussed earlier in this chapter also apply to these expenses.

Fill in the "Other amounts deductible from your share of net partnership income (loss)" chart on page 3 of Form T2125 to list the other amounts you can deduct from your share of the partnership's net income or loss.

Line 9945 – Business-use-of-home expenses

You can deduct expenses for the business use of a work space in your home, as long as you meet **one** of the following conditions:

- it is your principal place of business; or
- you use the space only to earn your business income, and you use it on a regular and ongoing basis to meet your clients, customers, or patients.

You can deduct part of your maintenance costs such as heat, home insurance, electricity, and cleaning materials. You can also deduct part of your property taxes, mortgage interest, and CCA. To calculate the part you can deduct, use a reasonable basis such as the area of the work space divided by the total area of your home.

If you use part of your home for both your business and personal living, calculate how many hours in the day you use the rooms for your business, and then divide that amount by 24 hours. Multiply the result by the business part of your total home expenses. This will give you the household cost you can deduct. If you run the business for only part of the week or year, reduce your claim accordingly.

For more information, see Interpretation Bulletin IT-514, *Work Space in Home Expenses*.

Example
Monique runs a business in her home weekdays from 7:00 a.m. to 5:00 p.m. (10 hours out of a 24-hour day). The business uses an area of 35 square metres. The house is 100 square metres, and the annual household expenses are $5,800.

The calculation is as follows:

10/24 **hours** × 35/100 **metres** × $5,800 **expenses** = $845.83

The business operates 5 days a week, so Monique has to do another calculation:

$845.83 × 5/7 **days** = $604.16

Monique can deduct a total of $604.16 for household expenses.

The capital gain and recapture rules will apply if you deduct CCA on the business-use part of your home and you later sell your home. For more information about these rules, see Chapter 4 on page 32.

If you rent your home, you can deduct the part of the rent and any expenses you incur that relate to the work space.

The amount you can deduct for business-use-of-home expenses cannot be more than your net income from the business before you deduct these expenses. In other words, you cannot use these expenses to increase or create a business loss. You can deduct the **lesser of** the following amounts:

- any amount you carried forward from 2014, plus the business-use-of-home expenses you incur in 2015; or
- the amount on line Q of Form T2125.

In your next fiscal period, you can use any expense you could not deduct in 2015, as long as you meet one of the two previous conditions. You also use the same rules.

You can use the "Calculation of business-use-of-home expenses" chart on page 4 of Form T2125 to calculate your allowable claim for business-use-of-home expenses. Enter on line 9945 your share of the amount on line 3 in the chart. The expenses you claim on line 9945 cannot be claimed anywhere else on Form T2125.

The following example will help you understand how to calculate your business-use-of-home expenses.

Example
Bill runs a bookkeeping business out of his home. His business has a December 31 fiscal year-end. Bill recorded the following for 2015:

Total house area (square metres)	180
Area for business use only (square metres)	18
Area for personal use (square metres)	162
Net business income (loss) after adjustments	$ 7,100
Business-use-of-home expenses carried forward from 2014	$ 150

Bill's home expenses for 2015:

Heat	$ 1,200
Electricity	$ 1,000
Insurance	$ 650
Maintenance	$ 350
Mortgage interest	$ 8,000
Property taxes	$ 1,800
Water	$ 300

Bill fills in the "Calculation of business-use-of-home expenses" chart on page 4 of Form T2125 as follows:

Calculation of business-use-of-home expenses

Heat	1,200 00		
Electricity	1,000 00		
Insurance	650 00		
Maintenance	350 00		
Mortgage interest	8,000 00		
Property taxes	1,800 00		
Other expenses (specify)	300 00		
Subtotal	13,300 00		
Minus: Personal-use part	11,970 00		
Subtotal	1,330 00		
Plus: Capital cost allowance (business part only)	0 00		
Amount carried forward from previous year	150 00		
Subtotal	1,480 00	1	
Minus: Net income (loss) after adjustments (from line Q in Part 6 on page 3 – if negative, enter "0")	7,100 00	2	
Business-use-of-home expenses available to carry forward (line 1 **minus** line 2 – if negative, enter "0")	0 00		
Allowable claim (the lesser of amounts 1 and 2 above – Enter your share of this amount on line 9945 in Part 6)		1,480 00	3

Line 9946 – Your net income (loss)

On the relevant lines of your income tax return, enter your total gross (from line 8299 in Part 3 on page 2) and total net business or professional income or loss (from line 9946 in Part 6 on page 5). Include the total income or losses from all your business and professional activities (the total of these lines from all filled in T2125 forms).

If you have a business or professional loss that is more than all your other sources of income, you may have a non-capital loss for the year. To apply this loss against income from previous years, fill in Form T1A, *Request for Loss Carryback*, and attach a copy of it to your income tax return. For more information about loss carrybacks, see Interpretation Bulletin IT-232, *Losses – Their Deductibility in the Loss Year or in Other Years*.

Note
You may have to adjust the figure from line 9946 before entering it on your income tax return. You may have filed Form T1139, *Reconciliation of 2014 Business Income for Tax Purposes*, with your 2014 income tax return. If this is the case, you will probably have to file one for 2015. To find out if you have to file Form T1139, and to calculate the amount of income to report on your 2015 income tax return, see Guide RC4015, *Reconciliation of Business Income for Tax Purposes*. The guide also includes Form T1139.

Details of other partners

If you are a partner in a partnership that does **not** have to file a partnership information return (see page 11 for these requirements), fill in the "Details of other partners" chart on page 4 of Form T2125.

If you are a partner in a partnership that **must** file a partnership information return, do not fill in this chart.

Details of equity

If you are a partner in a partnership that **must** file a partnership information return, do not fill in the "Details of equity" section on page 4 of Form T2125.

Line 9931 – Total business liabilities

A liability is a debt or obligation of a business. Total business liabilities are the total of all amounts your business or professional activity owes at the end of its fiscal period.

Total business liabilities include:

- accounts payable;
- notes payable;

- taxes payable;
- unpaid salaries, wages, and benefits;
- interest payable;
- deferred or unearned revenues;
- loans payable;
- mortgages payable; and
- any other outstanding balances related to the business.

Line 9932 – Drawings in 2015

A drawing is any withdrawal of cash (including salaries), other assets, or services of a business by the proprietor or partners. This includes transactions by the proprietor or partners (or family members) such as withdrawing cash for non-business use and using business assets or services for personal use. Include the cost or value of the personal use of business assets or services in your drawings for the year.

Line 9933 – Capital contributions in 2015

A capital contribution is cash or other assets you added to the business during its fiscal period. This includes personal funds you added to the business account, business debts you paid with personal funds, and personal assets you transferred to the business.

Chapter 4 – Capital cost allowance (CCA)

What is CCA?

You might acquire a depreciable property, such as a building, furniture, or equipment, to use in your business or professional activities. You cannot deduct the cost of the property when you calculate your net business or professional income for the year.

However, since these properties wear out or become obsolete over time, you can deduct their cost over a period of several years. The deduction for this is called CCA.

You can usually claim CCA on a property only when it becomes **available for use** (see "Definitions" on page 5).

Available for use rules

Property other than a building usually becomes available for use on the earlier of:

- the date you first use it to earn income;
- the second tax year after the year you acquire the property;
- the time just before you dispose of the property; or
- the time the property is delivered or made available to you and is capable of producing a saleable product or service.

A **building** or **part of a building** usually becomes available for use on the earlier of:

- the date you start using 90% or more of the building in your business;
- the second tax year after the year you acquire the building; or
- the time just before you dispose of the building.

A **building that you are constructing, renovating, or altering** usually becomes available for use on the earlier of:

- the date you complete the construction, renovation, or alteration;
- the date you start using 90% or more of the building in your business;
- the second tax year after the year you acquire the building; or
- the time just before you dispose of the building.

How much CCA you can claim

The CCA you can claim depends on the type of property you own and the date you acquired it. Group the depreciable property you own into classes. A specific rate of CCA generally applies to each class.

We explain the most common classes of property in "Classes of depreciable property" on page 36. We list most of the classes and their rates in the "CCA classes of commonly used business assets" chart on page 47.

Base your CCA claim on your fiscal period ending in 2015, and not on the calendar year.

Basic information about CCA

To decide whether an amount is a current expense or a capital expense, see the chart in "Chapter 3 – Expenses" on page 19.

- Generally, use the declining balance method to calculate your CCA. This means that you claim CCA on the **capital cost** (see "Definitions" on page 5) of the property minus the CCA you claimed in previous years, if any. The balance declines over the years as you claim CCA.

Example
Last year Sue bought a building for $60,000 to use in her business. On her income tax return for last year, she claimed CCA of $1,200 on the building. This year, Sue bases her CCA claim on her balance of $58,800 ($60,000 – $1,200).

- You do not have to claim the maximum amount of CCA in any given year. You can claim any amount you like, from zero to the maximum allowed for the year. For example, if you do not have to pay income tax for the year, you may not want to claim CCA. Claiming CCA reduces the balance of the class by the amount of CCA claimed. As a result, the CCA available for future years will be reduced.

- In the year you acquire a property you can usually claim CCA only on one-half of your net additions to a class. We explain this half-year rule in "Column 6 – Adjustment for current-year additions" on page 35. The available-for-use rules discussed earlier in this chapter may also affect the amount of CCA you can claim.
- You cannot claim CCA on most land or on living things such as trees, shrubs, or animals. However, you can claim CCA on timber limits, cutting rights, and wood assets. For more information, see Interpretation Bulletin IT-481, *Timber Resource Property and Timber Limits*, and Interpretation Bulletin IT-501, *Capital Cost Allowance – Logging Assets*, and its Special Release.
- If you claim CCA and you later dispose of the property, you may have to add an amount to your income as a recapture of CCA. Or, you may be able to deduct an additional amount from your income as a terminal loss. For more information, see "Column 5 – UCC after additions and dispositions" on page 35.
- If you receive income from a quarry, a sand pit, a gravel pit or a woodlot, you can claim a type of allowance known as a depletion allowance. For more information, see Interpretation Bulletin IT-373-CONSOLID, *Woodlots*, and Interpretation Bulletin IT-492, *Capital Cost Allowance – Industrial Mineral Mines*.
- If you are a partner in a partnership, you cannot claim CCA for depreciable property owned by the partnership. Instead, the partnership can deduct CCA when calculating its net income or loss for the year. The partnership's net income or loss is then allocated between the partners and each partner's share is shown on their respective T5013 slip, *Statement of partnership income*.

  If a partnership does not have to file a partnership information return, you will not receive aT5013 slip. In such cases, you will have to complete Area A of Form T2042 to report the CCA claim for the partnership.

You were asking?

Q. How do I calculate my CCA claim if I start a business and my first fiscal period is from June 1, 2015, to December 31, 2015?

A. If your fiscal period is less than 365 days, you have to prorate your CCA claim. Calculate your claim using the rules we discuss in this chapter. However, base your CCA claim on the number of days in your fiscal period compared to 365 days.

In this case, your fiscal period is 214 days. Suppose you calculate your CCA to be $3,500. The amount of CCA you can claim is $2,052 ($3,500 × 214/365).

For more information, see Interpretation Bulletin IT-285, *Capital Cost Allowance – General Comments*.

How to calculate your CCA

To calculate your 2015 deduction for CCA, and any recaptured CCA and terminal losses, use Area A on page 5 of your Form T2125. For 2015, you can get information to help you fill in Area A from other areas of the Form T2125 you filed for 2014.

You may have acquired or disposed of buildings or equipment during your fiscal period. If so, fill in the applicable Area B, C, D, or E, whichever applies, before completing Area A.

We explain how to fill in Area B and Area C in "Column 3 – Cost of additions in the year" on this page. We explain how to fill in Area D and Area E in "Column 4 – Proceeds of dispositions in the year" on page 34.

> **Note**
> Even if you are not claiming a deduction for CCA for 2015, fill in the appropriate areas of the form to show any additions and dispositions during the year.

Column 1 – Class number

Enter in this column the class numbers of your properties. If this is the first year you are claiming CCA, before completing column 1, see "Column 3 – Cost of additions in the year" on this page. If you claimed CCA last year, you can get the class numbers of your properties from last year's form.

We discuss the more common types of depreciable properties in "Classes of depreciable property" on page 36, and we list most of the classes and their rates in the "CCA classes of commonly used business assets" chart on page 47.

Column 2 – Undepreciated capital cost (UCC) at the start of the year

Enter in this column the remaining UCC of each class at the end of last year. You will find these amounts in column 10 of area A on Form T2125 that was filled in for you last year.

If this is the first year you have had an item for which you can claim CCA, skip this column.

From your UCC at the start of 2015, subtract any investment tax credit you claimed or were refunded in 2014. Also, subtract any 2014 investment tax credit you carried back to a year before 2014.

In 2014, you may have received a GST/HST input tax credit for a passenger vehicle you used less than 90% for your business. If so, subtract the amount of that credit from your 2015 opening UCC. See "Grants, subsidies, and rebates" on page 39.

> **Note**
> In 2015, you may be claiming, carrying back, or getting a refund of an investment tax credit. If you still have depreciable property in the class, you have to adjust, in 2016, the UCC of the class to which the property belongs. To do this, subtract the amount of the credit from the UCC at the start of 2016. When there is no property left in the class, report the amount of the investment tax credit as income in 2016.

Column 3 – Cost of additions in the year

If you acquire or make improvements to depreciable property in the year, we consider them additions to the class in which the property belongs. You should:

- fill in Area B and Area C of your Form T2125 as explained on the next page; and

- enter, in column 3 of Area A for each class, the figure from column 5 of each class in Area B and Area C.

If a chart asks for the personal part of a property, this refers to the part that you use personally, separate from the part you use for business. For example, if you use 25% of the building you live in for business, your personal part is the other 75%.

Do not include the value of your labour in the cost of a property you build or improve. Include the cost of surveying or valuing a property you acquire. Remember that a property usually has to be **available for use** (see "Definitions" on page 5) before you can claim CCA.

If you received insurance proceeds to reimburse you for the loss or destruction of depreciable property, enter the amount you spent to replace the property in column 3 of Area A, as well as in Area B or Area C, whichever applies. Include the amount of insurance proceeds considered as **proceeds of disposition** (see "Definitions" on page 5) in column 4 of Area A, as well as in Area D or Area E, whichever applies.

If you replace a lost or destroyed property, special rules for replacement property may apply. The replacement property must be acquired within two years of the end of the tax year in which it was lost or destroyed. For more information, see Interpretation Bulletin IT-259, *Exchange of Property*, and Interpretation Bulletin IT-491, *Former Business Property*, and its Special Release.

To find out if any of these special situations apply, see "Special situations" on page 39.

Area B – Details of equipment additions in the year

List the details of all equipment (including motor vehicles) you acquired or improved in 2015. Group the equipment into the applicable classes, and put each class on a separate line.

Equipment includes items you acquire to use in your business or professional activities to earn income or for maintenance. Examples include a cement mixer, a snow blower, and a lawn mower.

Enter on line 9925 the total business part of the cost of the equipment.

Area C – Details of building additions in the year

List the details of all buildings you acquired or improved in 2015. Group the buildings into the applicable classes, and put each class on a separate line.

Enter on line 9927 the total business part of the cost of the buildings. The cost includes the purchase price of the building and any related expenses you should add to the capital cost of the building, such as legal fees, land transfer taxes, and mortgage fees.

Land

Generally, land is not a depreciable property. Therefore, you cannot usually claim CCA on its cost. If you acquire a property that includes both land and a building, enter in column 3 of Area C only the cost that relates to the building. To calculate the building's capital cost, you have to split any fees that relate to buying the property between the land and the building. Related fees may include legal and accounting fees.

Calculate the part of the related fees you can include in the capital cost of the building as follows:

$$\frac{\text{Building value}}{\text{total purchase price}} \times \text{legal, accounting, or other fees} = \text{the part of the fees you can include in the building's cost}$$

You do not have to split a fee if it relates specifically to the land or the building. In this case, you would add the amount of the fee to the cost to which it relates; either the land or the building.

Area F – Details of land additions and dispositions in the year

Enter on line 9923 the total cost of acquiring land in 2015. The cost includes the purchase price of the land plus any related expenses you should add to the capital cost of the land, such as legal fees, land transfer taxes, and mortgage fees.

You cannot claim CCA on land. Do **not** enter this amount in column 3 of Area A.

Column 4 – Proceeds of dispositions in the year

Enter the details of your 2015 dispositions on your Form T2125 as explained below.

If you disposed of a depreciable property during your 2015 fiscal period, enter in column 3 of the appropriate dispositions area (Area D or Area E) one of the following amounts, whichever is less:

- your proceeds of disposition minus any related expenses; or
- the capital cost of the property.

  Note
  If a chart asks for the personal part of a property, which refers to the part that you use personally, separate it from the part you use for business. For example, if you use 25% of the building you live in for business, your personal part is the other 75%.

For each class copy the numbers from column 5 in Area D and Area E to column 4 of Area A.

If you received insurance proceeds to reimburse you for the loss or destruction of depreciable property, enter the amount you spent to replace the property in column 3 of Area A, as well as in Area B or Area C, whichever applies. Include the amount of insurance proceeds considered as proceeds of disposition in column 4 of Area A, as well as in Area D or Area E, whichever applies. This could include compensation you receive for property that someone destroys, expropriates, steals, or damages.

If you sell a property for more than it cost or if you receive insurance proceeds for a property that was lost or destroyed that are more than the cost of the property, you will have a capital gain and possibly a recapture of CCA. You may be able to put off adding this capital gain and recapture of CCA, if applicable, into income when you replace that property within a specific time limit. For more information, see "Capital gains" on page 41 and "Replacement property" on page 43.

For more information, see Interpretation Bulletin IT-259, *Exchange of Property*, and Interpretation Bulletin IT-491, *Former Business Property*, and its Special Release.

For more information about proceeds of disposition, see Interpretation Bulletin IT-220, *Capital Cost Allowance – Proceeds of Disposition of Depreciable Property*, and its Special Release, and recent Interpretation Bulletin IT-285, *Capital Cost Allowance – General Comments*.

Area D – Details of equipment dispositions in the year

List in this chart the details of all equipment (including motor vehicles) you disposed of in your 2015 fiscal period. Group the equipment into the applicable classes, and put each class on a separate line. Enter on line 9926 the total business part of the proceeds of disposition of the equipment.

Area E – Details of building dispositions in the year

List in this chart the details of all buildings you disposed of in your 2015 fiscal period. Group the buildings into the applicable classes, and put each class on a separate line. Enter on line 9928 the total business part of the proceeds of disposition of the buildings.

Area F – Details of land additions and dispositions in the year

Enter on line 9924 the total of all amounts you received or will receive for disposing of land in the fiscal period.

Column 5 – UCC after additions and dispositions

You cannot claim CCA when the amount in column 5 is:

- negative (see "Recapture of CCA" below); or
- positive and you do not have any property left in that class at the end of your 2015 fiscal period (see "Terminal loss" on this page).

In either case, enter "0" in column 10.

Recapture of CCA

If the amount in column 5 is negative, you have a recapture of CCA. Include your recapture in your income on line 8230, "Other income" in Part 3 on page 2 of your Form T2125. A recapture of CCA can happen if the proceeds from the sale of depreciable property are more than the total of:

- the UCC of the class at the start of the period; and
- the capital cost of any new additions during the period.

A recapture of CCA can also occur, for example, when you get a government grant or claim an investment tax credit.

In some cases, you may be able to postpone a recapture of CCA. For example, you may sell a property and replace it with a similar one, someone may expropriate your property, or you may transfer property to a corporation or a partnership.

Terminal loss

If the amount in column 5 is positive and you no longer own any property in that class, you may have a terminal loss. More precisely, you may have a terminal loss when, at the end of a fiscal period, you have no more property in the class but still have an amount you have not deducted as CCA. You can usually subtract this terminal loss from your gross business or professional income in the year you disposed of the depreciable property. Enter your terminal loss on line 9270, "Other expenses," in Part 5 on page 3 of your Form T2125.

For more information on recapture of CCA and terminal loss, see Interpretation Bulletin IT-478, *Capital Cost Allowance – Recapture and Terminal Loss*.

> **Note**
> The rules for recapture of CCA and terminal loss do not apply to passenger vehicles in Class 10.1. To calculate your CCA claim, see the comments in "Column 7 – Base amount for CCA" on page 36.

Column 6 – Adjustment for current-year additions

In the year you acquire or make additions to a property, you can usually claim CCA on half of your net additions (the amount in column 3 minus the amount in column 4). We call this the **half-year rule**.

Calculate your CCA claim only on the net adjusted amount. Do not reduce the cost of the additions in column 3 or the CCA rate in column 8. For example, if you acquired a property in your 2015 fiscal period for $30,000, you would base your CCA claim on $15,000 ($30,000 × 50%).

If you acquired and disposed of depreciable property of the same class in your 2015 fiscal period, the calculation in column 6 restricts your CCA claim. Calculate the CCA you can claim as follows:

- Determine which of the following amounts is less:
  - the proceeds of disposition of the property sold, minus any related costs or expenses; or
  - the capital cost.
- Subtract the above amount from the capital cost of your addition.
- Enter 50% of the result in column 6. If the result is negative, enter "0."

In some cases, you do not make an adjustment in column 6. For example, in a **non-arm's length** (see "Definitions" on page 5) transaction, you may buy depreciable property that the seller continuously owned from the day that is at least 364 days before the end of your 2015 fiscal period to the day the property was purchased. However, if you transfer personal property, for example, a car or a personal computer, into your business, the half-year rule applies to the particular property transferred.

Also, some properties do not follow the half-year rule. Some examples are those in classes 13, 14, 23, 24, 27, and 34, as well as some of those in Class 12, such as small tools. The half-year rule does **not** apply when the **available-for-use** rules discussed on page 32 deny a CCA claim until the second tax year after the year you acquire the property.

For more information on the special rules that apply to Class 13, see Interpretation Bulletin IT-464, *Capital Cost Allowance – Leasehold Interests*. For more information on the half-year rule, see Interpretation Bulletin IT-285, *Capital Cost Allowance – General Comments*.

Column 7 – Base amount for CCA

Base your CCA claim on this amount.

For a Class 10.1 vehicle you disposed of in your 2015 fiscal period, you may be able to claim 50% of the CCA that would be allowed if you still owned the vehicle at the end of your 2015 fiscal period. This is known as the **half-year rule on sale**.

You can use the half-year rule on sale if, at the end of your 2014 fiscal period, you owned the Class 10.1 vehicle you disposed of in 2015. If this applies to you, enter 50% of the amount from column 2 in column 7.

Column 8 – Rate (%)

In this column, enter the rate for each class of property in Area A. For more information on certain kinds of property, see "Classes of depreciable property" on this page. For a more complete list of classes and rates, see the "CCA classes of commonly used business assets" chart on page 47.

Column 9 – CCA for the year

In column 9, enter the CCA you want to deduct for 2015. The CCA you can deduct cannot be more than the amount you get when you multiply the amount in column 7 by the rate in column 8. You can deduct any amount up to the maximum.

If this is your first year of business, you may have to prorate your CCA claim. See "You were asking?" on page 33.

Add up all the amounts in column 9. Enter the total on line 9936, "Capital cost allowance (CCA)," in Part 5 on page 3 of Form T2125. To find out how to calculate your CCA claim if you are using the property for business and personal use, see "Personal use of property" on page 39.

Column 10 – UCC at the end of the year

This is the undepreciated capital cost (UCC) at the end of your 2015 fiscal period. This is the amount you will enter in column 2 when you calculate your CCA claim next year.

Enter "0" in column 10 if you have a terminal loss or a recapture of CCA. There will not be an amount in column 10 for a Class 10.1 passenger vehicle you dispose of in the year.

Classes of depreciable property

In this part, we discuss the more common classes of depreciable property. We also list most of the classes and their rates in the "CCA classes of commonly used business assets" chart on page 47.

Class 1 (4%)

A **building** may belong to class 1, 3, or 6, depending on what the building is made of and the date you acquired it. You also include in these classes the parts that make up the building, such as:

- electrical wiring;
- lighting fixtures;
- plumbing;
- sprinkler systems;
- heating equipment;
- air-conditioning equipment (other than window units);
- elevators; and
- escalators.

> **Note**
> Most land is not depreciable property. Therefore, when you acquire property, only include the cost that relates to the building in Area A and Area C. Enter on line 9923 in Area F of Form T2125 the cost of all land additions in 2015. For more information, see "Area F – Details of land additions and dispositions in the year" on page 35 and "Column 3 – Cost of additions in the year" on page 33.

For more information, see Interpretation Bulletin IT-79, *Capital Cost Allowance – Buildings or Other Structures*.

Class 1 includes most buildings acquired after 1987, unless they specifically belong in another class. Class 1 also includes the cost of certain additions or alterations you made to a Class 1 building or certain buildings of another class after 1987.

The CCA rate for eligible **non-residential buildings** acquired by a taxpayer after March 18, 2007, and used in Canada to manufacture or process goods for sale or lease includes an additional allowance of 6% for a total rate of 10%. The CCA rate for other eligible **non-residential buildings** includes an additional allowance of 2% for a total rate of 6%.

To be eligible for one of the additional allowances, you must elect to put a building in a separate class. To make the election, attach a letter to your return for the tax year in which you acquired the building. If you do not file an election to put it in a separate class, the 4% rate will apply.

The additional allowance applies to buildings acquired after March 18, 2007 (including a new building, if any part of it is acquired after March 18, 2007, when the building was under construction on March 19, 2007) that have not been used or acquired for use before March 19, 2007.

To be eligible for the 6% additional allowance, at least 90% of a building (measured by square footage) must be used in Canada for the designated purpose at the end of the tax year. Manufacturing and processing buildings that do not meet the 90% use test will be eligible for the additional 2% allowance if at least 90% of the building is used in Canada for non-residential purposes at the end of the tax year.

Class 3 (5%)

Most buildings acquired before 1988 are included in Class 3 or Class 6.

If you acquired a building before 1990 that does not fall into Class 6, you can include it in Class 3 with a CCA rate of 5% if **one** of the following applies:

- you acquired the building under the terms of a written agreement entered into before June 18, 1987; or
- the building was under construction by you or for you on June 18, 1987.

Include in Class 3 the cost of any additions or alterations made after 1987 to a Class 3 building that does not exceed the **lesser of** the following two amounts:

- $500,000; and
- 25% of the building's capital cost (including the cost of additions or alterations to the building included in Class 3, Class 6, or Class 20 before 1988).

Any amount that exceeds the lesser amount above is included in Class 1.

Class 6 (10%)

Include in Class 6 with a CCA rate of 10% a building if it is made of frame, log, stucco on frame, galvanized iron, or corrugated metal. In addition, **one** of the following conditions has to apply:

- you acquired the building before 1979;
- the building is used to gain or produce income from farming or fishing; or
- the building has no footings or other base supports below ground level.

If any of the above conditions apply, you also add the full cost of all additions and alterations to the building to Class 6.

If none of the above conditions apply, include the building in Class 6 if **one** of the following conditions applies:

- you entered into a written agreement before 1979 to acquire the building, and the footings or other base supports of the building were started before 1979; or
- you started construction of the building before 1979 (or it was started under the terms of a written agreement you entered into before 1979), and the footings or other base supports of the building were started before 1979.

Also, include in Class 6 certain greenhouses and fences.

For additions or alterations to such a building:

- Add to Class 6:
  - the first $100,000 of additions or alterations made after 1978.
- Add to Class 3:
  - the part of the cost of all additions or alterations over $100,000 made after 1978 and before 1988; and
  - the part of the cost of additions or alterations over $100,000 made after 1987, but only up to $500,000 or 25% of the building's capital cost, whichever is less.
- Add to Class 1 any additions or alterations over these limits.

For more information, see Interpretation Bulletin IT-79, *Capital Cost Allowance – Buildings or Other Structures*.

Class 8 (20%)

Class 8 with a CCA rate of 20% includes certain property that is not included in another class. Examples are furniture, appliances, and a tool costing $500 or more, some fixtures, machinery, outdoor advertising signs, refrigeration equipment, and other equipment you use in business.

Photocopiers and electronic communications equipment, such as fax machines and electronic telephone equipment are also included in Class 8.

> **Note**
> If this equipment costs $1,000 or more, you can elect to have it included in a separate class. The CCA rate will not change but a separate CCA deduction can now be calculated for a five-year period. When all the property in the class is disposed of, the UCC is fully deductible as a terminal loss. Any UCC balance remaining in the separate class at the end of the fifth year has to be transferred back to the general class in which it would otherwise belong. To make an election, attach a letter to your income tax return for the tax year in which you acquired the property.

Include in Class 8 data network infrastructure equipment and systems software for that equipment acquired before March 23, 2004. If acquired after March 22, 2004, include it in Class 46. See "Class 46 (30%)" on page 38.

Include buildings that you use to store fresh fruit or vegetables at a controlled temperature, by or for the person or persons by whom they were grown, in Class 8 instead of Class 1, Class 3, or Class 6. Also include in Class 8 any buildings that you use to store silage.

Class 10 (30%)

Include in Class 10, with a CCA rate of 30%, general-purpose electronic data processing equipment (commonly called computer hardware) and systems software for that equipment, including ancillary data processing equipment, if you acquired them:

- before March 23, 2004, **or**
- after March 22, 2004, and before 2005, and you made an election. See "Election" on page 50.

Also include in Class 10 motor vehicles, as well as some passenger vehicles. We define **motor vehicle** and **passenger vehicle** on page 5.

Include passenger vehicles in Class 10 unless they meet a Class 10.1 condition.

Class 10.1 (30%)

Your **passenger vehicle** (see “Definitions” on page 5) can belong in either Class 10 or Class 10.1.

To determine the class your passenger vehicle belongs in, you have to use the cost of the vehicle before you add the GST/HST or the PST.

Include your passenger vehicle in Class 10.1 if you bought it in your 2015 fiscal period and it cost more than $30,000. List each Class 10.1 vehicle separately.

We consider the capital cost of a Class 10.1 vehicle to be $30,000 plus the related GST/HST or PST. The $30,000 amount is the capital cost limit for a passenger vehicle.

Note
Use the GST rate of 5% and the appropriate PST rate for your province or territory. If your province is a participating province, use the HST. For more information on the GST and the HST, see Guide RC4022, *General Information for GST/HST Registrants*.

Example
Karim owns a sporting goods retail business. On July 21, 2015, he bought two passenger vehicles to use in his business. The PST rate for his province is 8%. Karim noted these details for 2015:

	Cost	GST	PST	Total
Vehicle 1	$33,000	$1,650	$2,640	$37,290
Vehicle 2	$28,000	$1,400	$2,240	$31,640

Karim puts Vehicle 1 in Class 10.1, since he bought it in 2015 and it cost him more than $30,000. Before Karim enters an amount in column 3 of Area B, he has to calculate the GST and PST that he would have paid on $30,000. He does this as follows:

- GST at 5% of $30,000 = $1,500
- PST at 8% of $30,000 = $2,400

Therefore, Karim’s capital cost for Vehicle 1 is $33,900 ($30,000 + $1,500 + $2,400). He enters this amount in column 3 of Area B.

Karim puts Vehicle 2 in Class 10, since he bought it in 2015 and it did not cost him more than $30,000.

Karim’s capital cost for Vehicle 2 is $31,640 ($28,000 + $1,400 + $2,240). He enters this amount in column 3 of Area B.

Class 12 (100%)

Class 12 includes china, cutlery, linen, uniforms, dies, jigs, moulds, cutting or shaping parts of a machine, tools, and computer software (except systems software).

Also included in this class are video-cassettes, video-laser discs, and digital video disks that you rent and do not expect to rent to any person for more than seven days in a 30-day period.

The cost **limit** for access to the Class 12 (100%) treatment is $500 for:

- tools acquired on or after May 2, 2006; and
- medical or dental instruments and kitchen utensils acquired on or after May 2, 2006.

However, if the tools, medical or dental instruments and kitchen utensils cost $500 or more, include the cost in Class 8.

Tools eligible under this class specifically exclude electronic communication devices and electronic data processing equipment.

Class 29

Include in Class 29 eligible machinery and equipment used in Canada primarily to manufacture and process goods for sale or lease acquired after March 18, 2007 and before 2016, that would otherwise be included in Class 43.Calculate the CCA for Class 29 using the straight-line method as follows: claim up to 25% in the first year, 50% in the second year, and the remaining 25% in the third year. Any amount not claimed in a year can be claimed in a later year.

Class 43 (30%)

Include in Class 43 with a CCA rate of 30% eligible machinery and equipment used in Canada primarily to manufacture and process goods for sale or lease that are not included in Class 29.

You can put this property in a separate class if you file an election by attaching a letter to your income tax return for the year in which you acquired the property. For information on separate class elections, see the note in “Class 8 (20%)” on page 37.

Class 46 (30%)

Include in Class 46 with a CCA rate of 30% data network infrastructure equipment and systems software for that equipment if they were acquired after March 22, 2004. If they were acquired before March 23, 2004, include them in Class 8. See “Class 8 (20%)” on page 37.

Class 50 (55%)

Include in Class 50 with a CCA rate of 55% property acquired after March 18, 2007, that is general-purpose electronic data processing equipment and systems software for that equipment, including ancillary data processing equipment, but not including property that is included in Class 29 or that is mainly or is used mainly as:

a) electronic process control or monitor equipment;

b) electronic communications control equipment;

c) systems software for equipment referred to in a) or b); or

d) data handling equipment (other than data handling equipment that is ancillary to general-purpose electronic data processing equipment).

Special situations

Personal use of property

If you buy property for business and personal use, you can show the business part of the property in Area B or Area C in one of two ways:

- If your business use stays the same from year to year, enter in Area B or Area C the total cost of the property in column 3, the personal part in column 4, and the business part in column 5. To calculate the CCA you can claim, enter in column 3 of Area A the amount from column 5 of Area B or Area C.
- If your business use changes from year to year, enter in Area B or Area C the total cost of the property in column 3 and column 5, and enter "0" in column 4. Enter in column 3 of Area A the amount from column 5 of Area B or Area C and calculate the CCA amount (business and personal) in column 9. The amount in column 10 (UCC at the end of the year) is equal to the amount in column 5 minus the amount in column 9. When you claim CCA on Form T2125, you have to calculate the allowable part of the column 9 amount based on your business use. For an example, see page 43.

You have to report the CCA calculated for the business use of a work space in your home in Area A of Form T2125 in the "Calculation of business-use-of-home expenses" chart on page 4 of the form. Subtract the CCA from the total amount of the CCA for the year calculated in Area A but do not include it on line 9936, "Capital cost allowance (CCA)" in Part 5 on page 3 of Form T2125.

Example
Nadir owns a financial consulting business. He bought a car in 2015 for personal and business use. The car cost $20,000, including all charges and taxes. Therefore, he includes the car in Class 10. His business use this year was 12,000 kilometres of the total 18,000 kilometres driven. He calculates his CCA on the car for 2015 as follows:

He enters $20,000 in column 3 and column 5 of Area B. Nadir also enters $20,000 in column 3 of Area A. By completing the other columns in the chart, he calculates CCA for the year of $3,000. Because Nadir used his car partly for personal use, he calculates his CCA claim as follows:

$$\frac{12{,}000 \text{ (business kilometres)}}{18{,}000 \text{ (total kilometres)}} \times \$3{,}000 = \$2{,}000$$

Nadir enters $2,000 on line 9936, "Capital cost allowance (CCA)," on page 3 of his Form T2125.

Note
The capital cost limits on a Class 10.1 vehicle (a passenger vehicle) still apply when you split the capital cost between business and personal use. For more information, see "Class 10.1 (30%)" on page 38.

Changing from personal to business use

If you bought a property for personal use and started using it in your business in your 2015 fiscal period, there is a change in use. You need to determine the capital cost for business purposes.

If the FMV of a depreciable property is less than its original cost when you change its use, the amount you put in column 3 of Area B or Area C is the FMV of the property (excluding the land value if the property is land and a building). If the FMV is more than the original cost of the property (excluding the land value if the property is land and a building) when you change its use, use the following chart to determine the amount to enter in column 3 of Area B or Area C.

When you start using your property for business use, you are considered to have disposed of it. If the FMV of the property is more than its cost, you may have a capital gain. For more information on capital gains, see Guide T4037, *Capital Gains*.

Capital cost calculation

Actual cost of the property			$________	1
FMV of the property	$ ________	2		
Amount from line 1	$ ________	3		
Line 2 **minus** line 3 (if negative, enter "0")	$ ________	4		
Enter any capital gains deduction claimed for the amount on line 4* $______ × 2 =	$ ________	5		
Line 4 **minus** line 5 (if negative, enter "0")	$ ________ × 1/2 =		$________	6
Capital cost: line 1 **plus** line 6			$________	7

*Enter the amount that relates to the depreciable property only.

Note
We consider you to acquire the land for an amount equal to its FMV when you change its use. Include this amount on line 9923, "Total cost of all land additions in the year," in Area F.

Grants, subsidies, and rebates

You may get a grant or subsidy from a government or a government agency to buy depreciable property. When this happens, subtract the amount of the grant, subsidy, or rebate from the property's capital cost. Do this before you enter the capital cost in column 3 of Area B or Area C.

You may have paid GST/HST on some of the depreciable property you acquired for your business. If so, you may have also received an input tax credit from us. The input tax credit is government assistance. Therefore, subtract it from the property's capital cost. Do this before you enter the capital cost in column 3 of Area B or Area C, whichever applies.

If you get an input tax credit for a passenger vehicle you use in your business, use **one** of these methods:

- For a passenger vehicle you used **90% or more** for your business, subtract the amount of the credit from the vehicle's cost before you enter its capital cost in column 3 of Area B.
- For a passenger vehicle you used **less than 90%** for your business, do not make an adjustment in 2015. Instead, subtract the amount of the credit from your beginning undepreciated capital cost (UCC) in 2016.

You may get an incentive from a non-government agency to buy depreciable property. If this happens, you can either include the amount in income or subtract the amount from the capital cost of the property. If the rebate is more than the remaining UCC in the particular class, add the excess to income on line 8230, "Other income" on page 2 of Form T2125.

For more information about government assistance, see Interpretation Bulletin IT-273, *Government Assistance – General Comments*.

Non-arm's length transactions

When you acquire property in a **non-arm's length** (see "Definitions" on page 5) transaction, there are special rules for determining the property's capital cost. These special rules do not apply if you get the property because of someone's death.

You can acquire depreciable property in a non-arm's length transaction from an individual resident in Canada, a partnership with at least one partner who is an individual resident in Canada, or a partnership with at least one partner that is another partnership. If you pay more for the property than the seller paid for the same property, calculate the cost as follows:

Capital cost calculation
Non-arm's length transaction – Resident of Canada

The seller's cost or capital cost		$________	1
The seller's proceeds of disposition	$ ________ 2		
Amount from line 1	$ ________ 3		
Line 2 **minus** line 3 (if negative, enter "0")	$ ________ 4		
Enter any capital gains deduction claimed for the amount on line 4 $______ × 2	$ ________ 5		
Line 4 **minus** line 5 (if negative, enter "0")	$ ________ × 1/2 =	$________	6
Capital cost: line 1 **plus** line 6		$________	7

Enter this amount in column 3 of either Area B or C, whichever applies. Do not include the cost of the related land. Include the cost of the related land on line 9923, "Total cost of all land additions in the year," in Area F on page 5 of Form T2125.

You can also buy depreciable property in a non-arm's length transaction from a corporation or from an individual who is not resident in Canada, or from a partnership with no partners who are individuals resident in Canada or with no partners that are other partnerships. If you pay more for a property than the seller paid for it, calculate the capital cost as follows:

Capital cost calculation
Non-arm's length transaction – Non-resident of Canada

The seller's cost or capital cost		$________	1
The seller's proceeds of disposition	$ ________ 2		
Amount from line 1	$ ________ 3		
Line 2 **minus** line 3 (if negative, enter "0")	$ ________ × 1/2 =	$________	4
Capital cost line 1 **plus** line 4		$________	5

Enter this amount in column 3 of either Area B or C, whichever applies. Do not include the cost of the related land. Include the cost of the related land on line 9923, "Total cost of all land additions in the year," in Area F on page 5 of Form T2125.

If you buy depreciable property in a non-arm's length transaction and pay less for it than the seller paid, your capital cost is the same amount as the seller paid. We consider you to have deducted as CCA the difference between what you paid and what the seller paid.

Example
Rachel bought a pickup truck for $4,000 from her father, Marcus, in her 2015 fiscal period. Marcus paid $10,000 for the truck in 2008. Since the amount Rachel paid is less than the amount Marcus paid, we consider Rachel's cost to be $10,000. We also consider Rachel to have deducted CCA of $6,000 in the past ($10,000 – $4,000).

Rachel fills in the CCA chart as follows:

- In Area B, she enters $10,000 in column 3, "Total cost."
- In Area A, she enters $4,000 in column 3, "Cost of additions in the year," as the addition for her 2015 fiscal period.

There is a limit on the capital cost of a passenger vehicle you buy in a non-arm's length transaction. The cost is the **least of** the following three amounts:

- the FMV when you buy it;
- $30,000 plus the GST/HST or PST you would pay on $30,000, if you bought it in your 2015 fiscal period; or
- the seller's cost amount of the vehicle when you buy it.

The cost amount can vary, depending on what the seller used the vehicle for before you bought it. If the seller used the vehicle to earn income, the cost amount will be the UCC of the vehicle when you buy it. If the seller did not use the vehicle to earn income, the cost amount will usually be the original cost of the vehicle.

For more information on non-arm's length transactions, see Income Tax Folio S1-F5-C1, *Related Persons and Dealing at Arm's Length.*

Capital gains

If you sell a property for more than it cost, you may have a capital gain. List the dispositions of all your properties on Schedule 3, *Capital Gains (or Losses) in 2015*. You will find a copy of this schedule in your general income tax and benefit package. For information on how to calculate your taxable capital gain, see Guide T4037, *Capital Gains*.

You may be a partner in a partnership that gives you a T5013 slip, *Statement of Partnership Income*. If the partnership has a capital gain, it will allocate part of that gain to you. The gain will show on the partnership's financial statements or on your T5013 slip.

> **Note**
> You cannot have a capital loss when you sell depreciable property. However, you can have a terminal loss. For an explanation of terminal losses, see "Column 5 – UCC after additions and dispositions" on page 35.

Special rules for disposing of a building in the year

If you disposed of a building in the year, special rules may apply that make the proceeds of disposition an amount other than the actual proceeds of disposition. This happens when you meet **both** of the following conditions:

- you disposed of the building for an amount less than both its cost amount, as calculated below, and its capital cost to you; and
- you, or a person with whom you do not deal at **arm's length** (see "Definitions" on page 5), owned the land that the building is on, or the land next to it, which was necessary for the building's use.

To calculate the cost amount:

- If the building was the only property in the class, the cost amount is the UCC of the class before you disposed of the building.
- If more than one property is in the same class, you have to calculate the cost amount of each building as follows:

$$\frac{\text{capital cost of the building}}{\text{capital cost of all property in the class not previously disposed of}} \times \text{UCC of the class} = \text{cost amount of the building}$$

> **Note**
> If any property in the class of the building that was acquired at non-arm's length was previously used for a purpose other than gaining or producing income, or if the part of a property used to gain or produce income has changed, the capital cost of the property has to be recalculated to determine the cost amount of the property.

For more information about proceeds of disposition, see Interpretation Bulletin IT-220, *Capital Cost Allowance – Proceeds of Disposition of Depreciable Property*, and its Special Release, and Interpretation Bulletin IT-285, *Capital Cost Allowance – General Comments*.

If you disposed of a building under these conditions, and you or a person with whom you do not deal at arm's length disposed of the land in the same year, calculate your deemed proceeds of disposition as shown in Calculation A on this page.

If you, or a person with whom you do not deal at arm's length, did not dispose of the land in the same year as the building, calculate your deemed proceeds of disposition as shown in Calculation B on this page.

Calculation A
Land and building disposed of in the same year

Fair market value of the building when you disposed of it			$______	1
Fair market value of the land just before you disposed of it			$______	2
Line 1 **plus** line 2			$______	3
Seller's adjusted cost base of the land	$______	4		
Total capital gains (without reserves) from any disposition of the land (such as a change in use) in the three-year period before you disposed of the building (by you, or by a person not dealing at arm's length with you, to you or to another person not dealing at arm's length with you)	$______	5		
Line 4 **minus** line 5 (if negative, enter "0")	$______	6		
Line 2 or line 6, whichever amount is less			$______	7
Line 3 **minus** line 7 (if negative, enter "0")			$______	8
Cost amount of the building just before you disposed of it	$______	9		
Capital cost of the building just before you disposed of it	$______	10		
Line 9 or line 10, whichever amount is less	$______	11		
Line 1 or line 11, whichever amount is more			$______	12
Deemed proceeds of disposition for the building				
Line 8 or line 12, whichever amount is less (enter this amount in column 3 of Area E and in column 4 of Area A on page 5 of Form T2125)			$______	13
Deemed proceeds of disposition for the land				
Proceeds of disposition of the land and building			$______	14
Amount from line 13			$______	15
Line 14 **minus** line 15 (enter this amount on line 9924 of Area F on page 5 of Form T2125)			$______	16

If you have a terminal loss on the building, include it on line 9270, "Other expenses," in Part 5 of Form T2125.

Calculation B
Land and building disposed of in different years

Cost amount of the building just before you disposed of it	$______	1		
Fair market value of the building just before you disposed of it	$______	2		
Line 1 or line 2, whichever amount is more			$______	3
Actual proceeds of disposition, if any			$______	4
Line 3 **minus** line 4			$______	5
Line 5 $______ × 1/2 =			$______	6
Amount from line 4			$______	7
Deemed proceeds of disposition for the building: line 6 **plus** line 7				
Enter this amount in column 3 of Area E and in column 4 of Area A.			$______	8

If you have a terminal loss on the building, include it on line 9270, "Other expenses," in Part 5 of Form T2125.

Ordinarily, you can deduct 100% of a terminal loss but only 50% of a capital loss. Calculation B makes sure that you use the same percentage to calculate a terminal loss on a building as you use to calculate a capital loss on land.

As a result of this calculation, add 50% of the amount on line 5 to the actual proceeds of disposition from the building. If you have a terminal loss, see "Terminal loss" on page 35.

Replacement property

In a few cases, you can postpone or defer adding a capital gain or recapture of CCA to income. You might sell a business property and replace it with a similar one, or your property might be stolen, destroyed, or expropriated and you replace it with a similar one. You can defer tax on the sale proceeds, which you reinvest in replacement property within a reasonable period. To defer reporting the capital gain or recapture of CCA, you (or a person related to you) must use the new property for the same or similar purpose as the one that you are replacing.

For more information, see Interpretation Bulletin IT-259, *Exchange of Property*, and Interpretation Bulletin IT-491, *Former Business Property*, and its Special Release.

You can also defer a capital gain or recapture of CCA when you transfer property to a corporation or a partnership. For more information, see the following publications:

- Information Circular IC76-19, *Transfer of Property to a Corporation Under Section 85*;
- Interpretation Bulletin IT-291, *Transfer of Property to a Corporation Under Subsection 85(1)*;
- Interpretation Bulletin IT-378, *Winding-up of a Partnership*; and
- Interpretation Bulletin IT-413, *Election by Members of a Partnership Under Subsection 97(2)*.

The following example summarizes this chapter:

Example

When Cathy bought her new car in May 2015, it cost $16,000 including all charges and taxes. Since the cost of the car was $30,000 or less, she includes the car in Class 10. She was allowed a $1,000 credit when she traded in her old car (which was also in Class 10). Her UCC on the old car at the start of 2015 was $1,000. Cathy knows that her personal use of the car will vary each year.

Cathy has a desk, calculator, filing cabinets, and shelves in her store. These are Class 8 depreciable properties. The UCC of these properties at the start of 2015 is $5,000. She did not buy any Class 8 properties in 2015. Therefore, she fills in Form T2125 as follows:

Area A – Calculation of capital cost allowance (CCA) claim

1 Class number	2 Undepreciated capital cost (UCC) at the start of the year	3 Cost of additions in the year (see areas B and C below)	4 Proceeds of dispositions in the year (see areas D and E below)	5* UCC after additions and dispositions (col. 2 **plus** col. 3 **minus** col. 4)	6 Adjustment for current-year additions 1/2 x (col. 3 **minus** col. 4). If negative, enter "0."	7 Base amount for CCA (col. 5 **minus** col. 6)	8 Rate (%)	9 CCA for the year (col. 7 x col. 8 or an adjusted amount)	10 UCC at the end of the year (col. 5 **minus** col. 9)
10	1,000	16,000	1,000	16,000	7,500	8,500	30	2,550	13,450
8	5,000			5,000		5,000	20	1,000	4,000

Total CCA claim for the year (enter this amount, **minus** any personal part and any CCA for business-use-of-home expenses, on line 9936 in Part 5 on page 3**) 3,550

* If you have a negative amount in this column, add it to income as a recapture on line 8230, "Other income," in Part 3 on page 2. If no property is left in the class and there is a positive amount in the column, deduct the amount from income as a terminal loss on line 9270, "Other expenses," in Part 5 on page 3. Recapture and terminal loss do not apply to a class 10.1 property. For more information, see Chapter 4 of Guide T4002.

** For information on CCA for "Calculation of business-use-of-home expenses" on page 4, see "Special situations" in Chapter 4 of Guide T4002.

Area B – Details of equipment additions in the year

1 Class number	2 Property details	3 Total cost	4 Personal part (if applicable)	5 Business part (column 3 **minus** column 4)
10	Passenger vehicle	16,000	Varies	16,000

Total equipment additions in the year 9925 16,000

Area D – Details of equipment dispositions in the year

1 Class number	2 Property details	3 Proceeds of disposition (should not be more than the capital cost)	4 Personal part (if applicable)	5 Business part (column 3 **minus** column 4)
10	Passenger vehicle	1,000	N/A	1,000

Note: If you disposed of property from your business in the year, see Chapter 4 of Guide T4002, for information about your proceeds of disposition.

Total equipment dispositions in the year 9926 1,000

Since Cathy used the car partly for personal use, she calculates the amount to include on line 9936 for her car as follows:

$$\frac{25{,}000 \text{ (business kilometres)}}{30{,}000 \text{ (total kilometres)}} \times \$2{,}550 = \$2{,}125$$

She wants to claim the maximum CCA allowed to her in 2015. The most that Cathy can claim for CCA for 2015 is $2,125 for her car and $1,000 for the Class 8 properties. She enters $3,125 on line 9936 in Part 5 on page 3 of Form T2125.

Summary of Chapters 2 to 4 – Completed Form T2125

In this section, we summarize our discussion about income, expenses, and capital cost allowance, by showing you what the filled in Form T2125 would look like for Cathy's business and recapping the information we have so far.

Total sales (including GST/HST collected or collectible)	$217,350
GST/HST and provincial sales tax included in total sales above	$ 28,350
Returned items	$ 1,000
Inventory at the start of her 2015 fiscal period	$ 36,500
Inventory at the end of her 2015 fiscal period	$ 30,000
Purchases (including freight and other expenses)	$ 88,000
Meals and entertainment expenses (allowable amount)	$ 50
Motor vehicle expenses	$ 3,125
Convention expenses	$ 500
Capital cost allowance	$ 3,125
Cathy also entered these expenses in her expense journals:	
Accounting fees	$ 750
Advertising	$ 2,800
Business tax	$ 550
Business insurance	$ 1,600
Interest on business loan	$ 5,300
Maintenance	$ 800
Office supplies	$ 2,700
Rent of store	$ 10,800
Salaries (full and part-time employees)	$ 19,000
Travelling (except car)	$ 350
Utilities on store	$ 3,500

Therefore, the calculation of Cathy's net business income on her Form T2125 would look like this:

Part 1 – Business income

☑ If you have business income, tick this box and complete this part. **Do not complete parts 1 and 2 on the same form.**

Gross sales, commissions, or fees (including GST/HST collected or collectible)		217,350.00	A
Minus any GST/HST, provincial sales tax, returns, allowances, discounts, and GST/HST adjustments (included on line A above)		29,350.00	(i)
Subtotal (amount A **minus** amount (i))		188,000.00	B
For those using the quick method – Government assistance calculated as follows: GST/HST collected or collectible on sales, commissions and fees eligible for the quick method	(ii)		
GST/HST remitted, calculated on (sales, commissions, and fees eligible for the quick method plus GST/HST collected or collectible) multiplied by the applicable quick method remittance rate	(iii)		
Subtotal (amount (ii) **minus** amount (iii))			(iv)
Adjusted gross sales (amount B **plus** amount (iv)) – Enter this amount on line 8000 in Part 3 below		188,000.00	C

Part 3 – Gross business or professional income

Adjusted gross sales (from amount C in Part 1) or adjusted professional fees (from amount F in Part 2)		8000	188,000.00	G
Plus				
Reserves deducted last year	8290			
Other income	8230			
Total of the above two lines		►		H
Gross business or professional income (amount G **plus** amount H)		8299	188,000.00	

Enter this amount on the appropriate line of your income tax and benefit return: business on line 162, professional on line 164, or commission on line 166.

If GST/HST has been remitted or an input tax credit has been claimed, do not include GST/HST when you calculate the cost of goods sold, expenses, or net income (loss) in parts 4 to 6.

Part 4 – Cost of goods sold and gross profit

If you have business income, complete this part. Enter only the business part of the costs.

Gross business income from line 8299 in Part 3 above				188,000.00	I
Opening inventory (include raw materials, goods in process, and finished goods)	8300	36,500.00			
Purchases during the year (net of returns, allowances, and discounts)	8320	88,000.00			
Direct wage costs	8340				
Subcontracts	8360				
Other costs	8450				
Total of the above five lines		124,500.00			
Minus					
Closing inventory (include raw materials, goods in process, and finished goods)	8500	30,000.00			
Cost of goods sold	8518	94,500.00	►	94,500.00	J
Gross profit (amount I **minus** amount J)			8519	93,500.00	

Part 5 – Net income (loss) before adjustments

Gross profit from line 8519 in Part 4 on page 2, or gross income from line 8299 in Part 3 on page 2			93,500 00 K
Expenses (enter only the business part)			
Advertising	8521	2,800 00	
Meals and entertainment (allowable part only)	8523	50 00	
Bad debts	8590		
Insurance	8690	1,600 00	
Interest	8710	5,300 00	
Business tax, fees, licences, dues, memberships, and subscriptions	8760	550 00	
Office expenses	8810	2,700 00	
Supplies	8811		
Legal, accounting, and other professional fees	8860	750 00	
Management and administration fees	8871		
Rent	8910	10,800 00	
Maintenance and repairs	8960	800 00	
Salaries, wages, and benefits (including employer's contributions)	9060	19,000 00	
Property taxes	9180		
Travel (including transportation fees, accommodations, and allowable part of meals)	9200	350 00	
Telephone and utilities	9220	3,500 00	
Fuel costs (except for motor vehicles)	9224		
Delivery, freight, and express	9275		
Motor vehicle expenses (not including CCA) (see Chart A on page 6)	9281	3,125 00	
Allowance on eligible capital property	9935		
Capital cost allowance (CCA) (from Area A on page 5)	9936	3,125 00	
Other expenses (specify)	9270	500 00	
Total business expenses	9368	54,950 00	► 54,950 00 L
Net income (loss) before adjustments (line K **minus** line L)			9369 38,550 00

Part 6 – Your net income (loss)

Your share of the amount on line 9369 in Part 5 or the amount from your T5013 slip		38,550 00 M	
Plus: GST/HST rebate for partners received in the year (see Chapter 3 of Guide T4002)	9974	N	
Total (line M **plus** line N)		38,550 00	► 38,550 00 O
Minus: Other amounts deductible from your share of the net partnership income (loss) (from the chart below)			9943 P
Net income (loss) after adjustments (line O **minus** line P)			38,550 00 Q
Minus: Business-use-of-home expenses (your share of line 3 from the chart on page 4)			9945 R
Your net income (loss) (line Q **minus** line R)			9946 38,550 00

Enter this amount on the appropriate line of your income tax and benefit return: business on line 135, professional on line 137, or commission on line 139.

CCA classes of commonly used business assets		
Class	**Rate %**	**Description**
1	4	Most buildings you bought after 1987 and the cost of certain additions or alterations made after 1987. The rate for eligible non-residential buildings acquired after March 18, 2007, and used in Canada to manufacture and process goods for sale or lease includes an additional allowance of 6% (total 10%). For all other eligible non-residential buildings in this class, the rate includes an additional allowance of 2% (total 6%). To be eligible for the additional allowances, elections have to be filed. For more information, see "Class 1 (4%)" on page 36.
3	5	Most buildings acquired before 1988 (or 1990, under certain conditions). Also include the cost of additions or alterations made after 1987. For more information, see "Class 3 (5%)" on page 37.
6	10	Frame, log, stucco on frame, galvanized iron, or corrugated metal buildings that meet certain conditions. Class 6 also includes certain fences and greenhouses. For more information, see "Class 6 (10%)" on page 37.
8	20	Property that you use in your business that is not included in another class. Also included is data network infrastructure equipment and systems software for that equipment acquired before March 23, 2004. Also, see Class 46. For more information, see "Class 8 (20%)" on page 37.
10	30	General-purpose electronic data processing equipment (commonly called computer hardware) and systems software for that equipment acquired before March 23, 2004, or after March 22, 2004, and before 2005 if you made an election. Motor vehicles and some passenger vehicles. Also see Class 10.1. For more information, see "Class 10 (30%)" on page 37.
10.1	30	A passenger vehicle not included in Class 10. For more information, see "Class 10.1 (30%)," on page 38.
12	100	The cost limit for access to Class 12 (100 %) treatment is $500 for tools acquired on or after May 2, 2006, and medical and dental instruments and kitchen utensils acquired on or after May 2, 2006. For more information, see "Class 12 (100%)" on page 38.
13		Leasehold interest – You can claim CCA on a leasehold interest, but the maximum rate depends on the type of leasehold interest and the terms of the lease.
14		Patents, franchises, concessions, or licences for a limited period. Your CCA is whichever of the following amounts is less: ■ the total of the capital cost of each property spread out over the life of the property; or ■ the undepreciated capital cost to the taxpayer as of the end of the tax year of property of that class.
16	40	Taxis, vehicles you use in a daily car-rental business, coin-operated video games or pinball machines acquired after February 15, 1984, and freight trucks acquired after December 6, 1991, that are rated above 11,788 kg.
17	8	Roads, parking lots, sidewalks, airplane runways, storage areas, or similar surface construction.
29		Eligible machinery and equipment used in Canada to manufacture and process goods for sale or lease acquired after March 18, 2007 and before 2016, that would otherwise be included in Class 43.
43	30	Eligible machinery and equipment used in Canada to manufacture and process goods for sale or lease that are not included in Class 29. For more information, see "Class 43 (30%)" on page 38.
46	30	Data network infrastructure equipment and systems software for that equipment acquired after March 22, 2004, (if acquired before March 23, 2004 include them in Class 8).
50	55	General-purpose electronic data processing equipment (commonly called computer hardware) and systems software for that equipment, including ancillary data processing equipment acquired after March 18, 2007, and not included in Class 29. For more information, see "Class 50 (55%)" on page 38.

Chapter 5 – Eligible capital expenditures

What is an eligible capital expenditure?

You may buy property that does not physically exist but gives you a lasting economic benefit. Some examples are goodwill, franchises, concessions, and licences for an unlimited period. We call this kind of property **eligible capital property**. The price you pay to buy this type of property is an **eligible capital expenditure**.

Franchises, concessions, and licences with a limited period are considered depreciable properties, not eligible capital properties. For more information about depreciable properties, see Chapter 4 beginning on page 32.

What is an annual allowance?

You cannot fully deduct an eligible capital expenditure because the expenditure is considered to be capital in nature and provides a lasting economic benefit. However, you can deduct part of its cost each year. We call the amount you can deduct your **annual allowance**.

What is a cumulative eligible capital account?

This is the bookkeeping record you establish to determine your annual allowance. You also use your cumulative eligible capital (CEC) account to keep track of the property you buy and sell. We call the property in your CEC account your eligible capital property. You base your annual allowance on the balance in your account at the end of your fiscal period. Keep a separate account for each business, but include all eligible capital property for the one business in the same CEC account.

How to calculate your annual allowance

CEC account

Fill in the following chart to calculate your annual allowance and the balance in your CEC account at the end of your 2015 fiscal period.

Calculating your annual allowance and CEC account balance at the end of your 2015 fiscal period

Balance in the account at the start of your 2015 fiscal period		$________	1
Eligible capital expenditures you made or incurred in your 2015 fiscal period _________ × 75%		$________	2
Line 1 **plus** line 2		$________	3
All the amounts you received or are entitled to receive from the sale of eligible capital property in your 2015 fiscal period	$__________4		
All the amounts that became receivable in your 2015 fiscal period from the sale of eligible capital properties before June 18, 1987	$__________5		
Line 4 **plus** line 5	$__________6		
Line 6 × 75%		$_________	7
CEC account balance Line 3 **minus** line 7		$_________	8
Annual allowance 7% × line 8		$_________	9
CEC account balance at the end of your 2015 fiscal period Line 8 **minus** line 9		$_________	10

Note
An eligible capital expenditure is reduced by the amount of any assistance received or receivable from a government for the expenditure. Also, an amount forgiven (or entitled to be forgiven) on government debt reduces your CEC account. Special conditions may apply to non-arm's length transactions.

You can deduct an annual allowance if there is a **positive** balance (line 8) in your CEC account at the end of your 2015 fiscal period. You do not have to claim the full amount of the maximum annual allowance for a given year. You can deduct any amount you want, up to the maximum allowable of 7%. If your fiscal period is less than 365 days, you have to prorate your claim. Base your claim on the number of days in your fiscal period compared to 365 days.

If there is a **negative** balance in your CEC account, see "Sole proprietor – Sale of eligible capital property in the 2015 fiscal period" on page 49 and "Partnership – Sale of eligible capital property in the 2015 fiscal period" on page 49. The following is an example of how to calculate the maximum annual allowance and account balance.

Example

Carlo started a business on January 1, 2015. Carlo's business has a December 31 year-end. During 2015, he bought a franchise for $16,000. He calculates his maximum annual allowance of $840 for 2015 as follows:

Carlo's CEC account

Balance at the start of Carlo's 2015 fiscal period		$ 0	**1**
Carlo's eligible capital expenditure: franchise cost for the 2015 fiscal period	$ 16,000 × 75%	$12,000	**2**
Line 1 **plus** line 2		$12,000	**3**

Carlo has not sold any eligible capital property during his 2015 fiscal period. Therefore, he will not have any amounts on lines 4 to 7.

Carlo's maximum annual allowance on eligible capital property is 7% × line 3	$ 840	**9**
Balance at the end of 2015 (line 3 **minus** line 9)	$11,160	**10**

Sole proprietor – Sale of eligible capital property in the 2015 fiscal period

When you sell eligible capital property, you have to subtract part of the proceeds of disposition from your CEC account.

You have to do this calculation if you sold eligible capital property:

- in your 2015 fiscal period; or
- before June 18, 1987, and the proceeds of disposition become due to you in your 2015 fiscal period.

For 2015, the amount you have to subtract is 75% of the **total** of these amounts:

- the proceeds of disposition of all the eligible capital property you sell in your 2015 fiscal period; and
- the amount of any proceeds that become due to you in your 2015 fiscal period from eligible capital property you sold before June 18, 1987.

There may be a negative amount (excess) in your CEC account after you subtract the calculated amount. In this case, you will have to include part of the negative amount in your business income.

Multiply by 2/3 the part of the negative amount in your CEC account that exceeds the annual allowances deducted. To that result, add whichever is less, the excess or annual allowances deducted. This is the amount to include in your business income. The following example shows how to calculate the amount to include in your business income.

Example

Lisa started her business on January 1, 2009, with a **December 31 year-end**. In 2009, Lisa bought a client list for $10,000. Lisa sold her business on September 1, 2015. She sold her client list for $15,000 and she does not have any other eligible capital property in her business. She deducted annual allowances each year as follows:

2009	$ 525
2010	488
2011	454
2012	422
2013	393
2014	365
Total	$ 2,647

The amount that Lisa has to include in her business income is calculated as follows:

Calculation of amount A:		
Proceeds of disposition × 75%		
$15,000 × 75%	$ 11,250	
Plus:		
Total annual allowances deducted	2,647	**(i)**
	$ 13,897	
Minus:		
Eligible capital expenditures × 75%		
$10,000 × 75%	7,500	
Excess amount	$ 6,397	**(ii)**
The **lesser of** (i) or (ii):	$ 2,647	**A**
Calculation of amount B:		
Excess amount	$ 6,397	
Minus:		
Total annual deductions taken	2,647	
	$ 3,750	**B**
Calculation of amount C:		
Line B × 2/3	$ 2,500	**C**
Taxable amount from the sale of client list:		
Line A **plus** line C	$ 5,147	

Lisa includes $5,147 on line 8230, "Other income," in Part 3 on page 2 of Form T2125.

Partnership – Sale of eligible capital property in the 2015 fiscal period

When the partnership sells eligible capital property, it has to subtract part of the proceeds of disposition from its CEC account.

The partnership has to do this calculation if it sold eligible capital property:

- in its 2015 fiscal period; or
- before June 18, 1987, and the proceeds of disposition become due in its 2015 fiscal period.

For 2015, the amount the partnership has to subtract is 75% of the **total** of these amounts:

- the proceeds of disposition of all the eligible capital property the partnership sells in its 2015 fiscal period. The total proceeds of disposition have to be included even if the partnership will not receive the entire amount in 2015; and
- the amount of any proceeds that become due in the partnership's 2015 fiscal period from eligible capital property it sold before June 18, 1987.

The partnership's CEC account may have a negative amount (excess) after it subtracts the required amount. If so, the partnership will have to include part of the negative amount in its business income.

Multiply by 2/3 the part of the negative amount in the partnership's CEC account that exceeds the annual allowances deducted. To that result, add the **lesser of** the excess and annual allowances deducted. This is the amount to include in the partnership's business income. The next example shows how to calculate the amount to include in your business income.

The partnership has to include the business income that results from the sale of the eligible capital property on line 8230, "Other income," in Part 3 on page 2 of Form T2125.

If you, as a partner in the partnership, had made the capital gains election by filing Form T664, *Election to Report a Capital Gain on Property Owned at the end of February 22, 1994,* with your 1994 income tax return for your partnership interest, you would have reported the capital gain accrued to February 22, 1994. In this case, the adjusted cost base of your partnership interest has not changed as a result of the election. Instead, you have created a special account called your **exempt capital gains balance (ECGB)**. Your ECGB expired after 2004. If you did not use all of your ECGB by the end of 2004, you can add the unused balance to the adjusted cost base of your shares of, or interest in, the flow-through entity.

Example
You and your partner have operated a telephone sales business since January 1, 1994. Your partnership agreement states that you and your partner will share the business profits equally. The business has a **December 31 year-end**. You and your partner paid $10,000 for a client list when you started the business.

The business has no other eligible capital property. You and your partner sell the business on September 1, 2015. The proceeds of disposition of the client list are $15,000. As a partner of the partnership, you made the capital gains election in 1994 on your partnership interest and your current exempt capital gains balance (ECGB) is nil. In previous years, the partnership claimed $2,647 as annual allowances on eligible capital property.

Calculation of amount to include in business income – Sale of client list on September 1, 2015
The amount to include in the partnership's business income is calculated as follows:

Calculation of amount A:
The lesser of (i) and (ii):

Actual proceeds of disposition × 75%			
$15,000 × 75%	$	11,250	
Plus:			
Total annual allowances deducted		2,647	**(i)**
	$	13,897	
Minus:			
(Eligible capital expenditures + ECGB*) × 75%			
$10,000 × 75%		7,500	
Excess amount	$	6,397	**(ii)**
The **lesser of** (i) and (ii)	$	2,647	**A**

Calculation of amount B:

Excess amount	$	6,397	
Minus:			
Total annual allowances deducted		2,647	
	$	3,750	**B**

Calculation of amount C:

Line B × 2/3	$	2,500	**C**

Taxable amount from sale of client list:

Line A plus line C	$	5,147

According to this example, you should include $5,147 on line 8230, "Other income," on Form T2125.

* The amount of ECGB used in this calculation refers to any balance still in this account after December 31, 2004.

Election

Under certain conditions, you can elect to treat the disposition of an eligible capital property (other than goodwill) as a regular capital gain. For example, properties such as a franchise, concession, or licence that has an unlimited life may qualify for this election. By electing, you deem to remove the property from your CEC account for proceeds equal to its original cost.

You can then declare a capital gain equal to your actual proceeds of disposition minus the cost of acquisition. Report the details on the "Real estate, depreciable property and other properties" line of Schedule 3, *Capital Gains (or Losses) in 2015*. This election will benefit you if you have unused capital losses to apply against the capital gain.

The election is available if you meet the following conditions:

- you disposed of an eligible capital property other than goodwill;
- the cost of the eligible capital property can be determined;
- the proceeds of disposition exceed the cost; and
- you do not have an exempt gains balance.

File your election by attaching a note to your income tax return.

Replacement property

If you sell an eligible capital property and replace it with another one for the same or similar use, you can choose to postpone all or part of any gain on the sale. This happens if you acquire a replacement eligible capital property within a certain period of time. To do this, you have to replace the property no later than one year after the end of the tax year in which you sell the original property.

For more information, see Interpretation Bulletin IT-143, *Meaning of Eligible Capital Expenditure*.

Appendix – Industry codes

These codes are for paper filers only

Professions

Offices of lawyers	541110
Offices of notaries	541120
Other legal services	541190
Offices of accountants	541212
Tax preparation services	541213
Bookkeeping, payroll and related services	541215
Financial and investment advice – Online	523990
Architectural services	541310
Landscape architectural services	541320
Engineering services	541330
Drafting services	541340
Building inspection services	541350
Geophysical surveying and mapping services	541360
Surveying and mapping (except geophysical) services	541370
Testing laboratories	541380
Specialized design services	541400
Scientific research and development services	541700
Other advice and counselling – Online	541990
Other professional, scientific and technical services	541900
Veterinary services (including animal hospitals)	541940
Offices of physicians	621110
Offices of mental health practitioners – (except physicians)	621330
Offices of dentists	621210
Offices of other health practitioners (incl. chiropractors, optometrists, speech therapists, psychologists)	621300
Out-patient care centres	621400
Medical and diagnostic laboratories	621500
Home health care services	621600
Other ambulatory health care services	621900

Services

Agricultural or animal services

Support activities for crop production	115110
Support activities for animal production	115210

Transportation or storage

Postal service	491110
Couriers	492110
Local messengers and local delivery	492200
Warehousing and storage	493100
Air transportation	481000
Rail transportation	482100
Deep sea, coastal and Great Lakes water transportation	483100
Inland water transportation	483200
General freight trucking	484100
Specialized freight trucking	484200
Urban transit systems	485110
Interurban and rural bus transportation	485210
Taxi service	485310
Limousine service	485320
School and employee bus transportation	485410
Charter bus industry	485510
Other transit and ground passenger transportation	485990
Scenic and sightseeing transportation, land	487110
Scenic and sightseeing transportation, water	487210
Scenic and sightseeing transportation, other	487990
Support activities for air transportation	488100
Support activities for rail transportation	488210
Support activities for water transportation	488300
Support activities for road transportation	488400
Freight transportation arrangement	488500
Other support activities for transportation	488990

Communications or utilities

Newspaper, periodical, book and directory publishers	511100
Software publishers (except video game)	511211
Video game publishers	511212
Radio and television broadcasting	515100
Pay and specialty television	515210
Wired telecommunications carriers (incl. internet service providers)	517100
Wireless telecommunications carriers (except satellite)	517210
Satellite telecommunications	517410
Other telecommunications	517910
Other information services	519100
Advertising material distribution services	541870

Finance, insurance, or real estate

Credit intermediation and related activities	522000
Securities, commodity contracts, and other financial investment and related activities	523000
Insurance agencies and brokerages	524210
Claims adjusters	524291
All other insurance related activities	524299
Lessors of social housing projects	531112
Lessors of non-residential buildings (except mini-warehouses)	531120
Self-storage mini-warehouses	531130
Lessors of other real estate property	531190
Real estate agents	531211
Offices of real estate brokers	531212
Real estate property managers	531310
Offices of real estate appraisers	531320
Other activities related to real estate	531390
Lessors of non-financial intangible assets (except copyrighted works)	533110

Business services

Data processing, hosting, and related services	518210
Internet publishing and broadcasting, and Web search portals	519130
Computer systems design and related services (including programmers, analysts)	541514
Video game developers	541515
Administrative management and general management consulting services	541611
Human resources consulting services	541612
Other management consulting services	541619
Environmental consulting services	541620

Other scientific and technical consulting services	541690
Advertising, public relations, and related services	541800
Management of companies and enterprises	551100
Office administrative services	561110
Facilities support services	561210
Employment services	561300
Business support services	561400
Travel arrangement and reservation services	561500
Investigation and security services	561600
Other business support services (incl. Online)	561900
Waste collection	562110
Waste treatment and disposal	562210
Remediation and other waste management services	562900

Education, health or social services

Schools including business, technical, trade, colleges and universities	611000
Fine arts, athletic instruction and language schools	611600
All other schools and instruction (including tutors)	611690
Non-instructional education services	611710
Nursing and residential care facilities	623000
Individual and family services	624100
Community food and housing, and emergency and other relief services	624200
Vocational rehabilitation services	624310
Child daycare services	624410

Entertainment or recreation

Motion picture and video production	512110
Motion picture and video distribution	512120
Motion picture and video exhibition	512130
Post-production and other motion picture and video industries	512190
Sound recording industries	512200
Performing arts companies	711100
Sports teams and clubs	711211
Horse race tracks	711213
Other spectator sports	711218
Promoters (presenters) of performing arts, sports and similar events	711300
Sports stadiums and other presenters with facilities	711319
Agents and managers for artists, athletes, entertainers and other public figures	711410
Independent artists, writers and performers	711500
Heritage institutions	712100
Amusement parks and arcades	713100
Gambling industries	713200
Other amusement and recreation industries	713900
Internet publishing and broadcasting, and Web search portals (including online gambling and pornography)	519130
Other personal services (including Online psychic, escorts, dating, party planning, personal shopping)	812900

Accommodation, food or beverage services

Traveller accommodation	721100
RV (recreational vehicle) parks and recreational camps	721200
Rooming and boarding houses	721310
Food service contractors	722310
Caterers	722320
Mobile food services	722330
Drinking places (alcoholic beverages)	722410
Full-service restaurants	722511
Limited-service eating places	722512

Repairs and maintenance

General automotive repair	811111
Automotive exhaust system repair	811112
Other automotive mechanical and electrical repair and maintenance	811119
Automotive body, paint and interior repair and maintenance	811121
Automotive glass replacement shops	811122
Car washes	811192
All other automotive repair and maintenance	811199
Electronic and precision equipment repair and maintenance (incl. TV, radio, stereo, computer, camera)	811210
Commercial and industrial machinery and equipment (except automotive and electronic) repair and maintenance	811310
Home and garden equipment repair and maintenance	811411
Appliance repair and maintenance	811412
Reupholstery and furniture repair	811420
Footwear and leather goods repair	811430
Other personal and household goods repair and maintenance	811490

Personal or household services

Carpet and upholstery cleaning services	561740
Services for the elderly and persons with disabilities	624120
Personal care services (e.g. hair, tanning salons, diet centers – non medical)	812100
Funeral services	812200
Dry cleaning and laundry services	812300

Other services

Automotive equipment rental and leasing	532100
Consumer goods rental	532200
General rental centres	532310
Commercial and industrial machinery and equipment rental and leasing	532400
Photographic services	541920
Travel agencies	561510
Services to buildings and dwellings (incl. exterminators, chimney and window cleaners)	561700
Janitorial services (except window cleaning)	561722
Religious, grant-making, civic, and professional and similar organizations	813000
Private households	814110

Sales – Retailers

Household goods stores

Furniture stores	442110
Home furnishing stores	442200
Electronics and appliance stores (incl. TV, stereo, computers)	443100

Food or beverage stores

Supermarkets and other grocery (except convenience) stores	445110
Convenience stores	445120
Specialty food stores	445200
Beer, wine and liquor stores	445310

Automotive

Automobile dealers	441100
Other motor vehicle dealers	441200
Automotive parts, accessories and tire stores	441300
Gasoline stations with convenience stores	447110
Other gasoline stations	447190

Other retail stores

Camera and photographic supplies stores	443145
Audio and video recording stores	443146
Home centres	444110
Paint and wallpaper stores	444120
Hardware stores	444130
Other building material dealers	444190
Lawn and garden equipment and supplies stores	444200
Health and personal care stores	446100
Pharmacies and drug stores	446110
Clothing stores	448100
Shoe stores	448210
Jewellery, luggage and leather goods stores	448300
Sporting goods stores (Golf, Ski, Cycling and other)	451110
Hobby, toy and game stores	451120
Sewing, needlework and piece goods stores	451130
Musical instrument and supplies stores	451140
Book stores and news dealers	451310
Pre-recorded tape, compact disc and record stores	451220
Department stores	452110
Other general merchandise stores	452900
Florists	453110
Office supplies and stationery stores	453210
Gift, novelty and souvenir stores	453220
Used merchandise stores	453310
Other miscellaneous store retailers	453900

Direct sales

Electronic shopping and mail-order houses	454110
Vending machine operators	454210
Direct selling establishments including cosmetics, food or beverages, fuel, household goods and newspaper delivery	454300

Wholesalers – Distributors

Farm product	411100
Petroleum product	412110
Food	413100
Beverage	413200
Cigarette and tobacco product	413310
Textile, clothing and footwear	414100
Home entertainment equipment and household appliance	414200
Home furnishings	414300
Personal goods	414400
Pharmaceuticals, toiletries, cosmetics and sundries	414500
Motor vehicle	415100
New motor vehicle parts and accessories	415200
Used motor vehicle parts and accessories	415310
Electrical, plumbing, heating and air-conditioning equipment and supplies	416100
Metal service centres	416210
Lumber, millwork, hardware and other building supplies	416300
Farm, lawn and garden machinery and equipment	417110
Construction, forestry, mining, and industrial machinery, equipment and supplies	417200
Computer and communications equipment and supplies	417300
Other machinery, equipment and supplies	417900
Recyclable material	418100
Paper, paper product and disposable plastic product	418200
Agricultural supplies	418300
Chemical (except agricultural) and allied product	418410
Business-to-business electronic markets (Online)	419110
Wholesale trade agents and brokers (not Online)	419120
Other miscellaneous (including Online)	418900

Construction

Residential building construction	236110
Non-residential building construction	236200
Utility system construction	237100
Land subdivision	237210
Highway, street and bridge construction	237310
Other heavy and civil engineering construction	237990
Poured concrete foundation and structure contractors	238110
Structural steel and precast concrete contractors	238120
Framing contractors	238130
Masonry contractors	238140
Glass and glazing contractors	238150
Roofing contractors	238160
Siding contractors	238170
Other foundation, structure and building exterior contractors	238190
Electrical contractors and other wiring installation contractors	238210
Plumbing, heating and air-conditioning contractors	238220
Elevator and escalator installation contractors	238291
All other building equipment contractors	238299
Drywall and insulation contractors	238310
Painting and wall covering contractors	238320
Flooring contractors	238330
Tile and terrazzo contractors	238340
Finish carpentry contractors	238350
Other building finishing contractors	238390
Site preparation contractors	238910
All other specialty trade contractors	238990

Manufacturing

Food	311000
Beverage and tobacco product	312000
Textile mills	313000
Textile product mills	314000
Clothing	315000
Leather and allied product	316000
Wood product	321000
Paper	322000
Printing and related support activities	323000
Petroleum and coal product	324000
Chemical	325000
Plastics and rubber products	326000
Non-metallic mineral product	327000
Primary metal	331000
Fabricated metal product	332000
Machinery	333000
Computer and electronic product	334000
Electrical equipment, appliance and component	335000
Transportation equipment	336000
Furniture and related product	337000
Miscellaneous	339000

Natural resource industries

Timber tract operations	113110
Forest nurseries and gathering of forest products	113210
Logging (except contract)	113311
Contract logging	113312
Hunting and trapping	114210
Support activities for forestry	115310
Oil and gas extraction	211100
Coal mining	212100
Metal ore mining	212200
Non-metallic mineral mining and quarrying	212300
Support activities for mining and oil and gas extraction	213100
Electric power generation, transmission and distribution	221100
Natural gas distribution	221200
Water, sewage and other systems	221300

Online services

My Account

Using the CRA's My Account service is a fast, easy, and secure way to access and manage your tax and benefit information online, seven days a week.

To log in to My Account, you can use either your CRA user ID and password or the Sign-in Partner option.

An authorized representative can access most of these online services through Represent a Client at **www.cra.gc.ca/representatives**.

For more information, go to **www.cra.gc.ca/myaccount**.

Handling business taxes online

Save time using the CRA's online services for businesses. You can:

- authorize a representative, an employee, or a group of employees, who has registered with Represent a Client, for online access to your business accounts;
- request or delete authorization online through Represent a Client, if you are a representative;
- change mailing and physical addresses, as well as the address where you keep your books and records;
- file a return electronically without a web access code;
- register for online mail, get email notifications, and view your mail online;
- enrol for direct deposit, update banking information, and view direct deposit transactions;
- authorize the withdrawal of a pre-determined amount from your bank account;
- request additional remittance vouchers;
- transfer payments and immediately view updated balances, without having to calculate interest;
- stop or restart the mailing of the GST/HST return for registrants package;
- add another business to your profile;
- view answers to common enquiries, and if needed, submit account-related enquiries;
- view the account balance and instalment balance, including the corresponding transactions (for example, payments); and
- do much more.

To register or log in to our online services, go to:

- **www.cra.gc.ca/mybusinessaccount**, if you are a business owner; or
- **www.cra.gc.ca/representatives**, if you are an authorized representative or employee.

For more information, go to **www.cra.gc.ca/businessonline**.

Receiving your CRA mail online

You, or your representative (authorized at a level 2), can choose to receive most of your CRA mail for your business online.

When you or your representative register for online mail, we will no longer mail most correspondence items. Instead, an email notification will be sent to the email address(es) provided when there is new mail available to view online. To register, select the "Manage online mail" service and follow the easy steps.

Using our online mail service is faster and easier than managing paper correspondence.

Authorizing the withdrawal of a pre-determined amount from your bank account

Pre-authorized debit (PAD) is an online, self-service, payment option. Through this option, you agree to authorize the CRA to withdraw a pre-determined payment from your bank account to pay tax on a specific date or dates. You can set up a PAD agreement using the CRA's secure My Business Account service at **www.cra.gc.ca/mybusinessaccount**. PADs are flexible and managed by you. You can view historical records, modify, cancel, or skip a payment. For more information, go to **www.canada.ca/payments** and select "Pre-authorized debit."

MyCRA – the web app for individual taxpayers on the go

Getting ready to file? Use MyCRA to check your RRSP deduction limits, look up a local tax preparer, or see what tax filing software the CRA has certified.

Done filing? Use MyCRA to see the status of your tax return and the resulting assessment.

Want information throughout the year? Use MyCRA to check your TFSA contribution room, confirm before you donate that the charity at your door is registered, and calculate the effect your donation will have on your taxes.

To get more details on what you can do with MyCRA and to access the CRA's web-based mobile app, go to **www.cra.gc.ca/mobileapps**.

Electronic payments

Make your payment using:

- your financial institution's online or telephone banking services;
- the CRA's My Payment service at **www.cra.gc.ca/mypayment**; or
- pre-authorized debit at **www.cra.gc.ca/myaccount**.

For more information on all payment options, go to **www.canada.ca/payments**.

For more information

What if you need help?

If you need more information after reading this guide, visit **www.cra.gc.ca** or call **1-800-959-5525**.

Direct deposit

Direct deposit is a faster, more convenient, reliable, and secure way to get your income tax refund and your credit and benefit payments (including certain related provincial or territorial program payments) directly into your account at a financial institution in Canada.

For more information, go to **www.cra.gc.ca/directdeposit**.

Forms and publications

To get our forms and publications, go to **www.cra.gc.ca/forms** or call **1-800-959-5525**.

Electronic mailing lists

We can notify you by email when new information on a subject of interest to you is available on our website. To subscribe to our electronic mailing lists, go to **www.cra.gc.ca/lists**.

Tax Information Phone Service (TIPS)

For personal and general tax information by telephone, use our automated service, TIPS, by calling **1-800-267-6999**.

Teletypewriter (TTY) users

TTY users can call **1-800-665-0354** for bilingual assistance during regular business hours.

Service complaints

You can expect to be treated fairly under clear and established rules, and get a high level of service each time you deal with the Canada Revenue Agency (CRA); see the *Taxpayer Bill of Rights*.

If you are not satisfied with the service you received, try to resolve the matter with the CRA employee you have been dealing with or call the telephone number provided in the CRA's correspondence. If you do not have contact information, go to **www.cra.gc.ca/contact**.

If you still disagree with the way your concerns were addressed, you can ask to discuss the matter with the employee's supervisor.

If you are still not satisfied, you can file a service complaint by filling out Form RC193, *Service-Related Complaint*.

If the CRA has not resolved your service-related complaint, you can submit a complaint with the Office of the Taxpayers' Ombudsman.

For more information, go to **www.cra.gc.ca/complaints** or see booklet RC4420, *Information on CRA – Service Complaints*.

Reprisal complaint

If you believe that you have experienced reprisal, fill out Form RC459, *Reprisal Complaint*.

For more information about reprisal complaints, go to **www.cra.gc.ca/reprisalcomplaints**.

Tax information videos

We have a number of tax information videos for individuals and small businesses on topics such as business income and expenses, GST/HST, and payroll. To watch our videos, go to **www.cra.gc.ca/videogallery**.

Index