

# SK Startup Institute Webinar

"I can just write this off, right?"

Presenter: Jordan Brown, CPA, CA

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# Jordan Brown, CPA, CA

- Graduated from U of S with Bachelor of Commerce (BComm) degree in 2009.
- Started working at PwC LLP in Calgary in 2009.
- Graduated from U of S with Master of Professional Accounting (MPAcc) degree in 2011.
- Earned Chartered Accountant (CA) designation in 2012.
- Received Chartered Professional Accountant (CPA) designation in 2014.
- Focused on working with small businesses and self-employed individuals in Western Canada.

# Presentation Overview

- 45 min Slide Presentation
- 15 min Q&A Session
- Topics Include:
  - Common write-offs and CRA rules
  - What's eligible (and what isn't) for small business owners
  - Practical tax tips to keep your books clean and audit-ready

# Myth #1

- Myth:
  - “If it’s a business write-off, I get all the money back.”
- Reality:
  - You still pay the full price for the good or service. The savings is the amount of tax you avoid paying on the income used for that expense.

# What is a Business Write-off?

- Business Write-off = Business Expense = Business Deduction
- A business write-off is an eligible business expense that reduces a company's or self-employed individual's taxable income.
- By subtracting these expenses from total revenue, a business lowers its net profit, and consequently, the amount of tax owed.

# CRA Definition + Key Principles

- CRA Definition:
  - "A current expense incurred for the purpose of earning business income."
- CRA Key Principles:
  - Incurred to earn business income
  - Reasonable in amount
  - Supported by records
  - Not capital or personal in nature
  - Not specifically prohibited by the Income Tax Act

# Current Expense vs Capital Expense

- Current Expense
  - A current expense is one that usually recurs after a short period.
  - A current expense is generally expensed on the Profit & Loss in the period it is incurred.
  - Example: Bank Charges, Insurance, Rent, Utilities
- Capital Expense
  - A capital expense generally gives a lasting benefit or advantage.
  - A capital expense is generally capitalized on the Balance Sheet in the period it is incurred.
  - Example: Office Furniture, Computer, Motor Vehicle

# Myth #2

- Myth:
  - “I can deduct any personal expense as long as I use it for business sometimes.”
- Reality:
  - The CRA is strict about separating personal and business expenses. Only the portion of an expense directly related to earning business income is deductible.

# Non-Deductible Expenses

- Personal clothing
- Commuting costs
- Fines and penalties
- Golf club dues and gym memberships
- Personal life insurance premiums

# Deductible Business Expenses

- Advertising
- Bad debt
- Business start-up costs
- Business tax, fees, licenses and dues
- Business use-of-home (i.e. home office)
- Capital cost allowance (i.e. depreciation)
- Commissions
- Cost of goods sold
- Insurance
- Interest and bank charges

# Deductible Business Expenses

- Management and administration fees
- Meals and entertainment
- Memberships
- Motor vehicle expenses
- Office expenses
- Prepaid expenses
- Private health services plan premiums
- Professional fees
- Property taxes
- Rent

# Deductible Business Expenses

- Repairs and maintenance
- Salaries, wages, benefits
- Shipping and delivery
- Small tools
- Software
- Subcontractors
- Supplies
- Telephone and utilities
- Training
- Travel

# Risky Business

- Business Use-of-Home
  - Claiming a home office when you have a separate primary office.
- Meals and Entertainment
  - Buying lunch for yourself because you forgot to pack a lunch from home.
- Motor Vehicles
  - Driving a corporate-owned vehicle for both business and personal without keeping a mileage log.
- Travel
  - Claiming your vacation to Mexico as a business expense because you had a “shareholder meeting” while there.

# Myth #3

- Myth:
  - “You should spend money at the end of the year just for a write-off.”
- Reality:
  - You should never spend money you wouldn't otherwise spend just to get a tax deduction. A write-off reduces your taxable income, but it does not save you more money than the amount you spent.

# Practical Tax Tips

- Use a receipt pouch in your vehicle
- Use receipt capture/scanning tools
- Use cloud-based bookkeeping software
- Store physical receipts in a sturdy box
- Use cloud storage for digital receipts
- Use mileage tracking apps
- Keep all your records for six (6) years

# Q&A Session

- Thank you for listening to my presentation!