#### **INTRO**

hello, this is derya, i have been asked many times by friends for tax help, and today i thought to make a document that might help you and me in the future.

to do my taxes i use simpletax.ca, these taxes are for the canadian tax system,

this is how i have been doing my taxes for the past years that i have been here in canada and i may be wrong but so far it has been OK. if you know that i am doing something wrong, let me know

this is mostly covering "self-emplyed business" (T2125) for a single individual with no dependants and no disability cretids. I am mostly focused on covering what types of studio expenses can be deducted from your taxes when you learn to do them as a business, there is A Lot that is not covered here for taxes, but this is intended as a guide for when needing to understand how to claim studio/art supplies/general life related to artists expenses.

#### TAX PREP THROUGHOUT THE YEAR

I collect all of my receipts, and I try to sort them a couple times a year into categories in order to make my tax days more smooth, enjoyable, less chaotic evil. The categories of my receipts are the same for the expenses for my "business income"/T2125.

I reccomend sorting receipts in June, then again in December. The benefit of sorting you receipts by the end of the year will be that if you have made money, and are owing money to the CRA, you can figure out if you need to make any expenses before the end of the year and buy some materials/supplies which would help lower your owed amount.

What I will cover in this document is:

T4 (Taxed income from employment)

T4A (Non-taxed income from different sources like galleries, grants)

T2125 (Non-taxed income and expenses that you track for yourself)

Expenses related to T2125:

Meals and Entertainment

Office Expenses

Insurance

Supplies

**Proffesional Fees** 

Rent

Maintanence

Travel

Telephone

Fuel

Delivery

Capital Costs Allowence

Motor Vehicle

Use of Home

Gifts and Donations

Medical Expenses

Canadian Workers Benefit

#### WHAT DOING MY TAXES ACTUALLY LOOKS LIKE

So I have a cookie box with all my receipts all year, and then when I'm going to sort my receipts I make envelopes with the above categories on them. I also make an excel/google sheets spreadsheet that has all the categories on it, and where I can stack my expenses above and below each other so that I can use the "SUM" function on excel to add each category when I'm done. As I go through my receipts, I put them in the appropriate category envelope and spreadsheet column. It looks something like this:

В	C 4	▶ E	F	G	Н •	▶ L	М
Income		Materials Grant		Captail Costs		Rent	
	Description		Description		Description		Decription
1000	221A Meal	14.55	Garden	60	Мор	819	Claytek
300	Harthouse	12.31	Coe	33.59	Garden Tool	7780	12 month studi
276	Saskatoon	6.98	Salt	76.54	Kitchen	3000	July+Aug+Sept
846	Victoria Fee	6.77	No frills	5.88	Kitchen	11599	
333.33	Slow Waves	28.12	Persia	102.04	Kitchen		
1000	Translink	12.87	Kims	67.04	Landscaping		
500	UBC Mentor	49.64	Persia	84.23	Landscaping		
400	VAG workshop	72.45	No Frills	14.06	Landscaping		
200	CAG Book	82.71	Coe	147.85	Landscaping		
850	WF catering	41.97	Okanagan Farm	285.11	Lanscaping		
600	RAG Catering	100.84	No Frills	12.31	Coe		
6305.33		20.14	Canadian Tire	157.91	Lotusland		
		19.25	Salvation Army	24.15	Kitchen		
25000	Canada Council	24.81	Persia	128.97	Kitchen		
		25.6	Pulp Fiction	5.88	Kitchen		
		55.65	Kea Foods	58.61	kitchen		
		49.65	Home Hardware	220.45	Small tool		
		363.57	Plants	73.25	Kitchen		

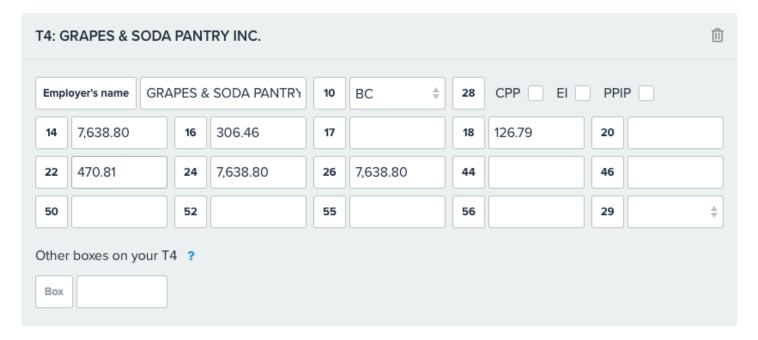
it is important to save your receipts if you are claiming them as expenses because CRA requires us to keep them for 6 years. So in 2022, I think I can get rid of 2015's receipts.

I also put a "description" column next to it, as I like to know what it was I claimed next to the numbers as I look at past years taxes in the future.

### **INCOME**

#### **T4**

T4 is income that you earn as an employee. This is generally what we call our "day/night job". In this form of employment, the deductions are already cut and paid out to the CRA by your employer, and all you need to do is report it in total. You will recieve a T4 slip from your employer, which will have the approporiate numbers to put in the boxes. Here is what it looks like on the tax website:



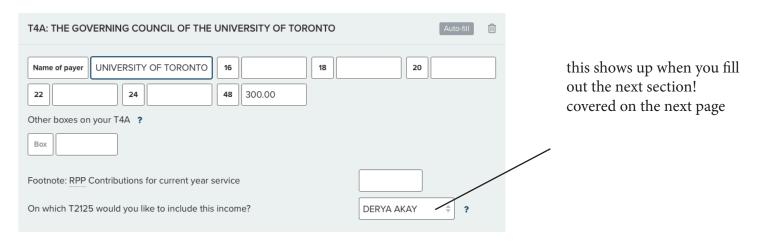
If you make tips, you may want to declare your tips. you can add a section called "tips, royalties, occasioanl earnings", and there you can fill in the amount for tips.



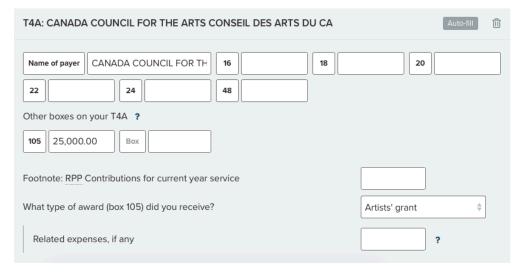
#### T4A

T4A is income that you earn as an self-employed contractor. This is generally the type of income earned when you are working with artist run centers and art galleries, and with grants. All of this money has not had tax deducted from it, and unless you can show your valid expenses (with a T2125/self-employed business, which I will cover next) CRA will tax you on the FULL amount. It is VERY wise to start collecting all of your receipts and learning how to deduct expenses if you have started to recieve this type of income from your art work and practice

Here are two types of T4A's I have encountered. The way the income from art galleries, and grants work in your taxes are slightly different



this was for a commisioned artwork i did for a publication for the university of toronto. Once I have filled in the box for the amount I recieved in payment, you can see at the bottom it asks for where to include this income. We will cover this in the next section, but you should be selecting your "artists business" which will be the name you choose, mine is my first and last name.



for grants (this was a canada council, research grant), the reporting is slightly different, where you need to fill in "other boxes on your t4a" report box number "105", and fill in the FULL amount of your grant.

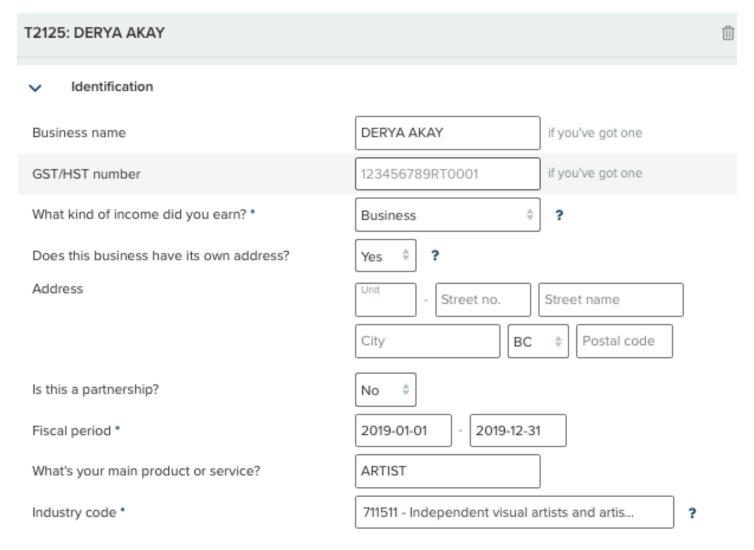
At the bottom, you need to select the type of "award" you have recieved, which will be an artists' grant.

Do NOT report any related expenses here, we will do this in the next section

#### T2125

T2125 this is self employed bussiness income, that for every dollar you report as income, you will need to pay tax on, and this is also where you can show all of your deductions. This part is the reason you save your receipts. I will go in depth for all the sections you can deduct expenses from. First here is the important parts for claiming self-employment. FYI you do NOT need a gst number, until your SALES or revenues are \$30,000+ in a single quarter, as in you sell artworks equal to 30K o more,

in one quarter or cumulatively over a calendar year. These do not include any income with a T4A. Here is what it looks like to fill out a T2125



Fill it with your name, address, the income you have earned is "Business" if you are doing your taxes as a visual artist. You will need to fill out the year (fiscal period), and most importantly your Industry Code. For visual artists this is 711511. If you are claiming self employment for another job, on the CRA website, you can find other codes that apply to your field. Technically you fill out a T2125 for any freelance business you are earning income (or accruing expenses) for.

When you have your T2125 form filled, you will get an option on some T4A's (like the first example on the previous page) to include the T4A earnings into your T2125.

# Claiming income for T2125

Income	
Fees for services (T4A Box 48)	2,650.00
Other gross sales, commissions or fees	3,655.33 if nil, enter 0
Returns, allowances and discounts (included in gross sales)	
Adjusted gross sales	6,305.33
Do you have any other business income?	÷ ?
Gross business income	6,305.33

Top box is what will automatically fill from T4As that you have added to your business
The second box is for any undocumented money you have made on your artworks, as in if you've sold anything, or recieved any payments that were not reported to the CRA by the payer. I tend to make a spreadsheet and add all payments I have recieved throughout the year on this spreadsheet so I have it all documented. This is what my income spreadsheet lookslike:

Income	
	Description
1000	221A Meal
300	Harthouse
276	Saskatoon
846	Victoria Fee
333.33	Slow Waves
1000	Translink
500	UBC Mentor
400	VAG workshop
200	CAG Book
850	WF catering
600	RAG Catering
6305.33	
25000	Canada Council

I like to put a description next to the income I have documented to be able to remember what it was for.

## Claiming expenses for T2125

Expenses

### You can include sales tax in your expenses. Advertising Meals and entertainment 1,059.59 Bad debts Insurance Interest Business tax, fees, licences, dues, memberships, and subscriptions Office expenses 84.19 Supplies 6,211.66 11,280.27 Legal, accounting, and other professional fees Management and administration fees 11.599.00 Rent Maintenance and repairs 230.87 Salaries, wages, and benefits Property taxes 2.140.59 Travel Telephone and utilities 868.88 9224 Fuel costs (except for motor vehicles) 9275 Delivery, freight, and express Motor vehicle expenses (not including CCA) 1,832.13 Capital cost allowance 9270 Other expenses Description 35,307.18 Total business expenses -29,001.85 Net income (loss) before adjustments -29,001.85 Net income (loss) after adjustments

this is embarrisngly what my 2019 taxes look like, these are all the deductions I have counted and collected receipts for, I will go down all the boxes I have filled, plus a few other ones that might make sense for you to know about and give examples as to what are in those categories.

Again, I use an excel spreadsheet to document and add these receipts up, I will try and include a template of this document, and also show you examples of how I document my own expenses.

## Types of expenses to claim for T2125

## Meals and Entertainment (Claim only half! %50)

This is a fun one!

Any receipt for meals you have had that are with other artists, collaborators, people where you are talking about art, not alone meals.

A good practice is to write the name of the people and the topics you have talked about behind each receipt.

Note that when you add all of these receipts up in the end of the year, you need to divide the total by 2, as only HALF of this is tax-deductable

this example is a part of my receipts>> you can see that i add up all the receipts, then divide it by half and only claim the half amount

272.46	Staff Party
57.11	Staff lunch
378.9	Staff party
49.32	Studio lunch
39	Studio lunch
60.1	Splitz
39.06	Aphro
149.5	Strange Fellows
50.92	aphro
45.57	Bangkok
1688.84	
/2	
844.42	

# Office expenses

All supply expenses related to maintaining your studio, cleaning supplies, toilet paper, coffee, tea, etc.

Office Expenses					
	Description				
4.74	Stationary				
15.95	Pest Control				
12.4					
14.99	Coffee				
7.82	coffee filter				
20.52	HD Keys cut				
7.77	tea				
84.19					

### Insurance

Total yearly insurance paid for your studio

# Supplies

This is usually the big one.

Any item you have bought that is a supply for your art practice, these can be anything you use as material, but it excludes any tools or electronics you buy (this goes somewhere else)

Some examples of where my receipts are from: Home depot

Raths/Opus/art supply stores

I do alot of food in my practice so grocery stores

I have gardening in my practice so garden stores.

Value village, salvation army, books, screws, resin, paint, framing for your art,

you name it, I put it here, here is an example:

60.16	persia
39.2	wine equipment
42.56	lees electronic
28.47	home depot
42.06	canadian tire
341.6	framing
17.73	home depot
46.47	raths
4.25	catering pumpkin seeds
31.87	research book
26.5	home depot
23.05	home depot
31.63	midland

### Professional fees

All fees you have paid to other artists, people, may it be for paying them as collaborators, or people who you have commisioned to produce something, help you with something, learn/ teach something, rental fees especially equipment rental, etc.

Professional Fees					
1000	name 1				
131.25	name 2				
46.07	Rentals fee				
122.5	Rentals fee				
150	name 3				
500	name 4				
500	name 5				
150	name 6				
500	name 7				

### Rent

This is your total yearly studio rent.

Do not include your home studio here, there is a seperate section for that.

## Maintanence and Repairs

If you end up doing repairs on your studio space, or have fees like pest control etc that are not covered by your landlord, this can include dump runs and reapairs on personal equipment (not bikes)

#### Travel

All expenses relating to traveling for your work, from studio visits, to exhibitions, any expense that is out of pocket. Your solo meals are also included in this (although you need to calculate your meals seperatly as they are still only half deductable)

Airline tickets

Ferry tickets

You can see here I have added my total of expenses, plus the HALF of the total of my meals eaten out on travel.

Travel		Travel Meal
	Description	25.42
826.79	Turkey	36.54
999	Turkey	13.84
76.05	Nanaimo	75.8
97.05	Nanaimo	/2
21	Nanaimo	37.9
120.7	Victoria	
2140.59	sub total	
37.9	half of meals	
2178.49	total	

## Telephone and utilities (CLAIM ONLY HALF 50%)

**HALF** of your yearly telephone bill, plus FULL amount hydro, internet, and other utility expenses you may have at your studio.

#### **Fuel Costs**

Gas you have bought for a car that is not your car. For your own car that you use for work there is a different section.

# Delivery and Freight

Any courier, postage, packing, crating, shipping costs

## Capital Cost allowance

Capital costs are things you have bought, that are not supplies, as in they will not run out, these include a VAST list of things

Here are the three categories that I have used extensively in my practice, you might need to expand your research and find the appropriate "Class" for what you have purchased.

#### Class 8

Examples are furniture, appliances, and tools costing \$500 or more per tool, some fixtures, machinery, outdoor advertising signs, refrigeration equipment, and other equipment you use in the business.

#### Class 10

includes general-purpose electronic data processing equipment (commonly called computer hardware) and systems software for that equipment

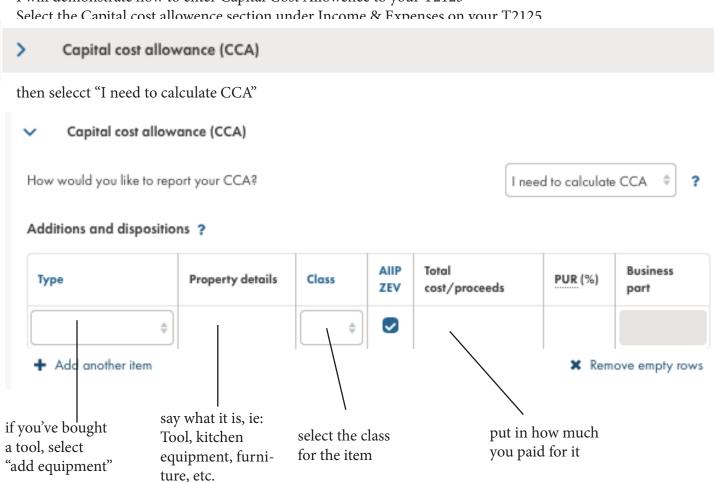
includes Class 10 also includes motor vehicles, as well as some passenger vehicles.

#### Class 12

includes tools, medical or dental instruments, and kitchen utensils that cost less than \$500. includes china, cutlery, linen, and uniforms. It also includes computer software that is not systems software, video cassettes, video laser discs, and digital video disks

\*If the tool costs \$500 or more, include it in Class 8

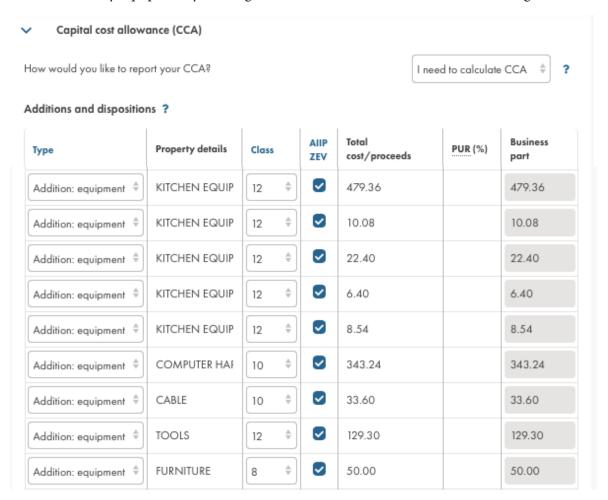
I will demonstrate how to enter Capital Cost Allowence to your T2125 Select the Capital cost allowence section under Income & Expenses on your T2125



<sup>\*\*</sup>Class 12 specifically excludes electronic communication devices and electronic data processing equipment.

# Capital Cost allowance continued

Add a new item for every equipment you bought, and in the end, it should look something like this:



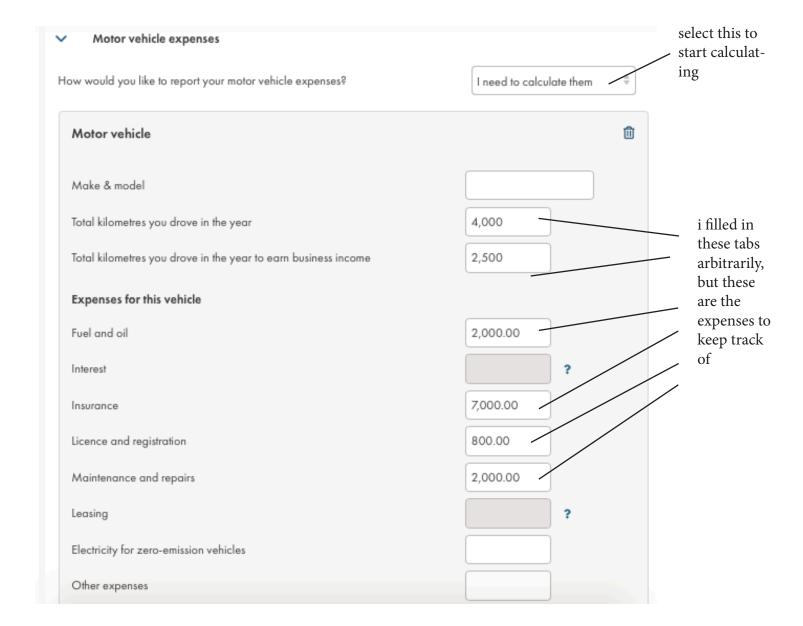
This is all you need to do, as the calculations and the additions will be done automatically into your return by simpletax

#### **Motor Vehicles**

I have personally never filled this one, but looking at Simpletax.ca it looks pretty straight forward.

Things to keep track are your total milage for the year, and how much of that milage you have used the car strictly for your business you are claiming T2125. So if you are on payroll you cannot claim your driving to work, but only if you use the car for self employment.

So best to keep a notepad in your car and record milage everytime you use it for work. My understanding is everything is calculated based off of the percentage of how much it was used for work.



# Motor Vehicle continued

Other expenses							
Description							
Total motor vehicle expenses					11,800.00		
Business use part					7,375.00	?	
Business parking fees					90.00		
Supplementary business ins	urance				1,000.00		
Allowable motor vehicle expenses					8,465.00		
Did you finance this vehicle?					•		
Did you lease this vehicle?				*			
CCA claim for this vehicle							
Class UCC start	Additions	AIIP ZEV	Proceeds	Max CCA	CCA claimed	UCC end	
÷		0					?
♣ Add another vehicle							

one thing to note is, if you have bought a car, you add it as a capital cost in this tab, as opposed to the main capital cost allowance section.

# Use of Home

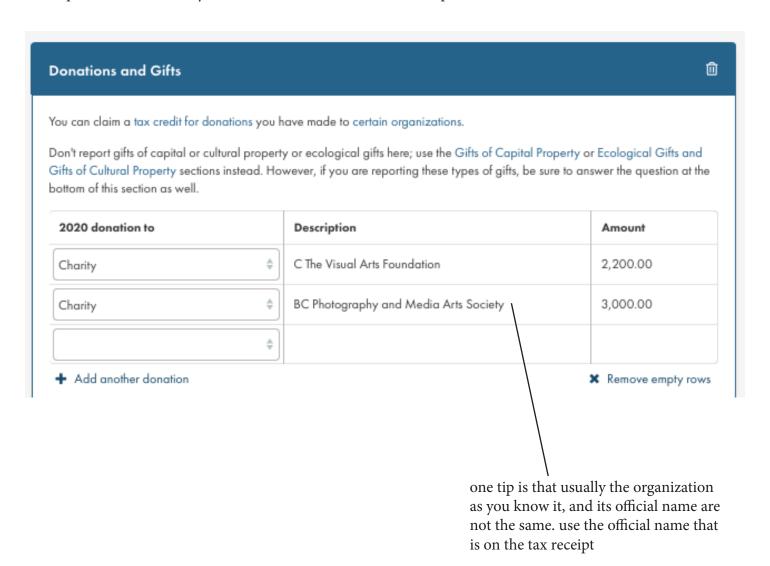
If you have a home studio, or even if you don't have a home studio but you regularly work from home, like doing e-mails, meetings, or meet people in relation to your business you can claim some your home expenses as business expenses. For this to be accurate, you need to calculate the space and time used at home.

I haven't been claiming this in the past, but I did it for demonstration purposes, below are things to keep track:

✓ Business-use-of-home expenses				
You can deduct expenses for a workspace in your home if (1) it's your principal pla earn income, and you use it to meet your clients. Learn more.	ce of business, <b>or</b> (2	?) you only use it to		
Total area or number of rooms in <b>the home</b>	2.00	simple tax explains this		
Total area or number of rooms in the workspace	1.00	calculation as: how many hours per day		
If you use your workspace for both business and personal use, the percentage of time you use it for <b>business purposes</b>	6.00 %	*times* how many days per week		
Heat		I did 2 hours a day (2/24)		
Electricity	480.00	X 5 days a week (5/7) =		
Insurance	432.00	comes to ~ 0.06 which is 6%		
Maintenance				
Mortgage interest				
Property taxes				
Other expenses (including rent)	19,620.00			
Description				
Subtotal	20,532.00			
Less: Personal use part	19,916.04	?		
Subtotal	615.96			
Add: Capital cost allowance		?		
Add: Carryforward from previous year				
Subtotal	615.96			
Allowable claim	0.00	?		
Available for carryforward	615.96			

### Gifts and Donations

If you have given any money or artworks to any registered charitable organization, and have recieved a tax receipt for this donation, you can include this donation as an expense.



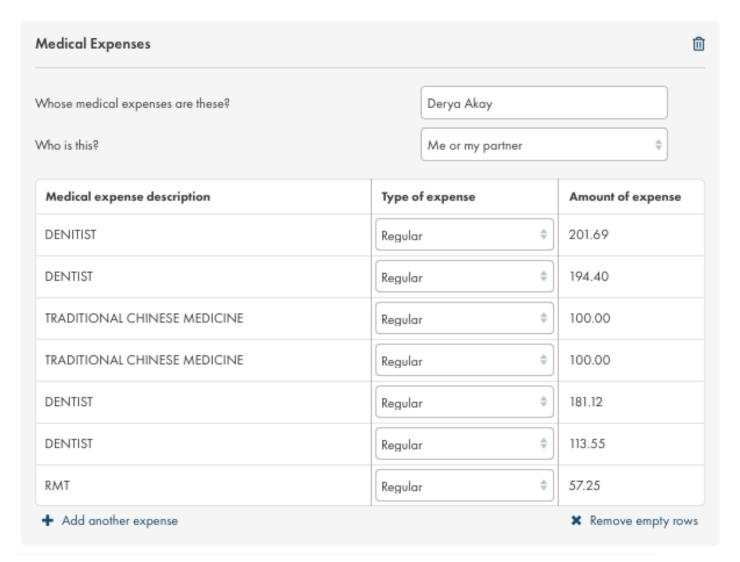
## Medical Expenses

I think this is calculated in proportion to net income but if you have regular doctor visits that are paid, you may be able to deduct them. Perscription medication is deductable, however vitamins and suppliments are NOT deductible, only B12 that is perscribed by a doctor is deductable.

Here are some more health services that are deductible in BC. you can find a full list of what health services are deductible in your area at this link: <a href="https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/about-your-tax-return/completing-a-tax-return/deductions-credits-expenses/lines-33099-33199-eligible-medical-expenses-you-claim-on-your-tax-return/authorized-medical-practitioners-purposes-medical-expense-tax-credit.html">https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/about-your-tax-return/completing-a-tax-return/deductions-credits-expenses/lines-33099-33199-eligible-medical-expenses-you-claim-on-your-tax-return/authorized-medical-practitioners-purposes-medical-expense-tax-credit.html">https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/about-your-tax-return/completing-a-tax-return/deductions-credits-expenses/lines-33099-33199-eligible-medical-expenses-you-claim-on-your-tax-return/authorized-medical-practitioners-purposes-medical-expense-tax-credit.html</a>

Acupuncturist, Audiologist, chiro, Dental hygienist dentist, optometrist, Dietician, Emergency medical technician, Hearing aid practitioner, Licensed or registered practical nurse, midwife, naturopath, Occupational therapist, Optician, Physiotherapist or physical therapist, pharmacist, physician, Psychological associate, psychologist, Registered massage therapist, Registered psychiatric nurse, social worker, Speech language pathologist, surgeon, traditional chinese medicine,

sadly unless your therapist is a psychologist, or psychological associate, or they are a psychiatrist, councelling servies are not tax deductible. what a shame.



#### Canadian Workers Benefit

Canadian Workers Benefit (CWB) is a tax-refund for individuals earning low income. If you or your family is within a certain income bracket, you may be eligible for this credit. There is an added disability suppliment as well, if you are eligible for the disability tax credit (which means you have a T2201 on file with CRA)

You are eligible for CWB if you:

- earn working taxable income between \$3,000 \$24,112 (might change on a different year)
- are a resident of Canada for income tax purposes throughout the year
- are 19 years of age or older on December 31, or you live with your spouse or common-law partner or your child

You are not eligible for the CWB if you:

- are enrolled as a full-time student at a designated educational institution for more than 13 weeks in the year unless, on December 31, you have an eligible dependant
- -are confined to a prison or similar institution for a period of at least 90 days during the year
- -do not have to pay tax in Canada because you are an officer or servant of another country, such as a diplomat, or you are a family member or employee of that person

Looks like this on simple tax:

