

**ORWA -
Tax Workshop for Writers**

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Bio – Julia Stanley, CA

- Manager, GGF&L - 2001 – 2011
- Corporate Controller, Langevin Learning Services
- Treasurer, CAO & NCB
- Presenter – CARFAC, Canadian Authors Association, House of Paint
- Dalhousie University – BComm
- Chartered Accountant

Reporting Basics

- Does your writing qualify as a business or a hobby?
 - Business – report on personal tax return
 - Reasonable Expectation of Profit
 - Hobby – no reporting necessary
- Do you need to register for GST?

Reasonable Expectation of Profit

- Your practice must have an expectation of profit in a *reasonable* time frame
- Factors to consider include:
 - Time devoted
 - Presentation of the work (privately/publicly)
 - Representation by a dealer / agent
 - Marketing efforts
 - Revenue earned
 - Record of profit over a number of years
 - Increasing popularity / value

Reasonable Expectation of Profit (Con't)

- Factors to consider include (con't):
 - Types and relevance of expenses being claimed
 - Any formal qualifications (e.g. education / recognition)
 - Professional memberships
 - Growth of revenues over time

Personal Income Taxes

- Self-employed – Form 2125
- Employed – T4 & Form T777
- Both self-employed and employed

Reporting Self-employed Income

- Review of Form 2125
 - Part 1 – Business income
 - Part 4 – Potentially
 - Part 5 – Always
 - Part 6 – See pg 3 for business use of home office
 - Area A – Capital items
 - Chart A – Motor vehicle expenses

Business Expenditures

- Capital vs. operating
 - Capital – higher value and long-term use
 - Operating – annual costs
- Definition of business expenditures
 - Reasonable expenses are deductible
 - Consider the risks of a deduction if CRA disagrees with you

Record Keeping

- Keep all receipts supporting any amounts claimed for tax purposes (both income and expenditures)
- Organize receipts by tax categories
- Retain receipts for 6 years (per CRA!)
- Consider:
 - Electronic vs. manual record keeping
 - Separate bank account for business

GST/HST

- **GST/HST collected**
- **GST/HST paid**
 - Quick method
 - Specific identification method
- **GST (5%)**
- **HST (13%) effective July 1, 2010**
- **Place of supply rules**
 - Talk to your accountant if you are invoicing someone who is in a different province

Other Taxes

- **Canada Pension Plan (CPP)** – if self-employed you will need to pay both the employee & employer's portions (will be added on your tax return)
- **Employment Insurance (EI)** – can enrol in this plan as a self-employed individual, however benefits are limited and very restricted. Talk to your accountant about the cost and potential benefits.

Filing Taxes

- **Personal Income Taxes**
 - Income taxes owing must be paid by April 30 each year
 - If there is any self-employed income, the tax return is due by June 15
 - Employed individuals must file by April 30
 - Penalties & interest are based on taxes owing
- **HST**
 - Individuals can follow the dates used for their personal taxes
 - Most individuals will file annually

Saving for the future

- RRSP's
- TFSA – tax free savings account
- RESP's
- Taxes – if you're self employed you should save approximately 30% of your net income

Resources

- Ginsberg Gluzman Fage & Levitz: www.ggfl.ca
- The Canada Revenue Agency: www.cra-arc.gc.ca
 - IT 504R2 – Visual Artists and Writers
 - IT 131R2 – Convention expenses
 - IT 357 – Expenses of Training
 - IT 257R – Canada Council Grants
 - IT 518 – Food, Beverages & Entertainment Expenses
