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# Tax Preparation Tips for Self-Employed Canadians

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Being your own boss has its advantages. If you're making the jump from employee to self-employed, your tax situation is also likely to change. This handbook aims to help you understand the impact this change can have when it comes to your taxes, and also includes helpful tips about how to report your income and minimize your taxes owed using our online TurboTax Self-Employed product.

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### Disclaimer:

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## What You Need to Know

As a freelancer or independent contractor, like all self-employed individuals, you can choose to work when and how you want to. Unlike an employee, you'll have to file taxes under the self-employed category, as required by the CRA - this means that in addition to the standard income tax forms, you'll have to include all of your income and expenses generated from being self-employed.

To report your personal income, you'll need to complete the **T1 General** and the **Schedule 1** tax forms, but your self-employment income and expenses will be reported on **Form T2125 - Statement of Business or Professional Activities**. Keep in mind that this form covers a single business, so if you have more than one small business or multiple sources of self-employment income, your tax return will require a completed T2125 form for each source of income.

**Sounds complicated? Well there's nothing to worry about, because with TurboTax Self-Employed**, all you have to do is answer a few simple questions regarding your self-employment situation and we take care of the rest. Let's take a look at what you should gather before starting your return with TurboTax Self-Employed.

## Getting Started

To complete your income tax return, you'll need to collect the following information about your self-employment.

### Self-Employed Income

Ever wondered what exactly 'self-employed' means? Well, you're not alone because there are several terms the industry uses to describe this category, including contractor, freelancer, home-based business owner, consultant, sole proprietor, side job, and gig economy! Regardless of whether you consider yourself a business or not, according to the Canada Revenue Agency, **if you provide a service or product with an expectation of profit, you are considered self-employed.**

As a self-employed individual, you'll have to report all income and expenses on your personal tax return. So, if all of your income came from self-employment, or you had a combination of self-employment income and regular income from an employer, you can prepare one tax return that includes both.

There are a few things to consider regarding how you've set up your self-employment. You could simply be working out of your home office by yourself, or running a small business with a few employees, or even have a partnership - you'll need to include specific details about your business in your tax return.

#### Sole Proprietorships and Partnerships

In addition to your income amounts and eligible expenses, your business needs a name, an address, and an industry code. Many self-employed individuals use their own name and home address as their small business name and address. This is the kind of information about your business that will be transferred to the T2125 form.

#### Find Your Industry Code

Industry codes are 6 digit numbers used by Statistics Canada to help to categorize the main activity of your business. For example, if you're a freelance writer, your industry code would be '711500 - Independent artists, writers, and performers'. You can find a general list of industry codes directly on the CRA's website, and if none of the generalized codes match your business or work activity well, then try Statistics Canada's North American Industry Classification System (NAICS) page - they have a handy keyword search feature that makes finding your code easy.

## Tax Deductible Expenses

You'll have to gather all of your receipts, bills, and statements which make up your deductible expenses. Allowable expenses include any ordinary and reasonable expenses that helped your business generate income. Some common expenses include:

### Vehicle & Transport

- Fuel
- Lease payments
- Repairs
- Maintenance

### Office Supplies

- Printer paper
- Computer software
- Pens and pencils

### Employees

- Sub-contracts
- Salaries
- Portions of CPP contributions

### Equipment

- Tools
- Computers
- Printers

### Miscellaneous

- Utilities
- Advertising
- Cell phone costs

### Licensing & Certifications

- Massage therapists
- Real estate agents
- Chartered Professional Accountants

### TurboTax Tips

Deductible expenses can help lower your tax owing, so be sure to claim all of your eligible costs. Please refer to the Canadian Revenue Agency for a more comprehensive overview of deductible expenses for independent contractors.

## Self-employed expenses calculator

If you want a better understanding of how claiming expenses can lower your taxes, check out our free online calculator at [www.turbotax.ca/self-employed](http://www.turbotax.ca/self-employed) - enter your expenses and we'll crunch the numbers to show you approximate tax savings. If you're unsure of what counts, you can always refer to the CRA's website for a full list of all deductible expenses.

## Mileage

If you used a vehicle to earn your self-employment income, keeping track of mileage driven during the tax year is essential. Make a note of:

1. **The total kilometers you drove for work.**
2. **The total kilometers you drove overall.** Your count starts from the day you started using the vehicle for your self-employed work.

## Other Basic Tax Information

In addition to your self-employed information, you'll also need to have other basic tax information on hand when it comes to filing your return with TurboTax Self-Employed, such as:

- Social Insurance Number
- Date of birth
- T-slips, receipts, and any other tax documents related to taxes

### **TurboTax** Tips

Even if you don't have all of your information ready, you can still get started with your return. We'll ask you easy questions in simple English and fill in all the right tax forms for you. You can always log back in to pick up where you left off.

## Preparing Your Income Tax Return

Not everyone is comfortable doing their own return, especially if you're self-employed. With TurboTax Self-Employed, we translate complicated tax scenarios into simple questions about your life, and offer step-by-step guidance as you prepare your return.

But if you're looking for a bit more help, we've designed two brand new ways to get your taxes done. With TurboTax Live Assist & Review, you can have our experienced tax experts run a professional review of your return before it's filed, and with TurboTax Live Full Service, you can have your entire tax return prepared, optimized, reviewed, and filed for you, entirely on your behalf. Learn more about TurboTax Live at [www.turbotax.ca/self-employed](http://www.turbotax.ca/self-employed)

No matter how you choose to do your taxes, TurboTax has you covered with a range of solutions designed to fit your individual self-employed needs.

## Filing Your Tax Return

Once you've entered all of your information into TurboTax Self-Employed, you'll know if you have any taxes owing or if you're entitled to a refund. It's also a good idea to mark key dates in the self-employed tax calendar for reference:

- Personal tax returns for 2017 have to be filed on or before April 30, 2018.
- Self-employed tax returns for 2017 have to be filed on or before June 15, 2018.
- If you have taxes owing for 2017, you have to pay it on or before April 30, 2018.

Always check the CRA's website for tax deadline dates as they are subject to change.

TurboTax Self-Employed, along with the rest of our online tax software, is NETFILE Certified, which means you can send your individual income tax return directly to the CRA online.

Visit [www.netfile.gc.ca](http://www.netfile.gc.ca) to learn more about the advantages of NETFILE.

### **TurboTax** Tips

Please note that if you're new to Canada, or it's your first time filing an income tax return, you may have to send your return by mail. You can still file with TurboTax Self-Employed; all you'll have to do is print out your return, sign and date where needed, and send the signed return to your Canada Revenue Agency tax center.

## Online Help

We're always here to help you, which is why we've got AnswerXchange, an online forum where you can access tax and product support 24/7. Ask a question, browse topics, or search answers from our community of experts and contributors at [turbotax.community.intuit.ca/tax-help](http://turbotax.community.intuit.ca/tax-help)

## Frequently Asked Questions

**Q:** What support options does TurboTax offer to help me get my taxes done right?

**A:** We understand that not everyone is comfortable doing their own taxes. So, this year, TurboTax has introduced two new products designed to give you access to tax experts that review or prepare your tax return completely for you. To review the full range of self-employed solutions, visit [www.turbotax.ca/self-employed](http://www.turbotax.ca/self-employed)

**Q:** Will I have to pay tax?

**A:** Everyone's tax situation is unique, and there are many factors that determine whether or not you'll receive a refund or have a balance owing to the CRA.

TurboTax guides you step-by-step through your taxes and helps you find every tax credit and deduction you deserve. As you enter your info into TurboTax, you'll instantly see the impact on your refund or tax owed. No surprises, no waiting until you've filed. It's real-time information on your bottom line.

## Q: Do I need a T4?

**A:** Typically, only people who work for an employer will receive a T4 slip. As a freelancer, independent contractor, contractor, or small business owner, you'll report your self-employment income and expenses on form T2125. TurboTax Self-Employed includes an expert business interview to help you enter everything on your tax return accurately.

## Q: What types of business expenses can I claim on my tax return?

**A:** Generally, you can get a tax break for most things you bought for work. The most common items people get tax breaks for are:

- Fuel and transportation
- Vehicle expenses
- Office supplies
- Cell phone use
- Web hosting costs
- Marketing materials
- Travel expenses

Please refer to the CRA's comprehensive list of eligible business expenses by visiting their website [here](#).

## Q: How is being self-employed different from being an employee for tax purposes?

**A:** Being an employee and being self-employed are different in a few keys ways.

### **When you're an employee:**

- You get a T4 slip
- Taxes are withheld from your paycheck each payday

### **When you're self-employed:**

- There's no employer to withhold taxes from your pay
- Instead, you may make your own quarterly estimated tax payments
- You can deduct expenses related to your work such as vehicle expenses, home office costs, supplies, etc.

It's important to note that being self-employed and being an employee are not mutually exclusive. You can both work for yourself and work for someone else in the same tax year.



### **Q: Do I have to register for a GST/HST account?**

**A:** Whether you need to register for a GST/HST account or not depends on the gross income of your business. If you earn more than \$30,000 in gross income in a calendar year through self-employment, then you'll likely need to register for a GST/HST account with the CRA.

The CRA refers to people who earn less than \$30,000 a year from self-employment as "small suppliers". Small suppliers get a break from tax and paperwork because they don't have to register for GST/HST accounts.

There are exceptions to the \$30K rule. For example, if you're an on-demand driver (like an Uber Partner) you're required to register for a GST/HST account as soon as you begin driving.

### **Q: What if my business is incorporated?**

**A:** If your business is incorporated, your business income is declared on a T2 corporate income tax return. Since a corporate return covers only the business's income and expenses, you'll also need to file your usual personal tax return.



1. If you get a larger refund or smaller tax due from another tax preparation method, we'll refund the TurboTax purchase price. Claims must be submitted within sixty (60) days of your TurboTax filing date, no later than 5/31/18 (TurboTax Self-Employed and TurboTax 20 no later than 7/15/18). Audit Defence and fee-based support services are excluded. This guarantee cannot be combined with the TurboTax Satisfaction (Easy) Guarantee.
2. If you pay a penalty or interest because of a TurboTax calculation error, we will reimburse the penalty and interest. Does not include calculation errors due to errors in CRA tables.
3. If not 100% satisfied, return within 60 days to Intuit Canada with a dated receipt for a full refund. Excludes return postage.