

Self-Employed? 10 Ways to Reduce Your Taxes

More and more people have their own businesses these days. Everyone has heard that self-employed or those people that run their own business pay less in tax. But how do they do it? Here are 10 ways that you can reduce your taxable income and save taxes.

1. **Home office expenses.** If 10% of your home is used for business you can deduct 10% of your home expenses. This includes rent or mortgage interest, property tax, utilities and insurance. Don't forget gardening costs and home maintenance.
2. **Vehicle expenses.** Keep a log of business trips and deduct a portion of your car expenses. Include all trips including trips to buy office supplies. Eligible expenses include interest on loans, fuel, repairs and maintenance. Don't forget depreciation using the government's Capital Cost Allowance.
3. **Depreciate assets used in the business.** Many people don't know that if you contribute furniture or computers to your business (even if the business didn't buy them) you can write off part of the expense.
4. **Hire a spouse or child.** Income splitting (and tax savings) can be achieved by hiring a family member to do some work for you. For example, your child could be hired to do filing. They would likely pay no tax while you get the deduction.
5. **Consider incorporating.** If you leave money in your business it may be beneficial to incorporate. Corporations pay less tax than individuals. The opportunity also exists to defer tax by declaring year end bonuses.
6. **Private Health Insurance.** Many business people are now able to deduct the cost of health insurance. The rules are complicated so consult a professional tax advisor.
7. **Register for GST.** Some small businesses think they shouldn't register because they don't have to. But they should. If your expenses exceeded income you could get a GST refund. By using the "Quick Method" you may be able to increase revenue 2-3% by special rules that require only 4 or 5% of collected GST to be remitted.
8. **Interest Costs.** Many people invest in their company. By properly structuring your debt you can make any interest on money borrowed for business purposes deductible.
9. **Business Travel and Conventions.** There are limits but if a convention that relates to your business is being held consider staying a few days longer as vacation. By combining activities the business can deduct high transportation costs and you get a few days rest and relaxation.
10. **Work with a Professional.** The tax rules are complex and change every year. Working with a professional can ensure that you get all the deductions you deserve.

By careful planning, record keeping and professional assistance you can reduce your taxes and maximize your income.

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