

BUSINESS EXPENSE STATEMENT

Instructions

You should work with your bookkeeper and accountant to complete this, however be aware that they are not legally required to help you with this form. It is **your sole responsibility** to promptly complete this form. You'll need to complete three copies of this form: one for each of the last **three years**. **Each corporation** requires a separate set of forms.

The purpose of this Statement is to let lawyers and the courts know when a business expense also gives the business owner of their friends or family members an advantage. The purpose isn't to figure out whether the tax return was filed correctly or to determine amounts that the CRA would consider to be a "taxable benefit", because Family Courts aren't bound by the CRA's treatment of expenses. Our Court of Appeal has stated that those who own or control a business must provide sufficient information to prove that each of their business expenses is reasonable. Otherwise, the entire amount of each expense could be added back to your income, which may result in you paying much more child/spousal/partner support than you should, or receive less if you are the recipient. We also need to determine whether your accountant has already subtracted a personal portion from an expense that's been claimed, so that the personal portion isn't added-back twice. We ask for information about your loans because the CRA won't let you deduct the principal/non-interest portion of loan payments, but we can raise those payments in Family Court as it affects the availability of undistributed profit.

For example, if a company pays for a phone that you use 20% for work and 80% for personal purposes, and your accountant has already deducted 50% as a taxable benefit or shareholder loan adjustment, then the Family Court may add-back the 30% difference. But if you don't thoroughly complete this form, or your former partner can show that your breakdown is incorrect, then the Family Court may add up to the full amount of the expense back to your income. Or if you don't provide how much your accountant has already deducted, then the Family Court might add back 80% instead of 30%. That's why it's important to spend time properly filling out this form.

You also need to disclose when expenses or payments have benefitted non-arm's length persons (which in very basic terms essentially means family or sometimes friends, including your former spouse, your new partner, your children, or any other close family or friends, or businesses they control). For example, if you're paying your new partner or their corporation to do your bookkeeping, income-splitting with them, or they're covered by the company medical/dental plan, then you'd have to disclose that.

If you have any questions, contact your lawyer's assistant or your lawyer.

BUSINESS EXPENSE STATEMENT

Business name: _____ Corporate year(s) ending: _____

Prepared by: _____

Receipts and invoices may be requested.

Step 1: Loan Repayments

Your business's Financial Statements likely only deduct the interest portion of loan repayments, not the full amount of the loan repayment. The portion of the loan repayments which aren't interest are called "principal" payments. If you don't provide us with this information, then your business might look more profitable than it really is, and that profit may be added to your income.

Name of Loan (list all business loans, including vehicle loans, equipment loans, mortgages, and lines-of-credit)	Business Reason for Loan (eg "used to acquire welding truck")	Total Amount of Annual Payments (throughout the year)	What percentage or \$ amount of this loan gave an advantage to you, a family member, or friend?	Rationale for Estimation (eg "welding truck used for personal stops 10% of the time")	Interest Deducted in Financial Statements	Who benefits (you, former spouse, new partner, children?)
Vehicle loan		\$			\$	
		\$			\$	
		\$			\$	

Step 2: Expenses with Some Personal Benefit or Advantage

We've written out some of the common categories of expenses with an overlapping personal benefit or advantage, but if there are any other categories of expenses in your Financial Statements that lead to some type of personal advantage, **list those other categories** as well. An expense will benefit you if you would have had to pay for it if you were just an employee and not an owner, for example if you would have to pay for your own phone, vehicle, and meals. You only need to list the expenses that benefitted you personally in some way (for example, not a vehicle of an employee you didn't know before you hired if you never used that vehicle, and you wouldn't list your business's accounting fees if the expense didn't include your accountant's fee for your personal tax return).

Category of Expense (as described in your business's Financial Statements)	Business Reason for Expenditure (eg "phone for clients to reach me out of office")	Total Annual Amount of Expense	How much of this expense benefitted you, a family member, or friend? (\$ amount or percentage)	Basis for Estimation (eg "phone used for personal calls 50% of the time")	Amount Deducted in Financial Statements (where only a portion is deducted)	Who benefits (you, former spouse, new partner, children?)
Advertising, Entertainment, or Promotion		\$			\$	
Insurance or Benefits: Life/disability		\$			\$	
Insurance or Benefits: Medical/Dental		\$			\$	
Insurance: Other		\$			\$	

Interest & Penalties		\$			\$	
Home office or other use of home		\$			\$	
Phones		\$			\$	
Professional fees: Accounting		\$			\$	
Professional fees: legal fees		\$			\$	
Meals		\$			\$	

Salaries, management fees, or compensation: new or former spouse or partner (list each)		\$			\$	
Salaries, management fees, or compensation: family members (list each)		\$			\$	
Salaries, management fees, or compensation: friends (list each)		\$			\$	
Travel (flights and/or accommodation, etc)		\$			\$	
Utilities		\$			\$	
Vehicle: Fuel		\$			\$	
Vehicle: Registration		\$			\$	

Vehicle: Insurance		\$			\$	
Vehicle: Repairs		\$			\$	
Vehicle: Other		\$			\$	
Other (list):		\$			\$	
Other (list):		\$			\$	
Other (list):		\$			\$	
Other (list):		\$			\$	

Step 3: Amortization

Amortization is how the purchase price of assets is spread over multiple years. To complete this section, ask your accountant for a Property, Plant, and Equipment Schedule (also known as a Capital Asset Schedule, or by other names). It'll list the amount of amortization claimed for each vehicle, equipment, and building. Please list all which you have used for personal or recreational purposes. For example, if your only vehicle is a company vehicle, if the company owns your boat or quad, or if you use a company vehicle for some personal trips, or trips between your office and home.

Name of each Vehicle, Equipment, or Building	Business Reason for Asset (eg "truck used to deliver to customer")	Amortization Deducted in Financial Statements	How much of this expense benefitted you, a family member, or friend?	Basis for Estimation	Who benefits (you, former spouse, new partner, children?)
		\$			
		\$			
		\$			
		\$			

Step 4: Pure Business Expenses

Look at the categories of expenses in your business's Financial Statements. Are there any that couldn't be argued to have any overlapping personal benefit or advantage? Please list which categories of expenses or payments were for business purposes only, for which no personal benefit or advantage was derived from them.

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