



## What's New at DMC...

**If you have not received our Tax Newsletter for the 2018 tax year please contact our office or visit our website at [dmca.bc.ca](http://dmca.bc.ca).**

### Rental expenses you can deduct

*You can deduct any reasonable expenses you incur to earn rental income. The two basic types of expenses are current expenses and capital expenses.*

*Some expenses you incur are not deductible.*

*The following is a list of expenses that are deductible:*

*Advertising*

*Insurance*

*Interest*

*Professional fees (includes legal and accounting fees)*

*Repairs and maintenance*

*Management and administration fees*

*Motor vehicle expenses (with some restrictions)*

*Office expenses*

*Other expenses*

*Prepaid expenses*

*Property taxes*

*Salaries, wages, and benefits (including employer's contributions)*

*Travel (with some restrictions)*

*Utilities*

*Continued on page 2...*

## How to Introduce the Concept of Taxes to Kids

Our tax system is complicated. It is difficult for many adults to understand.

Now try explaining to your kids what a tax is, how to budget for it, or how to submit all the right paperwork to get a refund or pay in.

Here are four steps that you can use to teach your kids about taxes.

### **Broad Overview**

The first thing you should do is discuss with your child what exactly taxes are and their use.

In general, the younger they are, the simpler you should keep the details.

Thus with a child below high school, the conversation could be as simple as taxes are what you pay into the government to help pay for services for the entire country, state or town.

The older they become, the more you can add in examples of what the money may go for such as roads, schools, and the military.

You can also introduce other types of taxes such as sales tax and property tax.

### **Practice Paying Taxes**

The next step would be to start introducing them to the concept by taking taxes out of their allowances.

It is a great way to have them understand that when they hit the "real world" that they will not get the full amount of their salary or hourly wage. Instead, a percentage will go to the government.

You get to play the role of government here, so you should set out specifically what that money will go for, so they understand the role of taxes. You could use things like paying utilities, toilet paper purchases or car maintenance. The goal is to pick something that costs money and is used for the good of everyone in the house.

### **How to Budget**

The older your child becomes you will want to have them learn how to budget with taxes in mind. If your child has a job, they can begin to learn how to budget and this can be planned as an expense. If they don't have a job, but you are practicing with their allowance like we discussed above, then you can also begin to have them build it into a budget, but try and keep it simple with just one line item.

The younger your child is, the harder this one becomes to manage, without them becoming confused in the process. So I would try to save it this step for the kids that are sixth grade and higher.

### **Filing**

Finally, once your children do get a job, if they make enough and have taxes taken out, they will want to file a tax return.

It is the point where you get to explain the process of getting your T4, filing the right paperwork and submitting it to the government. You can use this time to review how taxes are calculated and get into more of the details such as deductions.

It is where it can get confusing, so try and ease into what you are teaching. Maybe you add a few more concepts each year, or once they fill out their first return, you can then review more once a quarter to keep it fresh in their mind.

By helping your child understand taxes early on, they won't get the surprise of their life when they open up their first paycheck.

Reference: <https://www.thebalance.com/how-to-introduce-the-concept-of-taxes-to-kids>

**Rental expenses you can deduct ...Continued from page 1****Advertising**

You can usually deduct amounts for advertising that your rental property is available for rent.

**Insurance**

You can deduct the premiums for insurance coverage on your rental property for the current year. If your policy gives coverage for more than one year, you can deduct only the premiums that relate to the current year.

Deduct the remaining premiums in the year or years to which they relate.

**Professional fees (includes legal and accounting fees)**

You can deduct fees for legal services to prepare leases or collect overdue rents.

If you incur legal fees to buy your rental property, you cannot deduct them from your gross rental income. Instead, allocate the fees between land and building and add them to their respective cost.

You can also deduct expenses you had for bookkeeping services, audits of your records, and preparing financial statements. You may be able to deduct fees and expenses for advice and help to prepare your income tax and benefit return and any related information returns. You can deduct these fees if you needed the help because of your rental operation.

**Repairs and maintenance**

If you pay for repairs to your property to earn rental income, you can deduct the cost of labour and materials. You cannot deduct the value of your own labour.

**Management and administration fees**

You can deduct the amounts paid to a person or a company to manage your property.

You can also deduct amounts paid or payable to agents for collecting rents or finding new tenants.

If you have commissions when selling your rental property, include them as outlays and expenses on Schedule 3, Capital Gains (or Losses), when you report the disposition of your property.

**Office expenses**

You can deduct the cost of office expenses. These include small items such as pens, pencils, paper clips, stationery, and stamps.

**Prepaid expenses**

Prepaid expenses are expenses you pay for ahead of time. Claim any expense you prepay in the year or years in which you get the related benefit.

**Property taxes**

You can deduct property taxes that relate to your rental property for the period when it was available for rent.

**Salaries, wages, and benefits (including employer's contributions)**

You can deduct amounts paid or payable to superintendents, maintenance personnel, and others you employ to take care of your rental property. You cannot deduct the value of your own services.

As an employer, you can deduct your portion of the following contributions:

Canada Pension Plan (CPP)

Employment Insurance premiums

Workers' Compensation

You can also deduct any insurance premiums you pay for an employee for a sickness, an accident, a disability, or an income insurance plan.

**Travel**

You might travel to collect rents, supervise repairs, and manage your properties. To claim the expenses you incur, you need to meet the same requirements discussed in Motor vehicle expenses.

Travelling expenses include the cost of getting to your rental property. Travelling expenses do not include board and lodging, which we consider to be personal expenses.

**Utilities**

You can deduct expenses for utilities, such as gas, oil, electricity, water, and cable, if your rental arrangement specifies that you pay for the utilities of your rental space or units.

For more information please contact our office.

Reference: <https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/rental-income/completing-form-t776-statement-real-estate-rentals/rental-expenses-you-deduct.html>

