Skip Reporting Guide

How to report your income

For income tax purposes, Skip drivers are treated as independent contractors. This means that Skip the Dishes are not required to withhold payroll deductions from your earnings. However, your delivery fees are still taxable and must be reported on Form T2125 *Statement of Business or Professional Activities and on Form TP-80, Business or professional income and expenses.* This is included with your other income on your tax return.

Your tips are also taxable. If the customer adds tips to their credit card or debit card payments, it will be included on the statement of earnings you receive from Skip the Dishes so you will know how much to report. However, you should be keeping a record of any tips you receive on cash payments.

What kind of expenses can you claim?

As a Skip driver, your primary expense will be the operating costs of your vehicle. These include gas, insurance, license, registration and maintenance. It also includes interest if you have a car loan. However, you probably also use your car for personal use. If so, you can only claim that portion of your expenses relating to your business. This is calculated based on mileage. For example, if you drove 10,000 kilometres in the year and 7,000 kilometres were driven for Skip the Dishes, you would claim 70% of your expenses. For this reason, you must keep a logbook of your business use. You must record your beginning and ending odometer readings for the year so that you know your total mileage. If you only started driving during the year, your odometer reading would be from that date.

The cost of repairs resulting from accidents incurred while you are using your car on business are fully deductible, as are parking costs. By the same token, repairs from an accident while you were using your car for personal purposes are not deductible at all. Fines and traffic tickets are also not deductible.

Cost of Vehicle

The cost of the vehicle itself cannot be claimed as an expense. Instead you claim a percentage of the cost each year. This is called capital cost allowance (CCA). For passenger vehicles acquired in 2024 (or converted to business use in 2024), there is a ceiling of $37,000 plus GST/QST and provincial sales tax which can be used for determining CCA. The rate is 30%. Again, if you had personal use of your vehicle, you could only claim the portion of your CCA relating to business use.

In the year you purchase a vehicle, you used to be limited to 50% of your normal CCA claim. For vehicles purchased after November 21, 2018 and before 2024, this was increased to 150%. For 2024 to 2026, it is

100%. Unfortunately, in the year you start your business, your claim must be prorated based on the number of days in the year your business operated.

If your car is a zero-emission vehicle (which includes plug-in hybrids), and you acquired it on or after March 19, 2019 and before 2024, a special rule allows you to write it off in full in the year you purchase it. For 2024 and 2025, this has been reduced to 75%. However, this only applies if you did not get a rebate under the federal purchase incentive program.

Cell Phones

Skip drivers are required to have a cell phone to communicate with their restaurants and customers. You may therefore claim a percentage of the airtime expense that reasonably relates to earning business income. If your plan does not break down the costs for airtime and data usage, we suggest using a percentage of your monthly bill based on the amount of time you used it for business-related calls.

Other Expenses

Other expenses you are likely to incur as a Skip driver include:

- The thermal bags you use for transporting meals.
- The cost of a background check you must pay for when applying.
- Tax return preparation (for the cost of preparing your previous year's return).

You cannot claim expenses you incur for your own personal use. This would include clothing and snacks you might buy when you are working.

Records

It is important to keep a proper record of your income and expenses and substantiate your expenses with receipts. Receipts must include a description of the goods or services purchased, so if you are filling up at a gas station, you need more than just the ATM transaction slip or credit card slip. This is the case even if the slip shows the name of the gas station (since you could be purchasing items other than gas, such as snacks or cigarettes).

Canada Workers Benefit

Your net earnings from Skip the Dishes qualifies as working income for the purpose of the Canada Workers Benefit and the Work Premium Tax Credit, in Quebec. Both are a refundable tax credit designed to supplement the earnings of low-income workers. If you are single and your working income is more than $3,000, you may be entitled to this credit if your income from all sources is less than $36,749. If you married or living common-law, you may get something if your joint income is less than around $48,093. The parameters for the CWB differ for residents of the province of Quebec for which there are unique calculations.

You will not be able to claim the is credit if you were a full-time student for more than three months.

GST/QST

The delivery fees you receive from Skip drivers are GST/HST taxable. You are therefore required to register for the GST/HST if your revenues exceed the $30,000 small supplier threshold. However, even if your revenues are less than $30,000, you may wish to register voluntarily in order to claim input tax credits for your expenses.

Income Tax Instalment Payments

When you are an employee, income tax is withheld at source from your wages. However, this is not the case with independent contractors. You may therefore end up having a balance owing when you file your tax return. In this case, the CRA and Revenu Québec may require you to pay quarterly instalments for future years. However, this would only happen if your net tax owing is more than $3,000 ($1,800 for Quebec residents).

The CRA and Revenu Québec will advise you if they want to you to start paying instalments. If this is your first year, your first payment will be due in September,

Are You a New Canadian?

If you arrived in Canada in 2024, you must determine your residency status for income tax purposes. This will depend on the extent of your residential ties here. If you have moved here permanently you will have most likely established significant residential ties and will be considered a resident for tax purposes. However, if you are in Canada on a temporary basis only and do not have a home here, you are probably a non-resident. If you are in doubt, you can request a determination from the CTA using Form NR74 *Determination of Residency Status (entering Canada).*

Assuming you are a resident, the following rules will apply:

- You will file your tax return for 2024 as a part-year resident of Canada. You will be asked to enter the date you became a resident. This will usually be the date you arrived here.
- Any income you earned before becoming a resident is not included on your return unless it was Canadian-source. All income you earned subsequently must be reported on your return, regardless of where it was earned. This is called your “world income.”
- Most of your personal amounts will be prorated based on the number of days in the year you were resident. For example, the basic personal amount for 2024 is $15,705. However, if you became resident on December 1, 2024, you would only be able to claim $1,330, calculated as $15,705 x 31/366. The same applies to the Quebec income tax return. However, this rule does not apply to

- personal amounts based on how much you paid such as tuition fees and CPP/RRQ contributions. You can claim these amounts in full.
- If you sold any capital properties (such as shares or mutual funds) after arriving in Canada, you are only taxable on the capital gain accrued since you became resident. It is therefore a good idea to establish the value of any such properties on the date you became resident.
- Although the primary reason for filing a tax return is to determine how much tax you owe or are getting refunded, it is also a requirement for receiving benefits such as the Canada Carbon Rebate, GST/HST Credit, the Solidarity Tax Credit or the Canada Child Benefit (if you have children). Ontario, Manitoba and B.C. also provide a credit based on the rent you pay. Even if you do not owe any taxes and have nothing coming back, you would therefore still want to file a tax return for this reason. In the year you become a resident, you will also need to file Form RC151 *GST/HST Credit Application for Individuals who Become Residents of Canada*.

If you are a non-resident, you will be taxable only on your Canadian-source employment or business income (which includes your income from Skip the Dishes). However, unless this represents 90% or more of your world income, you would not be entitled to claim most personal amounts. An exception would be amounts you can claim for tuition fees.