

# BUSINESS EXPENSE STATEMENT - INSTRUCTIONS

**Purpose.** Our Court of Appeal has stated that the business owner/controller must prove that all of their business's expenses are reasonable. Presently, the best way to accomplish that is to fill out this Statement, and to provide the supporting documentation which your lawyer has recommended that you provide. Failure to do so could be catastrophic. For example, in one decision the Court added-back 50% of expenses which could have a personal component to a person's income for support purposes, causing them to pay significantly more in support than they would have if they had properly disclosed. Providing this information will also help to ensure that your Separation Agreement won't be challenged.

## **Instructions**

1. It may be simpler to have your **bookkeeper** and/or **accountant** work with you to complete this, but keep in mind that they have the right to refuse to complete court documents, and it is **your responsibility** to complete this by any deadline. Your bookkeeper/accountant's delay probably won't be a valid excuse.
2. The **first page** shows an **example** of what a completed statement looks like. You'll need to complete the **blank form at the end**.
3. **Each row** will correspond to a **category of expense** in your **Financial Statement** (e.g. Advertising and Promotion, Bank Charges, Interest, Insurance, Vehicle, Operating).
4. You're required to disclose if **you** or any **family member** (e.g. new partner, parents, sibling) or **friend personally benefitted** by the expense in any way, or an expense **reimbursed** you (e.g. you used a business cell phone for personal reasons 10% of the time, or you were reimbursed for use of a home office, fuel).
5. Be sure to consult your bookkeeper and accountant, because sometimes even if you send them receipts, they might have **only claimed a portion** in your Financial Statements. You still have to report what was deducted, but at least that way the court will be less likely to double-count the personal component.
6. It can be helpful to **start** by thinking about what personal expenses are claimed, and then try to figure out what category they fit in, by looking at your General Ledger, documents submitted to your accountant, bank account, and credit card statements.
7. If a category has **nothing** to declare, in that category of expense you can enter "All payments were for business purposes and no personal benefit was derived from them."
8. Please either provide supporting documentation (recommended), or where not feasible due to volume, write "Receipts and invoices will be produced if requested."
9. **Amortization**, Depreciation, and Capital Cost Allowance essentially refer to spreading out the purchase price of vehicles, equipment, or sometimes buildings. If you've claimed this expense, you'll need to disclose which of these assets were ever used for personal purposes during the relevant time. To see which assets have been deducted, you can ask your accountant for a Property, Plant, and Equipment Schedule.
10. When it comes to the second form, listing "non-arm's length persons" (generally, **friends and family**), you should list their **hours** (or estimates if not tracked), and provide any **time sheets**, if tracked.
11. It's important to be **detailed** and be **specific** enough so that a judge can say for example "okay so \$100 is personal", especially because this Statement doesn't count towards your court page limits.
12. This Statement needs to be completed for each of the last **3** of your business's fiscal years, either all in one form (still breaking down each year) or one form for each year.

**Questions?** If you have any questions, please contact your lawyer's assistant or your lawyer.

**When completed:** Please provide all of this information to your lawyer's assistant. It can be transmitted by email, fax, delivered, or mailed.

# BUSINESS EXPENSE STATEMENT - EXAMPLE

To assist in compliance with *Cunningham v Seveny*, 2017 ABCA 4 and *Sweezey v Sweezey*, 2016 ABQB 131.

Business name: ABC Business Ltd.

Corporate year(s) ending: 2018, 2017, 2016

Prepared by: John Smith (client), ABC Bookkeeping, ABC Accounting, [anyone else who helped]

Nature of Expense	Calculation Method	Reason for Expenditure	Portion to Benefit of Self, New Partner/Spouse, Child(ren), Relatives, or Friends	Method of Calculating Personal Portion	Recipient(s) (see additional information below)
EXPENSES					
<b>Advertising and Promotion</b>	Receipts	Meals: either on the road, or client meetings. Some Google Adwords and social media advertising.	In 2018, \$242.34 was spent on meals on the road, when I didn't have access to a microwave (\$321.11 in 2017, \$290.42 in 2016). \$3209.42 was spent during client meetings (\$4211.19 in 2017, \$3998.12 in 2016), where on average there were about two people other than me, so I estimate that one-third of that amount is personal (\$1069.81 in 2018, \$1403.73 in 2017, \$1332.71 in 2016). Receipts and invoices will be produced if requested. All remaining payments were for business purposes and no personal benefit was derived from them.	Receipts under \$20 would have been just me, anything over that threshold would have been client meetings.	Self
<b>Amortization</b>	Accounting Principles	Purchases of vehicles and equipment.	\$3298 was deducted in each year in relation to my pick-up truck, which I believe I use for personal purposes approximately 30% of the time. The non-principal portion of my truck loan is was \$7400 each year though, which does not show up elsewhere in my Financial Statements, so I believe the amortization deducted was reasonable. Statements will be produced if requested. All remaining payments were for business purposes and no personal benefit was derived from them.	Actual amounts. Estimate of use based on personal experience. I counted driving to my workplace to and from home as personal.	Self, and my new partner and my children occasionally

<b>Bank Charges</b>			All payments were for business purposes and no personal benefit was derived from them.		
<b>Rent</b>			All payments were for business purposes and no personal benefit was derived from them.		
<b>Telephone</b>	Invoices	Work cell phone.	I maintain a separate personal cell phone, but use my work phone for personal purposes approximately 10% of the time, making the personal component approximately \$213 in 2018, \$243 in 2017, and \$204 in 2016.	Actual amounts. Estimate of use based on personal experience.	Self
<b>Utilities</b>	Invoices	My home's gas and electricity, to account for the business's use of my garage and home office.	23% of the square footage of my house is my office and the half of my garage that is used as a shop for the business. My business doesn't pay towards the home's \$1800 per month mortgage or \$3400 per year property taxes, so I believe it is fair that it pay the utilities (being \$2384 in 2018, \$2473 in 2017, \$2258 in 2016). Receipts and invoices will be produced if requested.	Actual amounts. Actual square footage.	Self, my new partner, my children
<b>Vehicle</b>			In 2018, the corporation expensed \$9,939 relating to automotive expenses incurred relating to the shareholder's 2015 Ford F-150 truck (\$9348 in 2017, \$9488 in 2016). The expenses included costs for gas, oil, maintenance and repairs, insurance, and licencing. The expenses claimed represented a 50/50 split of the expenses between business and personal use which represents my best reasonable estimate. Personal use has been factored into the amount of expense charged to the corporation, my accountant only deducted half of the total expense. Receipts and invoices will be produced if requested.	Actual amounts. Estimate of use based on personal experience.	Self, and my new partner and my children occasionally
<b>Wages and Benefits</b>			See below. All remaining payments were for business purposes and no personal benefit was derived from them.		Self, new partner

DEBTS & LIABILITIES (of which the principal amounts do not appear as an expense in Financial Statements)				
Creditor	Account number (and any Relationship to Spouse)	Total amount paid in year(s)	Interest paid in year(s)	Principal paid (non-interest portion)
TD Truck Loan	Account ending 1234	\$9400	\$2000	\$7400
TD Mortgage for Office	Account ending 5678	\$24000	\$4000	\$20000
Loan from Parents	Parents	\$1000	\$0	\$1000

NON-ARM'S LENGTH PERSONS				
Name	Relationship to Spouse	Title	Description of Responsibilities & Duties Performed	Compensation Received
John Smith	Self	Owner, President, CEO	All managerial duties, all miscellaneous duties not performed by someone else.	As set out in the Income Tax Returns and recent pay stubs set out
Jane Chan	New partner	Secretary, Bookkeeper	Monthly bookkeeping, entering receipts into books. Coordinating with accountants. Spends approximately 3 hours per week doing this, and another approximately 10 hours after the tax season to prepare the year-end.	Paid \$500 per month. Personal benefits as set out above.
Ken Smith	Oldest child	General labour	Worked with me for approximately 10 hours per week during each of the two summer months. Provided general labour, such as lifting, cleaning, painting.	In 2018 I paid my son \$1000 per month for the two summer months. Personal benefits as set out above.
Mark Smith	Brother	Occasional labour	Needed his help with a project operating a forklift for two days. He is a forklift operator. He earns \$200 per day at his normal employment, and this was less costly than spending \$40.00 per hour on someone independent.	Paid \$400 in 2016.

**We expressly consent to this Statement being tendered in Chambers as proper evidence.**

**DO NOT waste your exhibit page limit by entering this document as an exhibit.**

# BUSINESS EXPENSE STATEMENT

To assist in compliance with *Cunningham v Seveny*, 2017 ABCA 4 and *Sweezey v Sweezey*, 2016 ABQB 131.

Business name: \_\_\_\_\_

Corporate year(s) ending: \_\_\_\_\_

Prepared by: \_\_\_\_\_

Nature of Expense	Calculation Method	Reason for Expenditure	Portion to Benefit of Self, New Partner/Spouse, Child(ren), Relatives, or Friends	Method of Calculating Personal Portion	Recipient(s) (see additional information below)
EXPENSES					






**DEBTS & LIABILITIES (of which the principal amounts do not appear as an expense in Financial Statements)**

Creditor	Account number (and any Relationship to Spouse)	Total amount paid in year(s)	Interest paid in year(s)	Principal paid (non-interest portion)
		\$	\$	\$
		\$	\$	\$
		\$	\$	\$
		\$	\$	\$
		\$	\$	\$
		\$	\$	\$

NON-ARM'S LENGTH PERSONS

Name	Relationship to Spouse	Title	Description of Responsibilities & Duties Performed	Compensation Received


**We expressly consent to this Statement being tendered in Chambers as proper evidence.**

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