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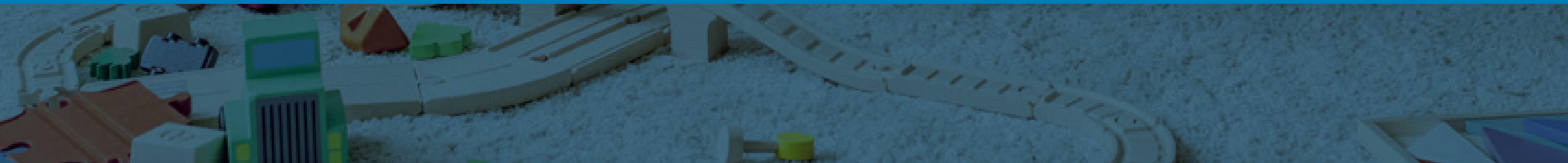

CHILDCARE SERVICES LIKE THE ONES YOU PROVIDE BENEFIT THOUSANDS OF FAMILIES.

We designed this document to help you fulfill your tax obligations.

CONTENTS

The information in this document does not constitute a legal interpretation of the *Taxation Act* or any other legislation. For further information, contact us at one of the numbers or addresses given at the end of this document.

1 GENERAL INFORMATION

1.1 Is this document for you?

If you operate a home childcare business (that is, you provide childcare services in your home as a self-employed person), this document is for you. It contains information on how to calculate the business income to be entered on line 164 of your income tax return.

It also contains information on certain tax obligations you must fulfill as a self-employed person and as a person who provides home childcare services, including paying contributions and premiums for self-employed persons, keeping records and issuing RL-24 slips.

If you are a member of a partnership, see Part 9.

For more information on calculating business or professional income, see guide IN-155-V, *Business and Professional Income*.

Are you self-employed?

You are self-employed if you are recognized as a home childcare provider by an accredited home childcare coordinating office.

As a rule, you are also considered self-employed if you are responsible for the following:
- the number of hours you work;
- the rooms and supplies you use;
- the means you use to perform your duties as a childcare provider.

If you are self-employed, you can deduct expenses related to the childcare services you provide.

GST and QST

If you provide childcare and supervision to children 14 and under in your home for periods that are generally less than 24 hours per day, your services are exempt from the GST and the QST. Therefore, you **cannot** register for the GST and the QST. Consequently, you cannot bill GST and QST to parents, nor can you claim input tax credits or input tax refunds for GST and QST paid on your purchases.

For more information, see the following documents:
- IN-202-V, *Registering with Revenu Québec*
- IN-203-V, *General Information Concerning the QST and the GST/HST*

1.2 Useful documents

The following is a complete list of the documents that are referred to in this publication and that you may find useful. These documents are available on our website at revenuquebec.ca.

Forms and guides

RL-24	*Relevé 24 – Frais de garde d'enfants* (see courtesy translation RL-24-T)
RL-24.S-V	*RL-24 Summary: Childcare Expenses*
TP-1-V	Income tax return, schedules and guide
TP-1.R-V	*Request for an Adjustment to an Income Tax Return*
TP-80-V	*Business or Professional Income and Expenses*
TP-80.1-V	*Calculation of Business or Professional Income, Adjusted to December 31*
TP-600-V	*Partnership Information Return*
TP-600.G-V	*Guide to Filing the Partnership Information Return*
TP-1012.A-V	*Carry-Back of a Loss*
TP-1026-V	*Calculation of Instalment Payments to Be Made by Individuals*
TP-1086.R.23.12-V	*Costs Incurred for Work on an Immovable*
TP-1015.G-V	*Guide for Employers: Source Deductions and Contributions*

Other documents

IN-103-V	*Refundable Tax Credit for Childcare Expenses*
IN-105-V	*Instalment Payments of Income Tax*
IN-106-V	*Recourse for Your Tax-Related Problems*
IN-120-V	*Capital Gains and Losses*
IN-155-V	*Business and Professional Income*
IN-202-V	*Registering with Revenu Québec*
IN-203-V	*General Information Concerning the QST and the GST/HST*
IN-253-V	*Taxable Benefits*
IN-300-V	*Self-Employment and Taxation*
IN-307-V	*New Businesses and Taxation*

1.3 Abbreviations used

CCA	Capital cost allowance
FMV	Fair market value
GST	Goods and services tax
HST	Harmonized sales tax
QPIP	Québec parental insurance plan
QPP	Québec Pension Plan
QST	Québec sales tax
UCC	Undepreciated capital cost

All childcare providers who provide childcare to more than six children must hold a permit from the Ministère de la Famille or be recognized by an accredited home childcare coordinating office, whether or not they offer subsidized childcare spaces. Otherwise, they are operating illegally.[1]

1. This requirement does not apply to the exceptions provided for under section 2 of the *Educational Childcare Act*.

2 HOW TO REPORT YOUR BUSINESS INCOME

You must enter the net business income (or loss) from the home childcare business you operate on line 164 of your income tax return and line 22 of Schedule L. The net income (or loss) must first be calculated for the fiscal period using the accrual method of accounting. If the fiscal period ends on a date other than December 31, the calculations must be adjusted.

2.1 Fiscal period

Fiscal period

A period of no more than one year, at the end of which the person carrying on a business closes the records and prepares financial statements.

NOTE

A fiscal period cannot be longer than 12 months, but can be shorter in the year in which a business begins or ceases its activities.

In every situation, the fiscal period end date for both the Québec and federal income tax returns must be the same.

Normally, the fiscal period of a business must end on December 31. However, if you make an election to have a fiscal period end on a date other than December 31 for the purposes of your federal income tax return, you must use this same date for Québec income tax purposes.

If the fiscal period ends on a date other than December 31, the business must add to its income the estimated income for the period between the end date of the fiscal period and January 1 of the following year. The estimated income added for a year is subtracted from the business income calculated for the following year. To calculate this estimated income, complete form TP-80.1-V, *Calculation of Business or Professional Income, Adjusted to December 31*.

See guide IN-155-V, *Business and Professional Income*, if your fiscal period ends on a date other than December 31 because of the election you made for federal income tax return purposes, or if you wish to revoke your election to have an end date other than December 31 in order to elect December 31 as the end date for your fiscal period.

2.2 Accrual method of accounting

You must use the accrual method of accounting to report your business income. This method consists of:

- reporting all income for the fiscal period during which it was earned, regardless of whether you have actually received the income; and
- deducting all expenses for the fiscal period during which they were incurred, regardless of whether you have actually paid the expenses.

2.3 Net income or net loss

To calculate your net business income (or loss), you can use form TP-80-V, *Business or Professional Income and Expenses*, and enclose it with your income tax return. If you choose not to use the form, enclose your financial statements with your income tax return.

> NOTE
> If you use form TP-80-V, enter **industry code 624410** on line 34 of the form.

You must also enclose with your income tax return form TP-80.1-V, *Calculation of Business or Professional Income, Adjusted to December 31*, if your fiscal period ends on a date other than December 31. For more information, see guide IN-155-V, *Business and Professional Income*.

The net income or net loss you must enter on line 22 of Schedule L and line 164 of your income tax return is the result of the following calculation:

Income (from childcare) earned during the fiscal period ending in 2020[2]	–	Deductible expenses[3] incurred during the fiscal period ending in 2020 to allow you to earn the income	+	Estimated additional income to be included in 2020 if your fiscal period ends on a date other than December 31[4]	–	Estimated additional income included in 2019 if your fiscal period ends on a date other than December 31[4]

The amount of a loss must be preceded by a minus sign (–) in your income tax return, and subtracted rather than added. As a rule, if the amount of the loss is higher than your total income from other sources, you can use all or part of the excess to reduce your income for previous or subsequent years. If you wish to use a loss to reduce your income from previous years, complete form TP-1012.A-V, *Carry-Back of a Loss*, and send it to us. **Note that you must file the form separately from your income tax return**.

2. You must enter the amount of income on line 12 of Schedule L. See Part 3 for information on the type of income to be included in the calculation of your business income from your home childcare business.
3. These expenses are incurred to enable you to earn income from providing childcare. The most common types are presented in Part 4.
4. If your fiscal period ends on a date other than December 31, see guide IN-155-V, *Business and Professional Income*.

3 INCOME

In the calculation of your business income, you must include all the income you earned in a fiscal period from providing childcare services, including:

- amounts paid and amounts payable by the parents (for example, the contribution set by the government, registration fees, fees for statutory holidays or vacation days during which the home childcare business is closed, late pick-up fees and fees for additional business hours the business is not required to offer);
- all government subsidies you receive (or are entitled to receive) to operate your home childcare business.

Do not include subsidies received to buy depreciable property (for example, office equipment) in your income from a home childcare business. These subsidies must instead be used to reduce the capital cost of the property that is used to calculate capital cost allowance (see section 4.12).

An RL-27 slip indicating the total amount of government subsidies you received during the year will be sent to you by the end of February.

4 EXPENSES

4.1 Deductible expenses

In general, **you can deduct**, in calculating your business income, any **reasonable** expense incurred during the fiscal period to earn business income from providing childcare, unless the expense does not qualify for a deduction under the *Taxation Act*. **Non-deductible** expenses include:

- investments;
- capital expenditures, such as the cost of purchasing office equipment (see section 4.12);
- expenses incurred to establish your business before operations actually begin;
- union or professional dues and membership fees paid to certain clubs (see section 4.3);
- personal expenses, such as:
  - food and products consumed by you or your family (see section 4.8.2), and
  - the cost of personal products or services (clothing, hairdressing, personal hygiene).

If an expense is incurred both for the home childcare business and for personal purposes, you must make a reasonable allocation between business use and personal use. Only the portion used for home childcare business purposes can be deducted.

The sections that follow outline the most common expenses that an individual who operates a home childcare business is likely to incur. For more information on the expenses that an individual operating a home childcare business can deduct, see guide IN-155-V, *Business and Professional Income*.

4.2 Advertising

You can generally deduct expenses incurred to advertise your home childcare business, such as the cost of:

- radio, television and newspaper ads; and
- business cards.

4.3 Business taxes, licences, and fees or dues

You can deduct the fees paid for licences and permits required to carry on your home childcare business.

However, **you cannot deduct**:

- dues paid to an association of home childcare providers recognized under the *Act respecting the representation of certain home childcare providers and the negotiation process for their group agreements*; or
- dues paid to a professional association for the purposes of maintaining a professional status recognized by law.

These fees and dues entitle you to non-refundable tax credits, which reduce the amount of income tax payable (line 397 of the income tax return).

In addition, **you cannot deduct membership fees or dues paid to a club** whose main purpose is to offer its members dining, recreational or sporting facilities, **unless** they are offered to an employee:

- as a gift for a special occasion (Christmas, a birthday, a wedding or a similar occasion); or
- as a reward for certain accomplishments (such as reaching a certain number of years of service).

Gifts and rewards offered to an employee constitute taxable benefits for the employee. Therefore, you must add them to the employee's salary.

For more information on gifts and rewards offered to employees, see guide IN-253-V, *Taxable Benefits*.

4.4 Interest on a loan

As a rule, you can deduct interest that you must pay on a loan taken out to carry on a business or in order to purchase property to be used in the business. For information about interest on the purchase of a motor vehicle, see section 4.7.2. For information on mortgage interest, see section 4.14.

4.5 Maintenance and repairs

You can deduct the cost of labour and equipment required for the maintenance and repair of movable property used to earn your business income. However, you cannot deduct:

- the value of work you do yourself; or
- the cost of making an addition or improvement to the property for the purpose of increasing its normal value.

Costs incurred to increase property value are not considered deductible expenses in the calculation of business income. Instead, they must be added to the cost of the property. Each year, you can claim capital cost allowance for a portion of the cost of the property (see section 4.12).

For information about the maintenance and repair of your home (including the land), see sections 4.14 and 4.14.2.

4.6 Management and administration fees

You can deduct management and administration fees as well as bank charges incurred to carry on your home childcare business. These fees do not include employee salaries, rent or property taxes. For information on employee salaries, rent or property taxes, see sections 4.10 and 4.14.

4.7 Motor vehicle expenses

You can deduct certain expenses related to a motor vehicle used for the purposes of your home childcare business. However, if the vehicle you use is an **automobile**, a limit may apply to the amounts you can deduct as interest, leasing expenses and capital cost allowance. It is therefore important to determine the type of vehicle for which you are claiming a deduction. See the definitions below.

Motor vehicle

An automotive vehicle designed or adapted for use on public roads and streets.

Automobile

A motor vehicle that is used to carry individuals and that has a seating capacity for not more than the driver and eight passengers.

The following vehicles are **not** considered to be automobiles:

- a bus used in a business of transporting passengers;
- a pickup truck, van or similar vehicle that, in the taxation year in which it is acquired, is used entirely or almost entirely (90% or more) to transport goods, equipment or passengers in order to earn or produce income;
- a pickup truck, van or similar vehicle that has a seating capacity for not more than the driver and two passengers and that, in the taxation year in which it is acquired, is used primarily (more than 50%) to transport goods or equipment in order to earn or produce income.

4.7.1 Deductible motor vehicle expenses

The **expenses related to the use** of a motor vehicle **that you can deduct** are listed below. Multiply the expenses marked with an asterisk (*) by the percentage of use of the vehicle for the purpose of your home childcare business, where you use it for both business and personal purposes (for example, to provide for the needs of your family or for yourself, outside of the business hours of your home childcare business):

- registration fees;*
- the cost of a driver's licence;*
- additional insurance premiums related to the fact that you use the vehicle for the purposes of your home childcare business;
- other insurance premiums;*
- interest (see section 4.7.2);*
- fuel costs;*
- maintenance and repair costs other than those incurred following an accident (for example, car wash, lubrication, tune-ups);*
- repair costs incurred following an accident that occurred in the performance of your activities (see section 4.7.3);
- parking fees incurred in the performance of your activities;
- leasing expenses (see section 4.7.4);*
- capital cost allowance (see section 4.7.5).*

If you use more than one motor vehicle for the purposes of your home childcare business, the expenses for each vehicle must be calculated separately.

Determining the percentage of use of the vehicle for the purposes of your home childcare business

If you use the vehicle both for your home childcare business and for personal purposes, you must determine the percentage of business use of the vehicle in order to calculate the deductible amount. This percentage is determined first on the basis of the ratio between the number of kilometres travelled for the purposes of your home childcare business in your fiscal period and the total kilometres travelled in that fiscal period. Then, as mentioned previously, multiply the expenses marked with an asterisk by the percentage as calculated above. If the expenses are subject to a limit (as is the case for interest fees, leasing expenses and capital cost allowance relating to a vehicle), you must take the limit into account when determining the expenses, then apply the percentage of business use of the vehicle.

> NOTE
>
> If you **occasionally** use your vehicle for the purposes of your home childcare business (for example, for occasional outings to the park or zoo), it is not necessary to determine the percentage of business use of the vehicle. You can deduct the fuel costs and other costs (for example, parking fees) incurred for each trip.

You must **keep a logbook of all trips** made during the fiscal period. Specify, for each trip, the destination, the reason for the trip and the number of kilometres travelled. Keeping a logbook is the best way to substantiate the number of kilometres taken into account to determine the percentage of use made for the purposes of your home childcare business. **Note that you can keep a sample logbook instead of a full logbook (see Part 6).**

4.7.2 Interest on the purchase of a motor vehicle

You can deduct the interest paid on a loan contracted to purchase a motor vehicle that you use for the purposes of your home childcare business. However, in the case of an **automobile** (see the definition in section 4.7), the deduction of interest paid on the loan is limited to $10 per day for an automobile purchased after 2000.

> NOTE
>
> If you use the vehicle both for your home childcare business and for personal purposes, apply the percentage of use of the vehicle for the purposes of your home childcare business to the deduction of interest.

4.7.3 Repair costs following an accident

Repair costs incurred following an accident, whether to repair damage to the vehicle you were driving or to the property of another person, are fully deductible. However, you must have been using the vehicle for business purposes at the time of the accident. Repair costs do not include costs for which you were reimbursed or are entitled to be reimbursed pursuant to an insurance claim or a claim in damages, unless the amount of the reimbursement is included in your income.

Repair costs are not deductible if the vehicle was being used for personal purposes at the time of the accident.

4.7.4 Leasing expenses

If you lease **an automobile** (see the definition in section 4.7), the leasing expenses you can deduct are limited. To determine the amount of eligible leasing expenses, complete the work chart on the next page for each automobile.

Work chart — Eligible automobile leasing expenses

Description		Line	Amount		Line	Amount
Amount of daily leasing expenses for the automobile[1]					1	
Number of days the vehicle was leased, from the date the contract took effect				×	2	
Multiply line 1 by line 2.				=	3	
Total leasing expenses deducted for previous fiscal periods		4				
Total interest considered to have been earned on a refundable amount, from the date the contract took effect (except on the first refundable $1,000)[2]	+	5				
Total refunds of leasing expenses (other than GST/HST or QST rebates) to which you have been entitled, from the date the contract took effect	+	6				
Add lines 4 through 6.	=	7		− ▶	7	
Subtract line 7 from line 3.				=	8	
Leasing expenses incurred for the automobile during the fiscal period[3]					9	
Manufacturer's suggested retail price for the automobile[4] (not including taxes)				÷	10	
Divide line 9 by line 10.				=	11	
Maximum price for the automobile[5]				×	12	
Multiply line 11 by line 12.				=	13	
Enter the amount from line 9 or line 13, **whichever is less.**					14	
Total interest considered to have been earned during the fiscal period on a refundable amount (except on the first refundable $1,000)[6]		15				
Total refunds of leasing expenses (other than GST/HST or QST rebates) to which you are entitled for the fiscal period	+	16				
Add lines 15 and 16.	=	17		− ▶	17	
Subtract line 17 from line 14.				=	18	
Enter the amount from line 8 or line 18, **whichever is less.**					19	
Percentage of use of the automobile for your home childcare business (Enter 100% if the automobile was used exclusively for the purposes of your home childcare business.)				×	20	%
Multiply line 19 by line 20. **Eligible automobile leasing expenses**				=	21	

1. For a leasing contract concluded after 2000, enter $26.67 plus sales taxes calculated on this amount. Sales taxes (GST/HST and QST, or any other provincial sales tax) must be calculated using the rate applicable at the time the contract was concluded.
2. The refundable amounts entered on lines 5 and 15 must be paid for leasing the automobile. They include all amounts that the lessor is required to repay you under the leasing contract (for example, a deposit that lowered the lease payments), but do not include any GST/HST or QST rebates.

   To determine the amount of interest to be entered on lines 5 and 15, calculate the interest at the prescribed rate (see the list of rates below), either for all fiscal periods ended since the amount became refundable (line 5) or for the fiscal period concerned (line 15). To find out the interest rates in effect before January 1, 2020, contact us.

   Prescribed rates
   - From January 1 to March 31, 2020 2 %
   - From April 1 to June 30, 2020 2 %
   - From July 1 to September 30, 2020 1 %
   - From October 1 to December 31, 2020 1 %
3. Leasing expenses include taxes, insurance premiums and maintenance costs incurred during the fiscal period under the leasing contract.
4. If the amount on line 10 is less than the maximum price for the automobile (see note 5), carry the amount from line 9 directly to line 14. Otherwise, complete lines 11 through 13.
5. For a leasing contract concluded after 2000, add sales taxes to $35,294. The sales taxes (GST/HST and QST, or any other provincial sales tax) must be calculated at the rate applicable at the time the contract was concluded.
6. See note 2.

4.7.5 Capital cost allowance (CCA) of a motor vehicle

You cannot deduct the cost of a motor vehicle in the year of purchase. However, as this property wears out or becomes obsolete over time, you can deduct a portion of its cost each year (generally for as long as you own the property). This deduction is called "capital cost allowance" (CCA).

The amount on which you can initially (in the first year) claim CCA is called the "capital cost" of the property.

The **capital cost** of a motor vehicle is generally the total purchase price, which includes:

- the trade-in amount granted by the vendor for a used vehicle;
- the cost of all accessories and equipment installed before or after delivery of the vehicle; and
- the GST/HST and the QST, or any other provincial sales tax, paid on the vehicle.

If, during the fiscal period, you began to use a motor vehicle for your home childcare business and you had previously used that vehicle only for personal purposes, the **capital cost** of the vehicle corresponds to the **lesser** of the following amounts:

- its fair market value (FMV) at the time you began to use it for your home childcare business; or
- its original cost.

The result obtained when the amount of CCA claimed is subtracted from the capital cost of the property constitutes the "undepreciated capital cost" (UCC).

Property on which you can claim CCA is called "depreciable property." Depreciable property is normally grouped into classes, and a specific CCA rate generally applies to each class. An automobile is included in class 10 or 10.1, depending on its cost. Other motor vehicles are class 10 vehicles. The CCA rate for class 10 and 10.1 is 30%.

As a rule, a given class includes all property belonging to that class. In other words, if you have three class 10 vehicles, you will have only one class 10 that includes three vehicles, not three class 10s that include one vehicle each. However, class 10.1 cannot include more than one vehicle. Therefore, if you have two or more vehicles to be included in class 10.1, you must create a separate class 10.1 for each vehicle.

4.7.5.1 Class 10.1 automobiles

Include in a separate class 10.1 each automobile purchased after 2000 at a cost of more than $30,000.

In determining whether an automobile is included in class 10.1, you must take into account the purchase cost, excluding sales taxes (GST/HST and QST, or any other provincial sales tax).

Furthermore, the capital cost used to calculate CCA on a class 10.1 automobile must not exceed $30,000 and must include the portion of sales taxes (GST/HST and QST, or any other provincial sales tax) applicable to that amount for which you have not been reimbursed.

For more information about CCA, see guide IN-155-V, *Business and Professional Income*.

4.7.5.2 Automobiles and other class 10 motor vehicles

Include in class 10 automobiles that are not included in class 10.1 and all other motor vehicles.

For more information about CCA, see guide IN-155-V, *Business and Professional Income*.

4.7.6 Joint ownership or lease

If you and one or more other persons jointly own or lease a vehicle, the amount of CCA, interest and leasing expenses deducted by all the owners or lessees cannot be more than the maximum that one person owning or leasing the vehicle could deduct.

4.8 Supplies

4.8.1 Office supplies

You can deduct the cost of your office supplies (for example, stationery, stamps, directories or magazines). Office supplies do not include items such as calculators, filing cabinets and chairs. These are considered capital expenditures and are therefore not deductible for the year in which you purchase them (see section 4.12).

4.8.2 Other supplies (toys, food and other)

You can deduct the cost of the following supplies:

- toys, books and arts and crafts supplies used by the children to whom you provide childcare;
- household items such as blankets, towels, toothbrushes, diapers and shampoo used by the children to whom you provide childcare;
- food that you buy to feed your employees and the children to whom you provide childcare. You cannot deduct food consumed by you or your family (if your home childcare business provides childcare to your children, you cannot deduct the cost of their meals).

> NOTE
> Meals offered to an employee constitute a taxable benefit for the employee. You must therefore include their value in the employee's salary. The value of the benefit corresponds to the cost of the food minus any amount paid by the employee. For more information about employee benefits, see guide IN-253-V, *Taxable Benefits*.

Meals offered to the children to whom you provide childcare

If the food expenses for both your home childcare business and for personal purposes are shown on the same invoice, you must first subtract from the total amount the cost of the food consumed **solely** by you and your family. The result you obtain is the cost of the food consumed both by you and your family and by the children to whom you provide childcare. You must then use a reasonable method to subtract the portion consumed by you and your family. Note that if your home childcare business provides childcare to your children, you cannot deduct the cost of their meals.

Your method must reflect the habits of the members of your family and those of the children in your home childcare business. A weekly calculation is ideal. Note that an amount calculated on the basis of a fixed rate (for example, $5 per day, per child) is not accepted.

The method used in the example below is a method we consider reasonable.

Example

Total grocery expenses for the week.. $800

Portion of these expenses intended solely for family consumption
(that is, products appearing on the invoice and consumed solely by the family).. $100

Family members (the father, the mother and two teenaged children).. 4

Children receiving full-time home childcare services (5 days per week).. 7

Habits of the family members:
- 3 meals per day
- 2 snacks per day

Meals and snacks served to children receiving home childcare services:
- 1 meal per day
- 2 snacks per day

NOTE
We consider that an adult portion is equivalent to a child portion.

We consider that a snack is equivalent to half a portion.

	Number of portions **per day**	Number of portions **per week**
Meals for the family members	4 × 3 = 12	12 × 7 days = 84
Snacks for the family members	4 × 2 × ½ = 4	4 × 7 days = 28
Total portions for the family		84 + 28 = **112**
Meals for the children receiving home childcare services	7 × 1 = 7	7 × 5 days = 35
Snacks for the children receiving home childcare services	7 × 2 × ½ = 7	7 × 5 days = 35
Total portions for the children receiving home childcare services		35 + 35 = **70**
Number of portions for both the children receiving home childcare services and the family		112 + 70 = **182**
Percentage of food consumed by the children receiving home childcare services		70/182 = **38%**

The **deductible amount** of food expenses for the purposes of the home childcare business **for the week** is thus calculated as follows: ($800 – $100) × 38% = $266

4.9 Legal and accounting fees

You can deduct the fees you paid to an outside firm (such as a legal or accounting firm) for advice, services or assistance relating to your home childcare business.

Accounting or auditing fees paid to have your financial statements prepared or certified are deductible. You can also deduct legal, accounting or other fees incurred to have legislation reviewed or an objection or contestation prepared against a notice of assessment regarding QST, income tax payable, Employment Insurance or QPIP premiums, contributions to the QPP and to the health services fund or labour standards contributions.

Legal fees are deductible, provided you incurred them to earn business income. Legal fees include amounts paid to have contracts prepared for the purpose of obtaining guarantees, and expenses incurred to recover accounts receivable or to prepare financial documents.

4.10 Salaries or wages, benefits and employer contributions

You can deduct the following:

- salaries or wages (including benefits) paid to employees;
- your share, as an employer, of Employment Insurance and QPIP premiums, and QPP contributions;
- your employer contribution to the health services fund;
- your employer contribution related to labour standards;
- your employer contributions to the Commission des normes, de l'équité, de la santé et de la sécurité du travail (CNESST).

You cannot deduct remuneration you paid to yourself or any amount paid to the CNESST as a contribution for yourself. Such amounts constitute withdrawals by the owner and are not deductible expenses. In addition, **you cannot deduct** the amounts you contributed to the QPP and QPIP on income from self-employment. Those amounts are used to determine the amount to enter on line 248 of your income tax return. See section 5.3.

For more information about taxable benefits and your responsibilities as an employer, see guide IN-253-V, *Taxable Benefits*, and TP-1015.G-V, *Guide for Employers: Source Deductions and Contributions.*

4.11 Telecommunications expenses (telephone, Internet and other)

If you incurred telecommunications expenses while operating your home childcare business, you can deduct only the portion of the following expenses that is reasonably attributable to your childcare activities:

- the monthly cost of basic telephone service;
- charges for long-distance calls;
- charges for the use of a cell phone (including costs incurred to acquire a package or prepaid air time);
- Internet charges (including costs that are incurred to acquire a package or billed costs on a per-usage basis).

You cannot deduct the following expenses, **unless** they were incurred **solely** for the purposes of your home childcare business:

- the charges for an Internet connection;
- the cost of leasing a paging device;
- the purchase price of a cell phone (if you used it solely for your home childcare business, you cannot deduct its cost, but you can deduct CCA for the phone, which is class 8 depreciable property);
- the cost of having a cell phone licensed or connected;
- the charges for a cable TV connection.

4.12 Capital cost allowance of movable property

You cannot deduct the cost of movable property (such as office or playground equipment) in the fiscal period during which the purchase is made. However, as the property wears out or becomes obsolete over time, you can deduct a portion of its cost each year (generally for as long as you own the property). This deduction is called "capital cost allowance" (CCA).

The amount on which you can initially (in the first year) claim CCA is called the "capital cost" of the property. It includes the purchase price of the property, the transportation costs, the GST/HST and the QST (or any other provincial sales tax). The result obtained when the amount of CCA claimed is subtracted from the capital cost of the property constitutes the "undepreciated capital cost" (UCC). For the subsequent years, CCA is calculated on the UCC.

> NOTE
> If, during the fiscal period, you began to use, for the purposes of your home childcare business, property that you previously used only for personal purposes, the **capital cost** of the property corresponds to the **lesser** of the following amounts:
> - its fair market value (FMV) at the time you began to use it for your home childcare business; or
> - its cost.

Property on which you can claim CCA is called "depreciable property." Depreciable property is normally grouped into classes, and a specific CCA rate generally applies to each class. Most depreciable property used in a home childcare business is included in class 8, which has a CCA rate of 20%.

For more information on CCA, see guide IN-155-V, *Business and Professional Income*.

4.12.1 Use of property for the home childcare business and for personal purposes

If, during a given fiscal period, you use property both for your home childcare business and for personal purposes, you must determine the percentage of use for the purposes of your home childcare business. To this end, you must use a reasonable method, like that in the example below.

> **Example**
> Your fiscal period begins on January 1 and ends on December 31. Your home childcare business is open ten hours per day from Monday through Friday and is closed during the following periods:
> - two weeks during the summer;
> - one week at the end of December;
> - one week at the beginning of January.
>
> The percentage of use of the property for the purposes of your home childcare business could be calculated as follows: (10 h ÷ 24 h) × (5 d ÷ 7 d) × (48 wk ÷ 52 wk) = 27%.

For more information about CCA, see guide IN-155-V, *Business and Professional Income*.

4.12.2 Recapture of CCA

Generally, recapture of CCA at the end of a fiscal period occurs if the value of the UCC (after acquisitions and dispositions for the fiscal period) is negative. In this case you must include the recapture of CCA (negative UCC amount) in your income from the home childcare business for the fiscal period concerned.

Recapture of CCA can occur if, at the end of the fiscal period, the proceeds from the sale of depreciable property exceed the sum of:

- the UCC of the class of property at the beginning of the fiscal period; plus
- the capital cost of acquisitions during the fiscal period.

Recapture of CCA can also occur if you receive or are entitled to receive government assistance or a federal investment tax credit for the property and if the amount of the assistance or tax credit received exceeds the total of the two above-mentioned amounts.

4.12.3 Terminal loss

A terminal loss occurs if, at the end of a fiscal period, you have no more property in a given class, but an amount for which you have not claimed CCA remains. You can deduct the terminal loss from your business income.

4.13 Other expenses

4.13.1 Training expenses

"Training" means taking courses in order to preserve, update or improve skills acquired previously while operating your home childcare business.

Generally speaking, expenses incurred for taking training courses (travel and lodging expenses, for example), are deductible if:

- the expenses related to the training are reasonable;
- the training does not lead to a specific diploma or professional title;
- the duration of the training allows you to continue operating your business; and
- the training is given in a location that generally corresponds to your geographic area. If the training is offered outside your geographical area, it must be taken for business reasons, such as increasing your network of contacts, or because the training offered is superior to that offered within your geographical area.

You **cannot** deduct tuition fees that you paid to an educational institution such as a university or college. However, it may be possible for you to claim a non-refundable tax credit for these expenses on line 398 of your income tax return.

4.13.2 Educational outings

You can deduct expenses related to **educational outings** (for example, the cost of admission to a museum) for the children to whom you provide childcare.

If you occasionally use your vehicle for educational outings, you can deduct the cost of fuel rather than calculate the percentage of business use of the vehicle and apply that percentage to the total motor vehicle expenses. For more information, see section 4.7.

4.14 Expenses related to the use of the home

If you operate your childcare business in your home, you can deduct a portion of your household expenses. This portion is determined based on the percentage of use of your home for the purposes of your home childcare business. The expenses you can deduct include those presented below and are calculated as follows:

Heating and lighting				1	
Insurance premiums					
Maintenance and repair expenses, other than those covered on line 7 below (see section 4.14.2)	+				
Mortgage interest and property taxes, if you own the home	+				
Rent, if you rent the home	+				
	=		× **50%**[1]	+ ▶ 2	
			=	3	
Percentage of your home used for the purposes of the home childcare business (see section 4.14.3)			×	4	%
			=	5	
CCA for the home, if you own the home (see section 4.14.2)			+	6	
Expenses for maintenance and repairs carried out in a room used exclusively for the home childcare business			+	7	
Deductible expenses (must not be more than the limit specified in section 4.14.3)			=	8	

1. Expenses related to insurance premiums, maintenance and repairs, mortgage interest, property taxes and rent are subject to a 50% limit because these expenses are mainly incurred for personal purposes.

4.14.1 Percentage of use of the home for the purposes of your home childcare business

To determine the deductible portion of expenses, that is, the portion of expenses that corresponds to the portion of your home used for the purposes of the home childcare business, you must use a reasonable basis, such as the percentage of the total surface area occupied by the home childcare business. If the home is used for both the home childcare business and personal purposes, your basis of calculation must take this into account.

Example

Danielle operates a childcare business in her home. Half of her basement is used exclusively for the purposes of the home childcare business and two rooms on the first floor are used both for the home childcare business and for personal purposes.

The surface area of the basement is 900 square feet.

The surface area of the first-floor rooms that are used both for the home childcare business and for personal purposes is 600 square feet.

The total surface area of the house (basement, first floor and second floor) is 3,000 square feet.

The home childcare business is open ten hours per day, five days per week, and 48 weeks per year.

The **percentage of use of the home** for the purposes of the home childcare business can be calculated as follows:

Portion of the basement used exclusively for the home childcare business: $(900\ ft^2 \div 2) \div 3{,}000\ ft^2$	15%
Portion of the first floor used both for the home childcare business and for personal purposes: $(600\ ft^2 \div 3{,}000\ ft^2) \times (10\ h \div 24\ h) \times (5\ d \div 7\ d) \times (48\ wk \div 52\ wk)$ +	5.5%
Percentage of use of the home for the purposes of the home childcare business =	20.5%

4.14.2 Additional information concerning certain expenses

Maintenance and repairs

The 50% limit given in the table in section 4.14 and the percentage of business use of your home do not apply to expenses incurred for maintenance and repairs carried out in a room used **exclusively** for the home childcare business. These expenses are **fully** deductible and include expenses such as those incurred for having the walls of the room painted.

As a rule, you cannot deduct expenses incurred to make an addition or improvement to your home for the purposes of increasing its normal value. Rather, these expenses should be added to the capital cost of your home. If you are the owner or a co-owner of your home, you can claim a deduction for the CCA of the portion of your home that corresponds to your home childcare business (see “Capital cost allowance” below).

Conversely, you can deduct (according to the percentage of use of your home for your home childcare business) expenses incurred to restore your home to its normal value. These expenses include replacing all the windows in your house, rebuilding a roof or replacing plumbing.

If you incurred labour costs to have your home (including the land on which it stands) renovated, improved, maintained or repaired, you must complete form TP-1086.R.23.12-V, *Costs Incurred for Work on an Immovable*. On the form, you must identify the person (other than an employee) who carried out the work, and enter the amounts this person billed. You are liable to a penalty if you do not file the form.

The form must be filed for the following work:

- snow removal
- electrical work
- fence installation
- swimming pool installation
- painting
- plumbing

Capital cost allowance

If you own or co-own your home, you can claim CCA for the portion of your home that corresponds to your home childcare business.

If you claim CCA, the portion of your home that corresponds to your home childcare business is no longer considered part of your principal residence. When you sell your home, the **capital gain** realized **on that portion** of the home will be subject to income tax, and the rules respecting recapture of CCA will apply (see section 4.12.2).

If you wish to claim CCA, see guide IN-155-V, *Business and Professional Income*.

4.14.3 Maximum deductible amount

The amount you deduct for a particular fiscal period as expenses related to the use of your home for business purposes (including expenses you could not deduct in previous fiscal periods because of this limit) **must not exceed** your business income, calculated **before** deducting the expenses. If your fiscal period ends on a date other than December 31, the amount of the deduction cannot exceed the amount of your business income calculated before taking into account the amount to be included or deducted as estimated additional income.

Consequently, you cannot use the expenses related to the use of your home to create or increase a business loss. However, you can carry to subsequent fiscal periods any portion of the amount that you cannot deduct for a given fiscal period because of this limit.

Exemple

For the fiscal period from January 1 to December 31:

- the amount of income from your childcare business is $25,000;
- the amount of expenses other than those related to the business use of your home is $19,500;
- the amount of expenses related to the business use of your home for the year is $4,000;
- the amount of expenses related to the business use of your home not claimed for previous years is $2,000.

The maximum amount of expenses related to the business use of your home that can be deducted in the fiscal period is calculated as shown below.

Income from your home childcare business		$25,000
Expenses other than those related to the business use of your home	–	$19,500
Maximum amount of expenses related to the business use of your home (business income calculated before deducting expenses)	=	$5,500

The amount that you cannot deduct, in this case $500 ($4,000 + $2,000 - $5,500), can be carried to a subsequent year.

5 CONTRIBUTION AND PREMIUM ON INCOME FROM SELF-EMPLOYMENT

5.1 Québec Pension Plan (QPP) contribution

Self-employed persons must make a QPP contribution on their net business income. Therefore, you must make a contribution to the QPP on the net income from your home childcare business. You must complete Work Chart 445 to determine the QPP contribution on income from self-employment that you are required to pay.

If your total business income (plus, if applicable, your total employment income and your pensionable earnings received as a person responsible for a family-type resource or an intermediate resource) is $3,500 or less, you are not required to make a contribution.

5.2 Québec parental insurance plan (QPIP) premium

Self-employed persons must pay a QPIP premium on their net business income. Therefore, you must pay a QPIP premium on the net income from your home childcare business. Use Part A of Schedule R to calculate the QPIP premium on income from self-employment that you are required to pay. The premium must be entered on line 439 of your return.

If your total net business income (plus, if applicable, your total employment income and your insurable earnings received as a person responsible for a family-type resource or an intermediate resource) is less than $2,000, you are not required to pay a premium.

5.3 Deduction for amounts contributed to the QPP and the QPIP on income from self-employment

QPP contributions and QPIP premiums give entitlement to a deduction on line 248 of the income tax return, except those made as part of the insurable earnings and pensionable earnings you received as a person responsible for a family-type resource or an intermediate resource. Therefore, in the calculation of your deduction for amounts contributed to the QPP and the QPIP on income from self-employment, you must exclude any contribution amounts relating to earnings you received as a person responsible for a family-type resource or an intermediate resource.

Complete Work Chart 445 in the income tax return to calculate your deduction for the QPP contribution and Schedule R to calculate your deduction for the QPIP.

6 KEEPING RECORDS AND SUPPORTING DOCUMENTS

If you carry on a business, you must keep records, which include any document (regardless of medium) that compiles information for accounting, financial, fiscal or legal purposes. For example, you can keep a journal of receipts and disbursements. All your documents must be complete, organized and filed by year.

In addition, your records must contain the information we require to verify your business income and expenses and to determine the amounts payable under a fiscal law.

This information must be supported in some fashion. For example, it can be supported by:

- your invoices, receipts and monthly statements showing your credit card transactions;
- your bank statements and cancelled cheques (use a separate bank account for your childcare services);
- ticket stubs for events or documents supporting your trips;
- the logbook of kilometres travelled for each vehicle used in part for the purposes of your home childcare business and in part for personal purposes.

A logbook must show, for each trip, the points of departure and arrival, the reason for the trip and the number of kilometres travelled. **You can keep a sample logbook** instead of a full logbook, provided certain criteria are met. Sample logbooks are kept for a sample period of at least three consecutive months within the fiscal period. The percentage of business use of the vehicle calculated for the sample period is extrapolated so that the percentage of use of the vehicle for the purposes of the home childcare business for the entire fiscal period can be determined. Sample logbooks are acceptable supporting documents respecting the use of a vehicle for the purposes of the home childcare business for a given fiscal period if the following criteria are met:

- In the past you have kept a full logbook of kilometres travelled for a period of 12 months (the "base year").
- For the sample period, the percentage of use of the vehicle for the purposes of the home childcare business is similar (plus or minus 10 percentage points) to that determined for the same period in the base year. For example, if the sample period for the fiscal period starts on January 1 and ends on March 31, the base year is **2019** and the rate determined for that sample period (January 1 to March 31) in 2019 is 49%, the rate for the sample period cannot be less than 39% or greater than 59%.
- The percentage of use of the vehicle for the purposes of the home childcare business for the fiscal period determined by extrapolation[5] is similar (plus or minus 10 percentage points) to that which is determined for the base year.

Always ask for a receipt or other supporting document when you incur business expenses.

NOTE
Do not enclose your invoices or supporting documents with your income tax return, but keep them in case we ask for them.

5. The percentage of business use of a vehicle determined by extrapolation is equal to the result of the following calculation: **Multiply** the percentage of business use of the vehicle for the base year (for example, from January 1 to December 31) by the percentage of business use of the vehicle for the sample period (for example, from January 1 to March 31), then **divide** the result by the percentage of business use of the vehicle for the same period in the base year (for example, from January 1 to March 31 of the base year).

Keeping accounting records and supporting documents

You must keep all accounting records and original supporting documents for at least six years after the last taxation year to which they apply.

This obligation also applies to you if you keep electronic or computerized records or documents. In that case, you must keep these records and documents in intelligible form on the same medium for at least six years after the last taxation year to which they apply. In addition, you must take all necessary measures to ensure and maintain their integrity throughout their life cycle.

If your income tax return is filed late, you must keep all records and supporting documents for at least six years after the date on which your return is filed.

7 ISSUING RL-24 SLIPS OR RECEIPTS

You must issue the RL-24 slip attesting to the payment, by an individual, of expenses related to the childcare services you provided to the individual in the course of a calendar year **if you are in one of the following situations**:

- You are recognized as a home childcare provider by an accredited home childcare coordinating office.
- Your **gross** income from providing childcare services is $30,000 or more.

NOTES

- You are not required to provide an RL-24 slip for a calendar year to an individual who paid **only** the government-set contribution for that year, since it does not constitute an expense that qualifies for the refundable tax credit for childcare expenses.

  However, you must provide an RL-24 slip to an individual for the days where he or she paid a contribution (or another amount), where you did not provide childcare services **and** did not receive grant monies from the Ministère de la Famille. In this case, the contribution can constitute an expense giving entitlement to the refundable tax credit for childcare expenses.
- If you are required to issue RL-24 slips for a year, you must submit to us, by the last day of February of the following year, the *RL-24 Summary: Childcare Expenses* (form RL-24.S-V) and copy 1 of the RL-24 slips. You must also remit copy 2 to the individuals who paid childcare expenses. The *Tax Administration Act* provides for penalties for the late filing of the RL-24 slips and RL-24 summary.

For information on the data that must be shown on the RL-24 slip, the method for filing and transmitting RL-24 slips or for amending or cancelling RL-24 slips, see the *RL-24 Summary: Childcare Expenses* (form RL-24.S-V).

If you are not in one of the situations listed above, you are not required to file the RL-24 slip, but **you must issue a receipt** to the individual for whom you provided childcare services so that he or she can claim the refundable tax credit for childcare expenses. The receipt must show your full name, your social insurance number, your address and the amount the individual paid for the childcare services you provided during the calendar year.

8 INSTALMENT PAYMENTS

Instalment payments (also called "quarterly payments") are partial remittances that an individual makes periodically to cover a portion of his or her income tax for the current year, the health contribution as well as the contributions to the QPP and the health services fund, and the premiums payable under the Québec prescription drug insurance plan and the QPIP.

Normally, we send form TPZ-1026.A-V, *Instalment Payments Made by an Individual*, to the persons concerned, thereby notifying them in writing of the amount of their payments.

However, you can calculate your payments yourself by completing form TP-1026-V, *Calculation of Instalment Payments to Be Made by Individuals*. You must choose one of the methods indicated on the form, that is:

- the previous-year method; or
- the current-year method.

8.1 Terms

You must make instalment payments if your estimated net income tax payable for 2021 is over $1,800 and one of the two following situations applies to you:

- Your net income tax payable for 2020 is over $1,800.
- Your net income tax payable for 2019 was over $1,800.

Generally speaking, your net income tax payable for a year is the amount by which your income tax payable for the year exceeds the total, for the same year, of your income tax withheld at source and the refundable tax credits to which you are entitled.

8.2 Due dates

Instalment payments, if required, must be made four times a year: by March 15, June 15, September 15 and December 15 of the year concerned. In February and August, we send you form TPZ-1026.A-V, *Instalment Payments Made by an Individual*, which gives the amount of your instalments. The amount of your instalments for March and June 2021 is based on your 2019 income tax return, whereas the amount of your instalments for September and December 2021 is based on your 2020 income tax return.

8.3 Interest charges

We charge interest, capitalized daily, on any instalment (or portion thereof) that is not paid by the due date. Furthermore, if you pay **less than 75%** of the required instalment, **additional interest of 10%** per year, capitalized daily, is charged on the unpaid portion of the instalment.

> NOTES
>
> If all your instalment payments are made on time and correspond to the amounts we estimated, you will not be required to pay interest, even if all your payments total less than your income tax payable for the year. For further information, see guide IN-105-V, *Instalment Payments of Income Tax*.

9 FILING A PARTNERSHIP INFORMATION RETURN

Partnerships must file a *Partnership Information Return* (form TP-600-V). For more information on filing the return, see the *Guide to Filing the Partnership Information Return* (TP-600.G-V).

10 FILING DEADLINE

If you or your spouse is reporting business income, you have until June 15, 2021, to file your 2020 income tax return; no late-filing penalty will be imposed with respect to returns filed by this date. If you take advantage of this extension and you have a balance owing on April 30, 2021, you must still pay that balance in full by April 30, 2021, or interest on the balance will be calculated as of May 1, 2021.

Be sure to enclose with your income tax return form TP-80-V, *Business or Professional Income and Expenses*, or your financial statements. Also enclose, if applicable, form TP-80.1-V, *Calculation of Business or Professional Income, Adjusted to December 31*, and form TP-1086.R.23.12-V, *Costs Incurred for Work on an Immovable*.

TO CONTACT US

Online

revenuquebec.ca

By telephone

Individuals and individuals in business

Monday to Friday: 8:30 a.m. to 4:30 p.m.

Québec City	Montréal	Elsewhere
418 659-6299	**514 864-6299**	**1 800 267-6299** (toll-free)

Businesses, employers and agents for consumption taxes

Monday, Tuesday, Thursday and Friday: 8:30 a.m. to 4:30 p.m.
Wednesday: 10:00 a.m. to 4:30 p.m.

Québec City	Montréal	Elsewhere
418 659-4692	**514 873-4692**	**1 800 567-4692** (toll-free)

Complaints – Bureau de la protection des droits de la clientèle

Monday to Friday: 8:30 a.m. to noon and 1:00 p.m. to 4:30 p.m.

Québec City	Elsewhere
418 652-6159	**1 800 827-6159** (toll-free)

Individuals with a hearing impairment

Montréal	Elsewhere
514 873-4455	**1 800 361-3795** (toll-free)

By mail

Individuals and individuals in business

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