

How to report your income

Uber drivers are considered independent contractors for income tax purposes. Your net income from driving must therefore be reported on Form T2125 *Statement of Business or Professional Activities*. This is included with your other income on your T1 tax return.

What kind of expenses can you claim?

Self-employed taxpayers may claim any reasonable expenses incurred to earn business income. In the case of Uber drivers, the most obvious examples would be the service fees you are required to pay Uber and the costs of operating your vehicle while using it for business use. We discuss vehicle expenses separately below.

You cannot claim personal expenses such as meals, which you would incur whether you were driving or not. An exception would be if you had a fare out of town and you had to eat in a restaurant. In that case you could claim 50% of the cost (since the deductible portion of all food and entertainment expenses is limited to 50%). Clothing is also considered a personal expense.

You can claim 50% of the cost of bottled water and snacks you buy for riders (since they are not being consumed by you personally).

If you have a cell phone, you can deduct the percentage of airtime expenses that reasonably relate to earning your business income. However, the cost of the cell phone itself must be capitalized. Cell phones are Class 8 assets, which means that you can claim capital cost allowance (CCA) at the rate of 20%.

Vehicle expenses

If you are using a vehicle for both personal and business purposes, you can only claim expenses relating to your business use. Your annual tax summary from Uber includes a figure for ON TRIP Mileage. As long as you also have a beginning and ending odometer reading to record your total mileage, this can be used to calculate the business-use portion of their vehicle expenses. If you only started driving during the year, you can reference your Safety Standards Certificate for your beginning odometer reading.

You can claim the costs of operating your vehicle. This would include the business-use portion of fuel and oil, insurance, license and registration, maintenance and repairs, and interest costs if you have a car loan. If you are required by municipal by-laws to obtain additional coverage because you are carrying passengers, this would be fully deductible. Parking costs incurred while on business are also fully deductible. Fines and traffic tickets are not deductible.

The cost of the vehicle itself cannot be claimed as an expense. Instead you capitalize it and claim a percentage as CCA each year. For passenger vehicles there is a ceiling of \$30,000 plus GST/HST and provincial sales tax which can be used for determining CCA. The rate is 30%. If you acquired a zero-emission vehicle on or after March 19, 2019, you may be eligible for accelerated rates.



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).

GST/HST registration

All ride-sharing trips are subject to GST/HST. As a self-employed commercial ride-sharing driver you will therefore be required to register a GST/HST number. In contrast to other self-employed taxpayers for whom an exemption exists for small suppliers with less than \$30,000 in revenue, this applies regardless of your revenues. You are required to apply for registration before the 30th day after you start providing ride-sharing services (although effective registration will be retroactive to this date).

The following methods can be used to register for a GST/HST number:

- You can register electronically using Business Registration Online (BRO) at this link: <https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/registering-your-business/business-registration-online-overview.html>
- You can complete Form RC1, *Request for a Business Number* and mail or fax it to your nearest tax services office or tax centre.
- You can register by phone by calling the CRA's Business Enquiries line at 1 800 959 5525. Before calling, be prepared to answer the questions in Part A of Form RC1, *Request for a Business Number*.

You will be required to file an annual GST/HST return and remit the GST/HST collected by Uber on your behalf for all your fares. This will be identified on your Weekly Payment Statement as well as your monthly and annual tax summaries available on your Uber Partner profile. However, the amount you remit to the CRA will be reduced by your input tax credits, which is the GST/HST you yourself paid on your business-related expenses such as gasoline, repairs and maintenance. In the case of your vehicle, the amount you can claim is based on the capital cost allowance (CCA) claimed for income tax purposes. However, if the commercial use of your vehicle is 10% or less, you cannot claim any ITC. If use in commercial activities is 90% or more, you can claim a full ITC.

Instead of calculating your input tax credits under the above rules, you can elect to use the Quick Method and simply remit tax at a reduced rate. For example, if you are based in Alberta, you could forego claiming input tax credits and remit tax at the rate of 3.6% instead of 5%.

If you are based in Ontario, you could remit at the rate of 8.8% instead of 13%. You can do this online using My Business Account or by filing Form GST42 Election and Revocation of an Election to Use the Quick Method of Accounting.

Taxpayers with annual taxable supplies of \$1,500,000 or less are assigned an annual reporting period (although you can choose to file quarterly or monthly if you want).



However, if your net GST/HST payable was more than \$3,000 in the preceding year, and you expect it to also exceed this amount in the current year, you will be required to pay instalments. As an annual filer, your GST/HST return is not due to June 15 of the next year. However, any tax due must be remitted by April 30. The CRA will provide you with a personalized tax return, Form GST34-2, *Goods and Services Tax/Harmonized Sales Tax (GST/HST) Return for Registrants*.

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. As a result, the CRA may require you to pay quarterly instalments for future years.

You are required to make instalment payments only if both of the following apply:

- Your net tax owing for the current taxation year (meaning the difference between your total tax payable and amounts withheld at source) will be more than \$3,000 (\$1,800 for residents of Quebec); and
- Your net tax owing for either of the two preceding years was also more than \$3,000 (\$1,800 for residents of Quebec).

So if you owe more than \$3,000 on your 2020 tax return and the same thing will happen in 2021, the CRA will want you to start paying instalments in September 2021. They will send you a letter in August explaining the different options available to you.

Residents of Quebec

Residents of Quebec are required to file a provincial tax return with Revenu Quebec as well as a federal return with the Canada Revenue Agency. Your business income must be reported on Form TP-80-V *Business or Professional Income and Expenses*.

Residents of Quebec can claim an abatement of 16.5% of their federal taxes to account for their higher provincial taxes.

In Quebec, most goods and services are subject to Quebec Sales Tax (QST) as well as GST. All Uber partners in Quebec are required to register with Revenu Quebec for the GST/QST, regardless of their gross revenues. However, Uber collects and remits the tax on behalf of the driver. Drivers are still responsible for filing an annual GST/HST return at the end of the year for the total sales tax that was remitted on their behalf.