

# TAX TIP FOR MELALEUCA MEMBERS

**PLEASE USE THIS TAX TIP ALONG WITH THE WORKSHEET FOR NETWORK MARKETING BUSINESSES**

## **REASONABLE EXPECTATION OF PROFIT**

Network Marketing is a legitimate form of business with significant tax advantages. Canada Revenue Agency requires that the business demonstrate a reasonable expectation of profit in order to qualify for the tax deductions. All this means is that the taxpayer must treat their business as a business and not a hobby.

## **ARE PRODUCT PURCHASES TAX DEDUCTIBLE?**

Products purchased and used as samples are 100% tax deductible in the year they are purchased. Products for inventory or personal consumption are not deductible.

## **TRAVEL EXPENSES**

Up to two Conventions per year are tax deductible. Conventions are events which are put on by the company. Events put on by other distributors are tax deductible without limit.

## **MEALS AND ENTERTAINMENT**

Meals and Entertainment is 50% tax deductible. When you take a prospective customer or distributor out to lunch or dinner keep the receipt and write on the back of it who you met with and the purpose of the meeting.

## **TELEPHONE EXPENSES**

A reasonable amount of your cell phone and business phone expenses are tax deductible.

## **AUTOMOBILE EXPENSES**

Automobile expenses are deductible based on your mileage log – please see Tax Tips for Auto for Small Business

## **HOME OFFICE EXPENSES**

Home office expenses are deductible based on your usage – please see Tax Tips for Home office for Small Business



**Brian Petersen MBA, CMA, CFP**  
TAX, ACCOUNTING & INVESTMENT SERVICES