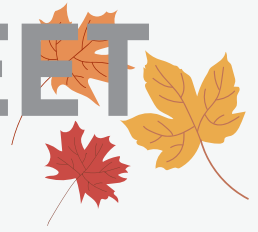


THE BALANCE SHEET

SMITH | SYKES | LEEPER | TUNSTALL LLP
CHARTERED PROFESSIONAL ACCOUNTANTS



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HAPPY FALL!

We hope you are doing well and have been enjoying this fabulous warm fall weather!

In this issue, we are sharing some of the frequently audited areas of personal tax returns. A gentle reminder to ensure that you keep all receipts, invoices, mileage logs, donation slips, and employer forms in your records. It makes things easier for everyone!

As always, please do not hesitate to [contact us](#) with any questions. We are here for you.

George, Bryan, Dale, Trent, Brad, David, Paul, Brennan & Lucas



CRA AUDIT ALERTS

EMPLOYMENT EXPENSES, RENTAL DEDUCTIONS, MOVING EXPENSES, MEDICAL EXPENSES AND DONATIONS

The Canada Revenue Agency (CRA) has recently increased audit activity in certain areas of individual tax returns. Even though your return has already been filed, CRA may still request documentation to support deductions. We wanted to take a moment to highlight the categories that fall under greater scrutiny. And, of course, a gentle reminder from your accountants to retain receipts and records!

Employment Expenses

Employees who claim expenses on *Form T777 (Statement of Employment Expenses)* must ensure that:

- They have a properly completed T2200 (Declaration of Conditions of Employment) signed by their employer.
- Expenses are directly related to earning employment income, such as:
 - Home office expenses (where conditions are met)
 - Vehicle expenses (with mileage logs and receipts)
 - Supplies used for employment duties
 - Telephone and internet charges
 - Meals and entertainment incurred for work
 - Client gifts and promotional expenses

Audit Warning: CRA is scrutinizing employment expenses closely, particularly home office and vehicle claims where detailed records are missing.

CRA AUDIT ALERTS

CONTINUED ...



Rental Expenses

For individuals reporting rental income on *Form T776 (Statement of Real Estate Rentals)*:

- Only expenses incurred to earn rental income are deductible.
- Repairs and maintenance are deductible, but capital improvements must be added to the property's cost base (not expensed immediately).
- Mortgage interest is deductible, but the principal portion of payments is not.
- Expenses must be reasonable and supported by invoices or receipts.

Audit Warning: CRA is targeting overstatement of repairs and interest claims, and large rental losses.

Moving Expenses

Moving expenses claimed on *Form T1-M (Moving Expenses Deduction)*:

- Only eligible if you moved at least 40 km closer to your new work or school.
- Deductible expenses include transportation, storage, temporary living expenses, lease cancellation fees, and costs of selling your old home (including real estate commissions, legal/notary fees, and mortgage penalties).
- If you sold your old home, you may also deduct legal fees and land transfer/registration taxes on the purchase of your new home. These costs are not deductible if no old home was sold.
- Expenses are limited to the income earned at the new location in the year. Unused amounts may be carried forward.

Audit Warning: CRA is challenging moves that don't meet the 40 km test, or claims that include non-eligible purchase costs.

CRA AUDIT ALERTS

CONTINUED ...



Medical Expenses

When claiming medical expenses on *Line 33099 or 33199*:

- Only expenses that qualify under the CRA's approved medical list are eligible.
- If claiming attendant care costs in a retirement or nursing home, ensure that an annual summary has been provided, along with a breakdown of the costs.
- Cosmetic procedures purely for aesthetic purposes are not deductible.
- Receipts must clearly show the patient's name, date and details of the service or item.
- Eligible expenses can include medical services, certain travel for medical treatment (if 40 km or more) and prescribed equipment.

Audit Warning: CRA is reviewing claims for unqualified expenses (e.g., wellness, fitness, or alternative treatments not recognized by CRA), as well as attendant care costs.

Donations

Donations to registered Canadian charities can provide valuable tax credits.

To support a claim:

- Receipts must be official donation receipts issued by a registered charity.
- The receipt should include the charity's name, registration number, donation amount, and date.
- Contributions to organizations that are not CRA-registered charities are not deductible.

Audit Warning: CRA is reviewing claims supported by improper or missing receipts or where organizations were not qualified donees.

CRA AUDIT ALERTS CONTINUED ...

Even if your return has already been filed, CRA reviews are becoming more frequent in the above areas.

Please ensure that you keep all receipts, invoices, mileage logs, donation slips, and employer forms in your records.

Proper documentation remains the strongest protection in the event of an audit!



KEY DATES

December 15, 2025:

- Fourth personal tax instalment due

ACCOUNTING FUNNY

Q. What's the difference between lawyers and accountants?

A. Accountants know they're boring.

HA HA HA!



ARTICLES OF INTEREST

SSL What's New:

[Online Correspondence from the CRA](#)

Life in the Tax Lane

[Catch up on all the latest in tax news.](#)

An Award!

[Newmarket Today: Reader Favourite 2025 awards](#)

Ottawa's new take on bare trusts has big exemptions ...

[But some issues persist](#)

Made a mistake on your taxes?

[Upcoming changes to the Voluntary Disclosures Program](#)

Heads Up!

[CRA warns taxpayers against FHSA excess amounts](#)