

CONVENTION EXPENSES

It's the time of the year when those familiar winter blahs creep in – the dog days of winter are here! So many of us can't resist the temptation to head somewhere warm and get a sunny break from the long winter. If you're in business, what better premise can there be than attend a conference ... where it's sunny and warm ... and claim your travel costs as deductible business expenses?

Whether you are planning on attending a conference somewhere warm or elsewhere, it is important to be aware of the tax implications of incurring such costs.

First off, if you are carrying on business or practicing a profession, you may deduct, in computing your income, expenses of attending not more than two conventions held during the year by a business or professional organization. To be deductible, you must have attended the conventions in connection with your business or professional reasons.

However, a corporation which has diversified business interests and many employees may take the limit of two conventions per year to apply to each such interest. For example, a large integrated oil company might be interested in conventions of personnel people, accountants, chemists, geologists, and other groupings and the limit would be applicable separately to each.

Expenses incurred in attending business or professional conventions held outside the geographical limits of the sponsoring organization's ordinary area of activity are not deductible for income tax purposes. This restriction is not intended to deny you a deduction for expenses that you have incurred in genuine attendance at, and participation in, a convention in another country that is organized and sponsored by a business or professional organization of that country and is related to your business or practice.

However, where a convention held in the United States is sponsored by a Canadian business or professional organization that is national in character, the Canada - United States Income Tax Convention provides that the expenses incurred in attending the convention are deductible to the same extent that they would be had the convention been held in Canada. However, the preceding paragraph applies where a convention held in the United States is sponsored by a Canadian organization that is not national in character.

All convention expenses incurred must be reasonable and you should be in a position to prove your attendance and to support your expenses with vouchers.

If you combine attendance at a convention, wherever it is held, with a vacation trip, you must allocate expenses on some reasonable basis to eliminate those that are essentially for vacation purposes. A reasonable basis is considered to be one that allows you to deduct the cost of travel (i.e., transportation and necessary meals and accommodation en route) from your place of business to the convention and back by the most direct route available, and the costs and accommodation while participating in the convention.

Meals and Entertainment Expense Incurred While Attending a Conference

As you know, reasonable amounts paid for food beverages and entertainment incurred in earning income from a business or property are deductible, but only up

to 50% of such expenses. This limitation will also apply to meals and entertainment expenses incurred while attending a conference.

Where a fee for a conference, convention, seminar, etc., entitles the participant to food, beverages or entertainment other than incidental refreshments (presumably coffee breaks), it is expected that a reasonable part of the fee will be broken out and identified as a meal etc., expense, so that the payor may add back 50% of that element when claiming the general seminar expense. Where no such identification is made to the participant, \$50 per day is deemed to relate to meal costs, and the seminar fee is deemed reduced by \$50.

Costs Incurred for Accompanying Spouse

Expenses incurred, by or for spouse and children while accompanying you to at a convention, or on a combined convention and vacation trip are normally considered to be personal and as such they are not deductible. However, if reasonable arguments can be made to support the presence of your spouse at such a convention, you may be entitled to claim all, or a portion, of his/her expenses.

Employees Attending a Conference

Where an employer requires an employee to attend a convention as part of the duties of employment and the employee is reimbursed for reasonable costs incurred in so doing, such reimbursement would not normally constitute income in the hands of the employee. On the other hand, if the employer gives an employee a non-accountable allowance to cover the cost of attendance at such a convention, the employee will, as a rule, be taxable on that allowance. Employees are not in any case entitled to deduct any of the costs of attending conventions in computing their income.

Where an employee is accompanied by a spouse on a business trip, any payment or reimbursement by the employer of the spouse's travelling expenses is a taxable benefit to the employee unless the spouse was requested by the employer to go and the main purpose for going was to assist in attaining the business objectives of the trip.

Sales Taxes

Be sure to enquire as to the possibility of recovering foreign sales taxes charged at national, municipal or other jurisdictions, and levied on certain expenses paid at the convention.



BON VOYAGE!

P.S. When planning a trip, why not enquire about the various conventions offered at your preferred destination. You may be able to convert an otherwise personal trip - or a portion thereof - into a bona fide tax deductible expense.

Sincerely,

LOGAN KATZ LLP

*This 'n That
at Logan Katz...*

We Keep Growing!

Last fall, *The Learning Kurve* informed you of our wishes to hire new professionals to join our existing team. We have now completed our recruitment for the coming year and – hopefully – years to come. Logan Katz is pleased to announce that **Ms. Brigitte Bonneville, C.A.** has joined our management team. Having already managed her own small business practice, as well as practiced with Ernst & Young and Grant Thornton, Brigitte has a wealth of experience and expertise in small business accounting and taxation. We are looking forward to introducing her to you.

Logan Katz in the Community

David Logan provided an expert's view on the accounting profession to students of *St Peter's High School* in Orleans on November 16. The objective was to deliver an insider's perspective on the benefits and rewarding challenges of a career in accounting.

Gary Katz recently joined the Board of Directors of *The Hillel Lodge Foundation*. Hillel Lodge is a 100-bed, long-term care facility primarily for the Ottawa Jewish elderly requiring assistance with activities of daily living and/or suffering from some degree of cognitive impairment.

David Logan also offered information sessions at the Ottawa Public Library Orleans and CentrepoinTE locations on November 20 and 28. The objective of the sessions was to provide business advisory information to participants who are planning on starting a small business. These information sessions are provided through the Ottawa Public Library Business Services.

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