

This guide has been designed to help you complete the *Monthly Statement: Assessment of Income and Assets of a Self-employed Worker* form (SR-2586). The information provided on this form will enable us to calculate the income you earned from self-employment during the period covered. In addition, the form is used to declare your assets as a self-employed worker. The form is required in order to study your last-resort financial assistance file. It is therefore important to carefully follow the instructions below.

The assessment conducted will make it possible to establish the net income you earn yearly from self-employment. That income will then be broken down on a monthly basis in order

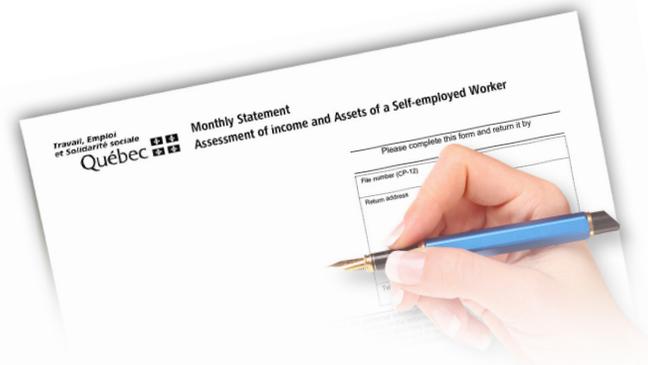
to determine the amount of net monthly income that must be applied as income from self-employment in calculating the amount of last-resort financial assistance you can be paid or the amount of your benefit under the Aim for Employment Program. That income from self-employment can be reassessed during and at the end of a fiscal year in order to take into consideration any variation in income.

It is possible that the assessment made using this form will differ from those conducted by other departments and agencies, since their income calculation rules may differ from ours.

PERIOD COVERED

The period covers 12 months, unless otherwise indicated.

The form makes it possible to assess your income and expenses for a maximum period of three months. Therefore, you must generally complete four forms, since the period covered is 12 months. Be sure to provide the information requested for each month of the period covered. If the person in charge of your file needs clarifications, he or she will contact you.



SECTIONS TO BE COMPLETED

You must complete or revise the section entitled "Information about the business".

If your business is a corporation or a for-profit incorporated company (Inc.), you must complete Section E of the form.

If you are a self-employed worker or your business is a sole proprietorship, whether registered or not, or a partnership, you must complete all the sections of the form, for each of the months indicated.

GOODS AND SERVICES TAX (GST/HST) AND QUÉBEC SALES TAX (QST)

If you are registered for the GST/HST and the QST, you must declare your income and expenses EXCLUDING the taxes.

IMPORTANT

You must declare your business income and expenses according to the accrual accounting method.

According to this method:

- ▶ Income is declared for the period during which it is earned, regardless of whether payment has been received.
- ▶ Expenses are deducted for the period during which they are incurred, regardless of whether you have paid them.

In order to make it easier for you, the person in charge of your file will send you one or more personalized statement forms. It is possible that certain income or expense items mentioned in this guide may not appear on your form or forms.

GROSS INCOME

Your income is your business's sales figure, which is represented by all your contracts, sales, fees, gratuities (tips), etc. Your income must be declared by category (gross sales, fees, contract work, tips, etc.).

Line 1 – Gross sales: You must declare all of your gross income for the period covered, regardless of whether you have actually received the amounts to which you are entitled. Income is considered to be earned when the services are rendered or the goods are delivered during the period covered.

The amount of gross sales must exclude the GST/HST and the QST.

Line 2 – Fees: You must distribute your fee income according to the months in which you worked to earn it.

Line 3 – Contract work: You must distribute your income according to the duration of the contracts and the period covered by the statement.

Line 4 – Gratuities: You must declare the gratuities you received. If you enter no amount or the amount declared is below the established standards according to the type of income earned, a minimum amount will be recorded.

COST OF PRODUCTS SOLD

You must complete this section if your business buys or owns goods for the purpose of reselling them or for manufacturing products to be offered for sale. Your inventory must take into account the **purchase value** (cost price) of your products. The information that you provide in this section is used to calculate the profit earned on the items sold.

Lines 8 and 10 – Inventory at start of period and Inventory at end of period: You must indicate the value (cost price) of your inventory at the start and at the end of each month.

Line 9 – Purchases during period: You must indicate the total cost of the purchases, made during the month, of goods intended for sale or for manufacturing of products to be offered for sale.

BUSINESS EXPENSES

According to the *Individual and Family Assistance Regulation*, the amortization of assets used by the business is excluded from the calculation of income, and capital repayment is not considered an operating expense. Only operating expenses must be indicated on this form. Expenses to earn work income must be considered reasonable and necessary by the person in charge of your file.

CAPITAL EXPENSES

A capital expense consists in the purchase of goods. It may not be deducted from gross income, since it constitutes an

advantage from which the business can benefit over a long period of time (more than 12 months). For example, the purchase of a printer cannot contribute to a reduction of your gross income in assessing your net income.

OPERATING EXPENSES

An operating expense consists in the purchase of items that must be replaced often. An operating expense is taken into consideration in establishing the net work income provided that it is incurred in order to earn that income. For example, the cost of renewing an ink cartridge may be considered in the calculation of your net income.

VEHICLE EXPENSES

Expenses for travel between your residence and your place of business are considered personal expenses. You therefore must not include them in the kilometres covered for business purposes.

Total vehicle expenses may be considered when you or a member of your family has more than one vehicle and one of the vehicles is used exclusively for work.

If the vehicle is used for business and personal purposes, a proportion must be established to determine its use for business purposes.

Lines 11 through 14: If you keep a logbook of your vehicle's odometer readings, complete **lines 11 through 14**. Note that if your application for financial assistance is accepted, you will have to keep a logbook for the following year.

Lines 15 through 20: If you are asked to provide them, you must submit all the invoices for vehicle expenses, whether they were incurred for a personal or a business purpose.

Deductible expenses include fuel, maintenance, repairs, insurance, registrations, licences, interest on a vehicle loan and leasing costs.

If you own a vehicle and you have taken out a vehicle loan to buy it, you can deduct the interest paid on the loan, but not the purchase price.

If you lease a vehicle, you can deduct the leasing costs for the vehicle.

The deductible share of your expenses corresponds to the proportion of the kilometrage devoted to your activity. You must keep a logbook of your travel, which will enable you to justify your deduction when your statement is audited.

Fines are not deductible.

Line 17 – Insurance: For vehicle insurance, you must determine the cost for the period covered, including the taxes, as follows.

$$\frac{\text{Total cost of the insurance contract, including taxes}}{\text{Number of months of the contract}} = \text{Result to be entered for each month}$$

BUSINESS PREMISES EXPENSES

When the work is performed at the residence of a self-employed worker, certain costs may be considered expenses. These costs are established according to the percentage of the area used for the business activities. For the costs to be considered expenses, the following rules must be complied with:

- ▶ The residence must constitute the main place of work of the person.
- ▶ The space reserved for work in the residence must be used mainly, i.e. 90% or more, to conduct activities related to the work performed by the self-employed worker.

You must indicate **all** the expenses incurred for your business premises or dwelling. Expenses related to the premises may be mortgage interest, property tax (municipal and school taxes), insurance expenses (fire, theft and liability), electricity, heating and maintenance costs, and repair costs. They are calculated considering the proportion of the premises used for business purposes, if appropriate. You must provide supporting documents if requested.

Line 21 – Business premises or dwelling (if you are a tenant): Whether you rent premises solely to run your business or you use a portion of your personal dwelling for your self-employed work, you must enter the total cost of rental, taking into consideration the amounts in effect during the period covered.

Lines 22 to 26: You must establish the percentage of use of commercial premises by dividing the number of rooms used solely for business purposes by the total number of rooms.

Line 24 – Insurance (fire, theft, liability): As regards insurance, you must determine the costs according to the term of the contract and the period covered by the statement, and include the taxes.

$$\frac{\text{Total cost of the insurance contract, including taxes}}{\text{Number of months of the contract}} = \text{Result to be entered for each month}$$

Line 25 – Electricity, heating: Consult your most recent electricity bill to find out the electricity costs. Take the “Previous consumption” total shown on the bill, divide it by the number of days, multiply the result by 365 and then divide this second result by 12.

Example: The total is \$1,234.56 for 345 days. Therefore, \$1,234.56 divided by 345 days and multiplied by 365 days, then divided by 12 months = \$108.84 per month.

Line 26 – Maintenance, repairs: Rental development and improvement expenses are not deductible.

MISCELLANEOUS BUSINESS EXPENSES

Line 37 – Meals: In certain exceptional situations, meal expenses incurred during travel outside your region may be taken into consideration and you may be asked to explain these expenses. If this applies to you, enter the total meal expenses incurred for business purposes, according to the restaurant receipts. Handwritten receipts are not accepted.

Lines 38 through 41: Enter the portion of telephone and Internet expenses incurred for business purposes, as well as the percentage corresponding to that portion compared with the total expense.

Example: The total expense is \$50 and the percentage of the portion incurred for business purposes is 75%. You can therefore indicate \$37.50 and 75%.

Although the form provides substantial details to enable you to determine and deduct the expenses you have incurred to earn your income, other expenses may have been incurred for that purpose that are not covered by the expense categories shown on the form. If so, you can deduct these expenses by specifying them on the “Other expenses” line.

ADJUSTMENT OF NET INCOME

Enter the value of the products purchased for your business but used for personal purposes. As these amounts are already

included in the cost of the products sold, they have to be added to your net income.

PERSONAL ASSETS USED BY THE BUSINESS

Indicate the type and market value of the assets used by your business and owned by you. These assets can include movables (truck, business furniture and equipment, etc.), immovables

(garage, commercial building, etc.) and intangibles (taxi driver permit, goodwill, or any other similar asset).

COMMENTS AND ADDITIONAL INFORMATION

Provide, on a sheet of paper attached to your statement, any additional information required for the study of your file.

For example, indicate whether you have:

- ▶ any upcoming contracts (signed or being negotiated);
- ▶ made or plan to make any changes to your business;
- ▶ prepared a revitalization plan (in the case of an incorporated company), etc.

Furthermore, if you plan to permanently cease your self-employment activities, please indicate this intention. If you plan to resume your activities and know the approximate date on which you will do so, please indicate that as well.

IMPORTANT

Be sure to sign the form or forms to confirm that the information shown is true and complete, and that you will notify the Ministère du Travail, de l'Emploi et de la Solidarité sociale without delay in the event of a change in the information provided.

If you are a self-employed worker or your business is a sole proprietorship whether registered or not, or a partnership, please read the following:



You may be asked to provide the following documents, which must be available for audit purposes (please group them together by category and by month):

- ▶ your business's bank account statements;
- ▶ commercial lease;
- ▶ mortgage statements;
- ▶ proof of payment of property tax and insurance (excluding life insurance);
- ▶ contracts, invoices and supporting documents that you used to determine your income and expenses;
- ▶ etc.

If your business is a corporation or a for-profit incorporated company (Inc.), please read the following:



You may be asked to provide the following documents, which must be available for audit purposes (please group them together by category and by month):

- ▶ balance sheet and statement of income and expenses for the last fiscal year;
- ▶ your business's bank account statements;
- ▶ payroll journal;
- ▶ shareholder agreement;
- ▶ proof of loan applications;
- ▶ proof of subsidies;
- ▶ revitalization plan;
- ▶ etc.