

Sole Proprietor Expense Categories Reference

A practical companion to the Sole Proprietor Daily Tracker

This reference explains the working expense categories used in the Sole Proprietor Daily Tracker. The categories are aligned with selected T2125 expense lines to help organize business records consistently. They do not determine the final tax-return classification or the amount that may be claimed. Final treatment should be confirmed during tax preparation.

Why the tracker uses a limited category list

The tracker is designed for practical, repeatable recordkeeping. It does not reproduce every possible T2125 line or a full bookkeeping chart of accounts. A shorter list helps the user classify similar expenses consistently and reduces year-end cleanup.

The goal is not perfect tax classification at the moment of entry. The goal is to capture the transaction, preserve the supporting evidence, apply a reasonable working category and clearly identify anything that remains unresolved.

How to use this reference

- Choose the closest working category only when it reasonably describes the expense.
- Use the same category for the same type of purchase each month.
- Add a clear transaction description and identify the supporting document.
- Enter the filename, document description or storage location in the Source field in Bank Transactions or the Source Document field in Expenses Outside Bank.
- Use Professional Review instead of forcing an unusual or uncertain transaction into a category.

Status determines how the record is treated

Status	When to use it
Complete	The record is supported and ready to flow into the applicable working summaries.
Missing Evidence	The transaction is known, but the receipt, invoice or other required support is missing.
Professional Review	The facts are recorded, but the accounting or tax treatment remains uncertain.

Scope: This reference covers the tracker's expense categories. The tracker also contains separate working categories for business, professional, commission and other income.

Expense Category Quick Reference

Tracker category	Code	Working use
Advertising & Promotion	8521	Advertising, marketing and promotion
Meals & Entertainment	8523	Supported business meals and entertainment
Insurance	8690	Business insurance
Interest & Bank Charges	8710	Business interest and bank fees
Wages	9060	Employee wages, benefits and employer contributions
Office Expenses	8810	Paper, toner and small office supplies
Office Stationery and Supplies	8811	Supplies consumed in providing goods or services
Legal, Accounting & Prof Fees	8860	External legal, accounting and consulting services
Rent	8910	Office, shop or other business premises
Maintenance & Repairs	8960	Repairs to existing business property or equipment
Delivery, Freight & Express	9275	Shipping, courier and freight
Travel	9200	Business travel costs other than meals
Bad Debts	8590	Potentially uncollectible business receivables
Telephone & Utilities	9220	Business phone, internet and utilities

Working reference only: The codes help organize records for year-end review. They do not establish deductibility, GST/HST treatment or the final T2125 amount.

Category Guidance

Advertising & Promotion — 8521

Use this for advertising and promotional activity intended to attract customers or support sales.

- Online or print advertising
- Business cards, brochures and promotional materials
- Sponsorships directly connected to business promotion

Meals & Entertainment — 8523

Use this for supported business meals and entertainment. Record the amount shown on the source document and note the business purpose and participants where appropriate.

- Client meal with a documented business purpose
- Business meal while travelling
- Eligible entertainment connected to a business relationship

Tracker note: The tracker does not calculate the deductible portion. These expenses are generally subject to a 50% limit, but exceptions can apply. Confirm the allowable amount during tax preparation.

Insurance — 8690

Use this for insurance relating to the business, its premises, equipment or professional activities.

- Business or professional liability coverage
- Commercial property or equipment insurance
- Business interruption insurance

Tracker note: Personal coverage does not become a business expense merely because it was paid from the business account.

Interest & Bank Charges — 8710

Use this for business bank charges and applicable interest on money borrowed for the business.

- Monthly business bank fees
- Interest on business borrowing where applicable
- Separately charged business banking costs

Tracker note: A processor fee withheld from a client settlement belongs in the Processor Fee field in Bank Transactions. Do not also record the same fee in this category.

Category Guidance

Wages — 9060

Use this for salaries, wages, employee benefits and applicable employer contributions.

- Employee wages
- Employer payroll contributions
- Employee benefits where applicable

Tracker note: Money withdrawn by the sole proprietor is an Owner withdrawal, not Wages. Payroll deductions, remittances and reporting require separate payroll records.

Office Expenses — 8810

Use this working category for the smaller general office costs identified in the tracker's Setup sheet.

- Paper and notebooks
- Toner and printer ink
- Pens, folders and other small office items

Office Stationery and Supplies — 8811

Use this for supplies consumed more directly while providing goods or services.

- Packaging materials
- Consumable materials used to provide a service
- Supplies used up during business activity

Tracker note: Use Office Expenses for general administrative items and Office Stationery and Supplies for consumable inputs used more directly in the work. Apply the distinction consistently.

Legal, Accounting & Prof Fees — 8860

Use this for external professional services obtained for the business.

- Accounting or bookkeeping services
- Legal advice or contract review
- Business consulting and tax-preparation services

Tracker note: This category is for professional services, not ordinary software subscriptions.

Category Guidance

Rent — 8910

Use this for rent paid for office, shop, studio, workshop, retail or other business premises.

- Office or studio rent
- Workshop or retail-space rent
- Coworking space when appropriately treated as rent

Tracker note: Do not enter personal housing costs here. Home-office costs require separate allocation and review.

Maintenance & Repairs — 8960

Use this for repairs and maintenance that keep existing business property or equipment in working condition.

- Repair to business equipment
- Maintenance on business tools
- Minor repair to business premises where applicable

Tracker note: Major improvements and new equipment may be capital property rather than current expenses. Use Professional Review when uncertain.

Delivery, Freight & Express — 9275

Use this for shipping, courier, freight and delivery costs connected to the business.

- Courier charges
- Freight on business purchases
- Customer-delivery or fulfilment charges

Travel — 9200

Use this for supported business travel costs other than meals.

- Hotel and airfare for a business trip
- Train, taxi or rideshare for business travel
- Business-travel parking

Tracker note: Record business meals in Meals & Entertainment rather than Travel.

Category Guidance

Bad Debts — 8590

Use this category only when a business receivable may qualify as a bad debt.

- A customer balance that may have become uncollectible after reasonable collection efforts

Tracker note: An invoice is not a bad debt merely because it remains unpaid at year-end. Use Professional Review and ask the tax preparer or accountant to confirm whether the amount qualifies and how it should be treated.

Telephone & Utilities — 9220

Use this for business telephone, internet and utility services.

- Business phone line
- Internet used for the business
- Utilities for business premises where applicable

Tracker note: For partly personal costs, document the business-use basis and use Professional Review when the supported amount is uncertain.

Items that may not belong in a current expense category

Some transactions require additional facts or a separate calculation. Record the transaction and supporting evidence, but do not force the amount into a current expense category merely to make it appear in a total.

- Larger equipment, computers and other possible capital property
- Home-office expenses requiring a business-use allocation
- Vehicle expenses and mileage allocations
- Prepaid costs covering a future period
- Accrued wages or other amounts unpaid at year-end
- Mixed personal and business expenses

Use Professional Review: Add a clear note explaining the uncertainty and identify the source evidence so the issue can be resolved during year-end review.

Sarah's Examples

Sarah is the fictional sole proprietor used in the Built to Thrive examples. These records show how the tracker's categories, amount fields and statuses work together.

Sarah's transaction	Amount	Working treatment	How to record or review it
CloudDesk software	\$60 + \$3 GST/HST	<i>Office Expenses</i>	Paid by personal credit card; enter in Expenses Outside Bank as a Business cost and mark Complete when the invoice is available.
January supplier payment	\$177.52 + \$8.88 GST/HST	<i>Office Expenses</i>	The bank payment is known, but the supplier invoice is outstanding. Use Missing Evidence until adequate support is received.
Harbour client settlement	\$2,400 revenue + \$120 GST/HST; \$75.60 fee	<i>Not an expense category</i>	Record the gross sale and GST/HST in Bank Transactions. Enter \$75.60 in Processor Fee rather than Interest & Bank Charges.
Insurance covering a future period	\$500 + \$25 GST/HST	<i>Insurance</i>	Record as a Year-End Review candidate and use Professional Review until the current-year and prepaid portions are confirmed.
Unpaid December wages	\$1,400	<i>Wages</i>	Record as a Year-End Review candidate. No GST/HST applies to wages; confirm the accrual and any related payroll obligations.
Laptop purchase	\$1,562	<i>Professional Review</i>	Do not force the laptop into Office Expenses. It may be capital property requiring CCA treatment.
Unpaid Avalon invoice	\$1,200 + \$60 GST/HST	<i>Not Bad Debts automatically</i>	An unpaid invoice remains revenue and accounts receivable unless the requirements for bad-debt treatment are met.
Do not duplicate transactions: If Sarah's supplier invoice is later received, update the original Bank Transactions row. Do not enter the expense again in Year-End Review or Expenses Outside Bank.			

Consistency and Control Rules

- Use the same working category for the same type of purchase each month.
- Do not create a new category merely because a description is unusual.
- Keep appropriate evidence for each transaction; not every transaction will be supported by a traditional receipt.
- Review Missing Evidence and Professional Review items every month.
- Do not classify personal spending as a business expense.
- If personal spending appears in the business bank account, enter it so the bank can reconcile and classify it as an Owner withdrawal or another appropriate non-expense transaction.
- Do not overwrite the calculated category code or notes populated by the tracker.

When to ask before guessing

- The transaction is partly personal or partly business.
- The purchase is large, unusual or expected to last for several years.
- The payment covers more than one reporting period.
- The amount involves payroll, a possible bad debt or a prior-year correction.
- The GST/HST shown is missing, unexpected or inconsistent with the source document.
- You cannot identify a reasonable working category without changing the substance of the transaction.

Helpful official references

[CRA — Expenses section of Form T2125](#)

[CRA — Form T2125](#)

Final reminder

A useful tracking system is one that is maintained consistently. Capture the transaction once, preserve the evidence, use the closest reasonable working category and identify unresolved treatment clearly. Clean working records make month-end review and the professional year-end handoff easier.

Important limitation: The Daily Tracker and this reference are educational recordkeeping tools. They do not determine deductibility, GST/HST input tax credit entitlement, payroll treatment, capital cost allowance or the final T2125 filing position.