

Reasons for Decision

Order # AP1516-0261

The appellant appealed that not all the appellant's business expenses have been allowed as a deduction.

The appellant is enrolled on income assistance in the disability category and therefore has no work expectations. The appellant and the appellant's spouse have been operating a small cafeteria since <date removed>. The appellant has been reporting either no earnings or very low earnings since that time. The program became aware that the appellant's monthly lease was reduced, but they did not see any corresponding increase in the appellant's revenue.

The program met with the appellant to request that the appellant's recordkeeping be improved so that they could more easily discern the profits of the business. The program had made previous referrals to provide the appellant with self-employment training.

The appellant filed the appeal when the program did not allow any deductions for food expenses for the month of <name of month removed>. The appellant reported gross sales of <amount removed> and operating expenses of <amount removed> for a net profit of <amount removed>. The operating expenses were not broken down and itemized as is required by the form.

The program stated that the appellant did not provide enough documentation for them to allow for all business expenses claimed. They have allowed for the expenses that they could verify such as cost of the lease, debit machine fee, and insurance. They have not allowed for the cost of food, because the amount of food purchased and sold were not clearly itemized for the program to verify. At the hearing the program gave some examples such as obvious personal items included in grocery store receipts, and inventory not corresponding to receipts and sales slips. The program has asked the appellant to keep the appellant's personal and business bank accounts separated to easily view the activity of the appellant's business.

The appellant indicated that the appellant really cannot work anymore due to the appellant's disability, but operating the cafeteria keeps the appellant busy, and the appellant can rest when the appellant needs to. The appellant feels the appellant has given them all the information that the appellant has and the appellant's food costs should be allowed. The appellant stated that when the appellant uses the business account or cash from the till for the purchase of personal items, the appellant does not claim them as an expense. The appellant stated the appellant does give the appellant's children food items, but the appellant makes them do work for the business to earn them, and therefore the appellant feels that they are business expenses. The

appellant stated that the nature of the appellant's business is that the appellant must go to the grocery store on a daily basis, sometimes 2 or 3 times in a day to buy stuff for the business. The appellant takes cash out of the till to make these purchases. The appellant does not have a system of paying him or herself from the business account, the appellant just uses the funds in the business account when the appellant needs them, but does not claim this as a business expense.

After carefully reviewing the written and verbal information the Board has determined that the information regarding food costs for the month of <name removed> was not provided in a clear and transparent manner and therefore agrees with the Department. Therefore, the Board could not determine what the business expense for food should be for the month of <name removed>. However; the Board also acknowledges that in a food service business, the food costs will be the primary business expense each and every month and cost of food is a legitimate business deduction.

It is the Board's finding that the Department was correct in requiring that the appellant keep the appellant's personal and business expenses completely separate. The program cannot determine eligibility and need for income assistance benefits if the appellant's family is accessing funds or purchasing items from the business. Any funds needed for personal use must be transferred from the business account to a personal account, prior to use as personal use. The transfers to the personal account in any given month should not exceed the amount reported as profit for that particular month.

When the appellant or the appellant's family consume anything from the business, this must be recorded and reported. When the appellant chooses to give the appellant's <children> food items, the appellant is in fact giving away the profits of the business, and the appellant may choose to do this as their <parent>, but as a business owner, they are not considered a business expense which can be exempted from the calculation of net earnings, for the purpose of determining eligibility for income assistance.

The appellant must also establish a tracking system for any spoilage that occurs so that this can be demonstrated at the end of every month. This can be exempted as a business expense.

The very nature of the appellant's business is that the appellant is dealing in frequent turnover of stock, and this therefore requires more in-depth tracking and bookkeeping. The program must be satisfied that the appellant is not supplementing the appellant's income assistance benefits with business earnings beyond the amounts allowed by the work incentive program. In order to satisfy the requirements, the appellant must make an effort to show all the ins and outs of the business in a clear and transparent matter, and must not mix personal and business funds together. If the appellant can demonstrate this type of organized bookkeeping for the program, then a fair exemption for food costs may be made by the program. If the appellant is unable to find a way to present this information to the program, then they will not be able to provide an

exemption for food costs.

The appellant may also be eligible for some additional business costs such as telephone or transportation, but the appellant will need to discuss this with the program.

The Board is therefore referring this appeal back in order to provide the appellant and the Employment and Income Assistance Program an opportunity to establish a clear and transparent tracking system for food costs and other business expenses. If the appellant wishes to continue to run the appellant's cafeteria business, the appellant must comply with the program's expectations.

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