



Reconciliation of 2019 Business Income for Tax Purposes

General information

Use this form if you are a self-employed business person, including a self-employed commission salesperson, a professional, a farmer, or a fisher, and you:

- started your business in 2018 or 2019 and are electing to use the **alternative method** to have a fiscal period that does not end on December 31, effective for the first fiscal period of your business
- have already elected to have a fiscal period that does not end on December 31 and are calculating your additional business income. This is mandatory if you have made this election. Fill in all applicable information in Part 2
- are cancelling your previous election and are now going to use a fiscal period that ends on December 31; fill in all applicable information in Part 5
- are calculating your business or professional income to report on your 2019 Income Tax and Benefit Return

Who can elect to use the alternative method

The alternative method is only available, on a per business basis, for businesses carried on in Canada by individuals or partnerships of which all the partners are individuals.

Please note that if you are a goods and service tax/harmonized sales tax (GST/HST) registrant, your choice of the fiscal period end for income tax purposes may affect your GST/HST reporting periods, filing, and balance due dates.

You **cannot** use the alternative method if:

- you are in partnerships that are partners in other partnerships
- you are an individual who is a partner in a partnership that includes a professional corporation as a partner
- the expenditures made in the course of carrying on the business are primarily the cost or capital cost of tax-shelter investments
- you have already elected to use the alternative method and then cancelled the election

How to fill in this form:

Fill in Part 2 **only** if you are electing or you have already elected to have a fiscal period that does not end on December 31. We refer to this as the alternative method. If you are cancelling your previous election, and are now going to use a fiscal period which ends on December 31, fill in all applicable information in Part 5.

You must fill in this form and send it with your Income Tax and Benefit Return to calculate your additional business income for as long as your fiscal period does not end on December 31.

If you need to calculate an additional business income for a separate business, fill in another form T1139 for each one.

Filing and balance due dates related to this form

Generally, as an individual you have until April 30, 2020, to file your 2019 Income Tax and Benefit Return. However, if you have self-employed income, you have until June 15, 2020. In both cases, any tax owing must be paid by April 30, 2020.

To have a fiscal period that does not end on December 31, you have to send this form with your Income Tax and Benefit Return as follows. If you started your business in:

- 2018 and your first fiscal period ended in 2019, but you **did not** fill in this form nor reported business income in 2018, you **must** fill in the form and send it with your 2019 Income Tax and Benefit Return
- 2019, your first fiscal period ends in 2020, and you decide to report your business income in your 2019 Income Tax and Benefit Return, fill in this form to request an election for your 2019 return
- 2019, your first fiscal period ends in 2020, and you will report a business income for the first time in 2020, fill in this form to request an election for your 2020 Income Tax and Benefit Return

Please note that if the due date for filing a return falls on a Saturday, a Sunday, or a public holiday recognized by the CRA, we consider the return to be filed on time if it is sent to us on the next open business day. If the due date for making a payment falls on a Saturday, a Sunday, or a public holiday recognized by the CRA, we consider the payment to be made on time if we receive it on the next open business day.

Part 1 – Identification

Your name	Social insurance number (SIN)
Business name	Business number (if applicable)

Part 2 – Alternative method – fiscal periods that do not end on December 31

Part 2 will help you calculate your additional business income to report on your 2019 Income Tax and Benefit Return.

Once you have made an election to have a fiscal period that does not end on December 31, you do not have to make it again for that business.

For a final Income Tax and Benefit Return in case of death of a partner or a proprietor, complete Part 3 – Alternative method – Death of a proprietor.

For more information on amount A or if you are a partner in a partnership, see Part 7 – Notes.

Net income (loss) for your fiscal period ending in 2019 (if applicable)..... | A

Additional business income is based on your fiscal year-end period. Use **only one** of the formulas below. Enter the result at amount D (if the amount you calculate with the formula is negative, we consider it to be nil)

Additional business income if your fiscal period ends in 2019

Total of amount A considered to be a taxable capital gain for the purpose of the capital gains deduction..... | 2A

Your total capital gains deduction for 2019..... | 2B

Amount 2A or 2B, whichever is less..... | 2C

Amount A **minus** amount 2C..... | 2D

Number of days in 2019 that the business is carried on after your fiscal period ending in 2019 up to December 31, 2019..... | 2E

Number of days in 2019 that the business is carried on in the fiscal period ending in 2019..... | 2F

Amount 2E **divided** by amount 2F..... | 2G

Amount 2D **multiplied** by amount 2G..... | B

For an example of how to calculate amount B, see Part 7 – Notes.

Additional business income if your business started in 2019 and your fiscal period ends in 2020

Enter at amount C the lesser of any amount you designate as your additional business income or the result of the following formula.

If the net income for the fiscal period ending in 2020 is unknown, use reasonable estimated amounts.

Net income for the fiscal year ending in 2020..... | 2H

Total of the net income considered to be a taxable capital gain for the purpose of the capital gains deduction..... | 2I

Your total capital gains deduction for 2020..... | 2J

Amount 2I or 2J, whichever is less..... | 2K

Number of days in 2019 that the business is carried on in the fiscal period ending in 2020..... | 2L

Number of days the business is carried on that are in the fiscal period ending in 2020..... | 2M

Amount 2L **divided** by amount 2M..... | 2N

Amount 2K **multiplied** by amount 2N..... | C

For an example of how to calculate amount C, see Part 7 – Notes.

Part 3 – Alternative method – Death of a proprietor

Death of a partner or proprietor

In the case of the death of a partner or a proprietor, there are timing issues to consider when reporting income and completing the final Income Tax and Benefit Return.

If the partner or proprietor died after the end of the business fiscal period, his legal representative can choose to fill in an optional Income Tax and Benefit Return. This means the representative will fill in two sets of returns and two T1139 forms for the 2019 year:

- A final Income Tax and Benefit Return and form T1139 to report the business income for the regular fiscal period as well as all other income
- An optional Income Tax and Benefit Return and form T1139 to report the business income from the short fiscal period that is immediately after the end of the regular fiscal period to the death of the partner or proprietor.

Final Income Tax and Benefit Return for the regular fiscal period, and this form

In this case, the final Income Tax and Benefit Return includes the business income from the regular fiscal period and all other income. The legal representative fills in the financial statements and this form. Fill in the form for the regular fiscal period as follows:

Net income (loss) for your fiscal period ending in 2019 (if applicable).....	_____	A
Total of amount A considered to be a taxable capital gain for the purpose of the capital gains deduction	_____	3A
Your total capital gains deduction for 2019	_____	3B
Amounts 3A or 3B, whichever is less	_____	3C
Amount A minus amount 3C.....	_____	3D
Number of days the business is carried on after the end of the 2019 fiscal period, up to and including the date of death	_____	3E
Number of days the business is carried on that are in the regular fiscal period ending in 2019.....	_____	3F
Amount 3E divided by amount 3F	_____	3G
Amount 3D multiplied by amount 3G.....	_____	3H

Enter amount 3H at amount D below.

Optional Income Tax and Benefit Return, plus this form, for the short fiscal period

The optional Income Tax and Benefit Return includes the business income for the short fiscal period. The legal representative fills in the financial statements and this form for the time from the end of the regular fiscal period until the date of death. Fill in the form for the short fiscal period as follows:

- At amount A, enter the net income (loss) from the end of the regular fiscal period until the date of death
- At amount F, enter the additional business income from amount D of this form for the final Income Tax and Benefit Return

For more information about filing returns for deceased persons, see guide T4011, Preparing Returns for Deceased Persons.

Part 4 – Final net income (loss) of the business

Additional business income: Enter either amount B, C or 3H based on the formula that was used above ...	_____	D
Subtotal: Amount A plus amount D	_____	E
Last year's additional business income: Enter amount D from last year's form T1139	_____	F
Net income (loss) of the business: Amount E minus amount F – Report this amount on the appropriate line of your Income Tax and Benefit Return	_____	G

Report amount G as self-employment income on your Income Tax and Benefit Return:

- For business income, enter it at line 13500
- For professional income, enter it at line 13700
- For commission income, enter it at line 13900
- For farming income, enter it at line 14100
- For fishing income, enter it at line 14300

Part 5 – Changing back to a fiscal period ending on December 31

Part 5 applies only to businesses that started before 2019 and that sent this form with their Income Tax and Benefit Return last year.

If you cancel your previous election so that your fiscal period now ends on December 31, you have to report your business income on a calendar-year basis in later years. Once you have changed your fiscal period end to December 31, you cannot change it back.

For more information on amount H and I or if you are a partner in a partnership, see Part 8 – Detailed Information.

Net income (loss) for your **first** fiscal period that ends between January 1, 2019, and December 30, 2019 _____ | H
 Net income (loss) for the period that starts after the end of your first fiscal period in 2019, and up to December 31, 2019 _____ | I

For more information on amounts H and I, see Part 8 – Detailed information.

Subtotal: Amount H **plus** amount I _____ | J

Last year's additional business income: Enter amount D from last year's form T1139 _____ | K

Net income (loss) of the business: Amount J **minus** amount K – Report this amount on the appropriate line of your Income Tax and Benefit Return _____ | L

Report amount L as self-employment income on your Income Tax and Benefit Return:

- For business income, enter it at line 13500
- For professional income, enter it at line 13700
- For commission income, enter it at line 13900
- For farming income, enter it at line 14100
- For fishing income, enter it at line 14300

Part 6 – Certification

I am cancelling my previous election to have a fiscal period that does not end on December 31 in order to have a fiscal period ending on December 31.

First name _____ Last name _____
 Title _____ Telephone number _____

I certify that the information given on this form is correct and complete.

Signature _____ Date (YYYYMMDD) _____

Personal information (including the SIN) is collected for the purposes of the administration or enforcement of the Income Tax Act and related programs and activities including administering tax, benefits, audit, compliance, and collection. The information collected may be used or disclosed for purposes of other federal acts that provide for the imposition and collection of a tax or duty. It may also be disclosed to other federal, provincial, territorial or foreign government institutions to the extent authorized by law. Failure to provide this information may result in interest payable, penalties or other actions. Under the Privacy Act, individuals have the right to access their personal information, request correction, or file a complaint to the Privacy Commissioner of Canada regarding the handling of the individual's personal information. Refer to Personal Information Bank CRA PPU 005 on Info Source at canada.ca/cra-info-source.

Part 7 – Notes**Amount A**

If you have more than one fiscal period that does not end on December 31 for the same business, amount A is the total of the net income (loss) of these fiscal periods. For example, if you had a regular fiscal period ending on May 31, 2019, and then ceased to do business and retired on July 31, 2019, then you would have a second fiscal period ending July 31, 2019.

You can find the net income (loss) amount you need to enter at amount A from your income and expenses statement for the fiscal period ending in 2019.

If you started your business in 2019, leave this field blank. Your net income (loss) is the amount found on line 9946 on the following forms:

- T2125, Statement of Business or Professional Activities
- T2121, Statement of Fishing Activities
- T2042, Statement of Farming Activities
- T1163, Statement A – AgriStability and AgriInvest Programs Information and Statement of Farming Activities for Individuals
- T1164, Statement B – AgriStability and AgriInvest Programs Information and Statement of Farming Activities for Additional Farming Operations
- T1273, Statement A – Harmonized AgriStability and AgriInvest Programs Information and Statement of Farming Activities for Individuals
- T1274, Statement B – Harmonized AgriStability and AgriInvest Programs Information and Statement of Farming Activities for Additional Farming Operations

If you are a partner in a partnership

A partner who has authority to act for a partnership can make the request to have a fiscal period that does not end on December 31. In this case, all partners in the partnership **must** fill in a copy of this form and send it with their Income Tax and Benefit Return to provide details of their net business income (loss) share.

Enter at amount A your share of the partnership's net business or professional income (loss) for the fiscal period ending in 2019. If you have deductible expenses from your share of the net partnership business income (loss), subtract these amounts before entering your share.

If you received a T5013 slip, Statement of Partnership Income, and you did not make adjustments to the amount in box 116, 120, or 122, enter the amount at amount A of this form for the fiscal period ending in 2019. However, if you made adjustments to the amount in box 116, 120, or 122, enter the amount from line 9946 on the form that applies to your type of business income. See "Amount A" above for a list of the forms.

Examples to calculate the additional business income (amounts B and C)**Amount B – Your business started before 2019**

Karim owns a roofing business with a fiscal period from April 1 to March 31. Karim's net income from the business for the fiscal period ending on March 31, 2019, is \$45,000. He enters his net income of \$45,000 at amount A of his form T1139. The business does not have income from the disposition of property. Karim will complete the first formula in Part 7 as follows to calculate amount B since his fiscal period ends in 2019:

$$\left(\begin{array}{l} 45,000 \\ \text{(amount A)} \end{array} - \begin{array}{l} 0 \text{ (since he has no} \\ \text{income from} \\ \text{disposition of property)} \end{array} \right) \times \frac{275 \text{ (the number of days in} \\ \text{2019 that are after his fiscal} \\ \text{period ending in 2019, so} \\ \text{from April 1, 2019,} \\ \text{to December 31, 2019)}}{365 \text{ (the number of days in the} \\ \text{fiscal period ending in 2019)}} = \underline{\hspace{2cm}} \text{ B}$$

Amount C – Your business started in 2019

Karim started a roofing business with a fiscal period that started on April 1, 2019, and ends on March 31, 2020. Karim's estimated net income from the business for the fiscal period ending on March 31, 2020, is \$45,000. The business does not have income from the disposition of property. Karim will complete the second formula in Part 2 as follows to calculate amount C since his first fiscal period ends in 2020 and he decided to declare part of his business income on his 2019 Income Tax and Benefit Return:

$$\left(\begin{array}{l} 45,000 \\ \text{(estimated net} \\ \text{income for the} \\ \text{fiscal period} \\ \text{ending in 2020)} \end{array} - \begin{array}{l} 0 \text{ (since he has no} \\ \text{income from} \\ \text{disposition of property)} \end{array} \right) \times \frac{275 \text{ (the number of days of his} \\ \text{fiscal period that are in 2019,} \\ \text{so from April 1, 2019,} \\ \text{to December 31, 2019)}}{365 \text{ (the number of days in the} \\ \text{fiscal period ending in 2020)}} = \underline{\hspace{2cm}} \text{ C}$$

Part 8 – Detailed information

Amounts H and I

You can find the net income (loss) amount you need to enter at amount H on your income and expenses statement for your first fiscal period ending between January 1, 2019, and December 31, 2019. You can find the net income (loss) amount you need to enter at amount I on your income and expenses statement for the second fiscal period ending between January 1, 2019, and December 31, 2019. You need a separate income and expense statement for each fiscal period. Please see "Additional information for amount I" on the next page. Your net income (loss) is the amount found on line 9946 on the following forms:

- T2125, Statement of Business or Professional Activities
- T2121, Statement of Fishing Activities
- T2042, Statement of Farming Activities
- T1163, Statement A – AgriStability and AgriInvest Programs Information and Statement of Farming Activities for Individuals
- T1164, Statement B – AgriStability and AgriInvest Programs Information and Statement of Farming Activities for Additional Farming Operations
- T1273, Statement A – Harmonized AgriStability and AgriInvest Programs Information and Statement of Farming Activities for Individuals
- T1274, Statement B – Harmonized AgriStability and AgriInvest Programs Information and Statement of Farming Activities for Additional Farming Operations

If you are a partner in a partnership

A partner who has authority to act for a partnership can make the request to return to a fiscal period that ends on December 31. In this case, all partners in the partnership **must** fill in a copy of this form and send it with their Income Tax and Benefit Return to provide details of their net business income (loss) share.

Amount H

Enter at amount H your share of the partnership's net business or professional income (loss) for the first fiscal period ending in 2019. If you have deductible expenses from your share of the net partnership business income (loss), subtract these amounts before entering your share.

If you received a T5013 slip, Statement of Partnership Income, and you did not make adjustments to the amount in box 116, 120, or 122, enter amount H for the first fiscal period ending in 2019. However, if you made adjustments to the amount in box 116, 120, or 122, enter the amount from line 9946 on the form that applies to your type of business income. See "Amounts H and I" above for a list of the forms.

Amount I

Enter at amount I your share of the partnership's net business or professional income (loss) of your fiscal period ending December 31, 2019. For example, if your first 2019 fiscal period ended on June 30, 2019, enter at amount I the net income (loss) for the period of July 1, 2019, to December 31, 2019. You must prepare a separate income and expense statement for this period.

If you have deductible expenses that relate to this income that you did not deduct at amount H, subtract them before entering your share of the net partnership income (loss) for this period.

If you received a T5013 slip and you did not make adjustments to the amount in box 116, 120, or 122, enter this amount at amount I for the fiscal period ending on December 31, 2019. However, if you made adjustments to the amount in box 116, 120, or 122, enter the amount from line 9946 on the form that applies to your type of business income.

See "Amounts H and I" above for a list of the forms. For more information, see "Additional information for amount I" on the next page.

Part 8 – Detailed information (Continued)

Additional information for amount I

Generally, you calculate the income and expenses of your fiscal period ending on December 31, 2019, the same way as your first fiscal period ending in 2019. You have to consider the following items:

- **Reserves:** Add any reserves you deducted in your fiscal period ending in 2019.
- **Opening inventory and closing inventory:** The opening inventory is the amount of the closing inventory of your fiscal period ending in 2019. Similarly, the closing inventory as of December 31, 2019, will be the opening inventory for your 2020 fiscal period.
- **Work-in-progress (WIP):** The WIP at the beginning of your fiscal period is the amount of the WIP at the end of your fiscal period ending in 2019.

However, if you have a tax year that begins after March 21, 2017, you can no longer elect to exclude amounts for WIP. If you elected to use billed-basis accounting for the last tax year that started before March 22, 2017, the new transitional rules allow you to include your WIP into income progressively.

Generally, for the first tax year that starts after March 21, 2017, you must include 20% of the lesser of the cost and the fair market value of WIP. The inclusion rate increases to 40% in the second tax year that starts after March 21, 2017, 60% in the third year, 80% in the fourth year, and 100% in the fifth and all subsequent tax years. For more information, see guide T4002, Self-employed Business, Professional, Commission, Farming, and Fishing Income.

- **Business-use-of-home expenses:** You can claim any deductible business-use-of-home expenses you could not use in the previous fiscal period ending in 2019. Similarly, you can carry forward to your 2020 fiscal period any deductible business-use-of-home expenses you could not use in your fiscal period ending on December 31, 2019.
- **Capital cost allowance (CCA):** The undepreciated capital cost (UCC) of the depreciable property at the start of your fiscal period is the UCC at the end of the first fiscal period ending in 2019. Similarly, the UCC at the end of your fiscal period ending on December 31, 2019, is the UCC at the start of your 2020 fiscal period.

For your fiscal period ending on December 31, 2019, you have to prorate your maximum claim for CCA based on the number of days in that fiscal period. For example, if your fiscal period ending on December 31, 2019, is 214 days, and you would normally calculate your maximum CCA to be \$3,500 for a full year, the maximum amount of CCA you can claim is \$2,052, that is to say $\$3,500 \times 214 \div 365$.

For more information on the items above, see guide T4002, Self-employed Business, Professional, Commission, Farming, and Fishing Income. For more information on CCA, see Income Tax Folio S3-F4-C1, General Discussion of Capital Cost Allowance, and the guide that applies to your type of business income:

- T4002, Self-employed Business, Professional, Commission, Farming, and Fishing Income
- RC4408, Farming Income and the AgriStability and AgriInvest Programs Harmonized Guide
- RC4060, Farming Income and the AgriStability and AgriInvest Programs Guide

Example to fill in amounts H and I

Karim filed an election when he started his roofing business to have a fiscal period from April 1 to March 31. In 2019, he decides to cancel his election in order to have his fiscal period end on December 31 for 2019 and later years. This means that Karim will have two fiscal periods in 2019 – the first fiscal period from April 1, 2018, to March 31, 2019, and a short fiscal period from April 1, 2019, to December 31, 2019. Karim's net income from the business is \$45,000 for the first fiscal period and \$30,000 for the short fiscal period. He enters \$45,000 at amount H and \$30,000 at amount I.