



Child Care Providers
RESOURCE NETWORK

INCOME TAX GUIDE FOR HOME CHILD CARE



INCOME TAX FOR HOME CHILD CARE

Updated and reviewed November 2025

****PLEASE NOTE**** *The contents of this guide are for informational purposes only and do not represent professional and/or financial advice. CCPRN will not be responsible for any possible claim for damages arising from any decision you make based on this information. CRA audits may occur at any time.*

Whether you choose to file your taxes yourself or to engage the services of a professional firm, we've compiled some helpful information for you below.

Please Note: Canada Revenue Agency provides a very handy guide specifically for those running a home child care business. You can find it here:

<https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/daycare-your-home.html>

Information on form **T2125 “Statement of Business or Professional Activities”** can be found here:

<https://www.canada.ca/en/revenue-agency/services/forms-publications/forms/t2125.html> (Note: the link currently shows the 2024 form, be sure to use the 2025 form when doing your 2025 taxes.)

It is important that you maintain a record of all child care income and expenses for income tax purposes.

Income:

1. Keep copies of receipts to parents. See sample receipt below.
2. Keep a record of attendance and income for each child.
3. Maintain a calendar with attendance and meals/snacks given for each day. A simple wall calendar works well. At the end of the year, tally up and record the total days in care for each child.
4. If you work for an agency, keep copies of agency time sheets for attendance records and cheque stubs for income records to verify against your T4A.
5. **GST/HST:** If you provide child care in your home to children 14 years and under for a period of less than 24 hours per day, you are exempt from charging GST/HST.

Expenses:

The first and most important thing to remember is to get and keep receipts for everything. Records for your business should be saved for at least seven years. You can deduct any reasonable expenses you incur to earn your daycare income.

1. Try to get receipts for everything you pay out. If a receipt is not available (i.e., bus fare, purchases at a garage sale, etc.) keep a receipt book in your bag, fill it out and ask the seller to sign it. If they are unwilling to do so, sign the receipt yourself. Get in the habit of noting on the back of receipts what was purchased. Different ways to maintain your expense records include:

- Using separate files or envelopes to save receipts in each of your expense categories (i.e., toys, cleaning supplies, food, etc.). You can total your receipts each week, month, or even once a year. Sort and file by category not by month.
 - Developing a file system for receipts and a ledger/spreadsheet to keep a written or digital record of your expenses on an on-going basis.
 - Using the two-envelope system: Use two large brown envelopes to maintain your receipts, one for grocery receipts and one for other receipts - sort and add them up when you are preparing your return.
2. Keep a logbook for travel. Log the mileage on Jan. 01, and then for each of your daycare trips (include trips to workshops, playgroups, field trips, etc.), and then log out on Dec. 31st. Keep all vehicle gas, maintenance, and repair bills.
 3. Keep all household maintenance bills – at the end of the year you will be able to claim a percentage of these costs.

Expenses that are deductible include:

<https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/daycare-your-home/deducting-your-business-expenses.html>

- Advertising
- Business-use-of-home expenses (see below for calculating your home usage)
- Business tax, licences, and memberships (including CCPRN, Costco, etc.)
- Capital cost allowance for your daycare (for the cost of a vehicle, daycare equipment, or furniture used in your daycare, that will decrease in value over time)
- Field trips
- Management and administration fees (i.e., bank fees)
- Motor vehicle expenses (if you use your vehicle regularly or even occasionally for daycare use)
- Office expenses
- **Office stationery and supplies (this includes program supplies, toys, books, crafts, cleaning supplies, PPE, towels, soap, food for the children, etc.)**
- Professional fees (includes legal and accounting fees)
- Repairs and maintenance
- Salaries, wages, and benefits (including employer's contributions) ***If you have an employee**
- Travel expenses

You can also claim:

- Training & Professional Development Courses (First Aid & CPR, workshops, webinars, etc.)
- Liability Insurance
- Your cell phone—determine approximately what percentage is used for your business.

Home Usage Calculations:

Determine if you use **A) dedicated space only**, **B) shared space only**, or **C) both dedicated space and shared space**.

A) If you only use a dedicated space (space is only used for daycare), calculate the percentage:

EXAMPLE:

Take the overall square footage of the house (include the basement): i.e., 2600 sq. ft.

1. Dedicated room to child care service

Take the footage of that room: $20 \times 12 = 240$ sq. ft.

Divide this amount by the overall footage: $240/2600 \times 100 = 9\%$

In this example, your home usage is 9%. Multiply House Expenses by 9% for total business-use-of-home expenses.

B) If you use shared space only (i.e., used for daycare and for you/your family in the evening and on weekends), you need to determine the percentage based on square footage and the hours used for child care.

EXAMPLE:

Take the overall square footage of the house (include the basement): i.e., 2600 sq. ft.

1. Determine the rooms/space shared with child care service

Take the footage of that shared space (i.e., 1000 sq. ft.)

Divide this amount by the overall footage: $1000/2600 \times 100 = 38.5\%$

2. Hours

Determine the number of hours the house is used for child care (include the time for setup and cleaning before/after children arrive): 9 hrs/day

Determine the total number of care hours in a week: 9 hrs/day x 5 days = 45 hrs

Total number of hours in a week: 24 hrs/day x 7 days = 168 hrs

Take the total hours allocated to child care divided by the total number of hours in the week:

$$45/168 \times 100 = 26.8\%$$

Take 38.5% (shared space) and multiply by 26.8% (total hours) = $38.5 \times 26.8 / 100 = 10.3\%$

In this example, your home usage is 10.3%. Multiply House Expenses by 10.3% for total business-use-of-home expenses.

C) If you have both dedicated space and shared space:

- 1) Determine your dedicated space percentage according to calculations in **A) above**.
- 2) Determine your shared space percentage according to calculations in **B) above**.
- 3) Add these together: i.e., 9% + 10.3% = 19.3% of the house is used for your child care business.

In this example, your home usage is 19.3%. Multiply House Expenses by 19.3% for total business-use-of-home expenses.

Please see other examples offered here:

<https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/daycare-your-home/deducting-your-business-expenses/business-use-home-expenses.html>

Food and Groceries:

Be sure to keep all grocery receipts. The easiest and best practice is to keep your home and daycare grocery receipts as separate as possible.

1. If you have separate receipts for your family and daycare groceries, tally up the daycare grocery receipts and include 100% of this amount along with other purchased supplies on line 8811 of form 2125 of your tax return.
2. If you have daycare items and family items on the same receipt, as much as possible, highlight the daycare items and include those costs in your tally above.
3. If you have groceries that will be used for both your own family and the daycare (i.e., for bulk food purchases), compile these receipts separately and use the formula below to determine the amount to claim.
 - o Example for calculating daycare grocery expenses for step 3 above:

| | |
|--|--|
| Total all combined grocery receipts for the year: | \$11,417.30 |
| Total all family meals for the year (include snacks): | 2184 (based on 2 adults 3 meals/day no snacks) |
| Total all daycare meals for the year (include snacks): | 1137 (based on 3 daycare children) |
| Total all meals: | 3321 |
| Total spent on groceries divided by total meals | $\$11417.30/3321 = \3.44 per meal |

Daycare meals (1137) x cost per meal (\$3.44) = **\$3911.28** for daycare grocery expenses
\$3911.28 can then be added in under line 8811 as part of "Office stationery and supplies".

Canada Revenue Agency could dispute this allocation if they don't think it's reasonable. So, best practice would be to identify daycare items specifically when possible, especially for more expensive food items. Only use this formula when specific identification is not possible.

Report the total expenses for supplies and food on [line 8811](#) “Office stationery and supplies” of [Form T2125, Statement of Business and Professional Activities](#).

Office stationery and supplies

You can deduct the cost of the following:

- **supplies**, such as toys, books as well as arts and crafts items that the children in your daycare use
- **household supplies** that the children in your daycare use, such as blankets, towels, toothbrushes, diapers, and shampoo
- **food** you buy to feed the children in your daycare

Report the total expenses for supplies and food on [line 8811](#) of [Form T2125, Statement of Business and Professional Activities](#).

<https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/daycare-your-home/deducting-your-business-expenses/supplies.html>

Remember:

The important thing is to **save all your receipts** and to maintain a record of your income. You can choose to file your own taxes or hire an accountant or bookkeeper to do it for you.

Staying organized as you go, throughout the year, will make the task feel more manageable.

Receipts for child care:

You must issue separate receipts for each child (including for those from the same family). Receipts must be provided to parents no later than February 28th for the previous tax year.

Provide Receipts to Clients with this information:

- Your Name, Address & Telephone Number, Signature, & Social Insurance Number (SIN)
- The Parent/Client Name
- Name of Child
- Duration of Care
- Amount Received
- The Date the receipt was issued and signed by you

SAMPLE:

Caregiver Name/Business Name

Caregiver Address

Caregiver Telephone Number

Received From _____ print parent's full name _____

For Child Care Services

Name of Child _____ print child's full name _____

The Sum of \$ _____

For the Period of _____ to _____

Provided by _____ print caregiver's full name _____

SIN _____ caregiver's SIN _____

Signature _____ caregiver signature _____

Date _____

* When determining the "period of care", it's best to issue separate receipts for each calendar year.

<https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/daycare-your-home/issuing-receipts.html>

Sample Record of Attendance and Meals Served

Use a simple wall calendar to record daily attendance and at the end of the year tally the total for each child. Enter this number below under Total # of Days Per Year in Care.

| CHILD'S NAME | DAYS Total # of Days Per Year in Care | MEALS | | | | TOTAL Multiply # of days by # of meals |
|--|---|-----------|-------------|-------|-------------|---|
| | | Breakfast | AM Snack | Lunch | PM Snack | |
| Jane Smith | 130 | ✓ | ✓ | ✓ | ✓ | 520 |
| John Brown | 116 | | ✓ | ✓ | ✓ | 348 |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| Total meals served (used to calculate grocery expenses) | | | | | | 868 |

Sample Record of Income

| CHILD'S NAME | PERIOD (Dates of Care) | DATE RECEIVED | AMOUNT |
|--------------|-------------------------------------|---------------|---------------|
| Jane Smith | Jan. 3-14 2022 (10 full time days) | Jan. 1 2022 | \$500 |
| Jane Smith | Jan. 17-28 2022 (10 full time days) | Jan. 14 2022 | \$500 |
| | Child's last day: Jan 28 2022 | | |
| | | | |
| John Brown | Jan. 2022 (21 full time days) | Jan. 1 2022 | \$1050 |
| John Brown | Feb. 2022 (20 full time days) | Jan. 29 2022 | \$1000 |
| | | | |
| John Doe | Feb. 2022 (20 full time days) | Jan. 29 2022 | \$1000 |
| TOTAL | | | \$4050 |

Sample Record of Expenses—Daycare Supplies (Keep all receipts)

These are added up and claimed as one total under [line 8811](#) “Office stationery and supplies”. Record all purchases using additional categories as needed.

| DATE | TOYS/BOOKS | ART/CRAFTS | CLEANING | PPE | OTHER PROGRAM SUPPLIES |
|--------------|------------------------------------|--------------------------------------|----------------------------------|---------------------------------|------------------------|
| Jan 15 2022 | Toys and books Winners: \$37.85 | | | | |
| Jan 15 2022 | | | Spray and mop Walmart:\$16.11 | | |
| Feb. 4 2022 | | Craft supplies Dollarama: \$12.69 | | Face Masks Shoppers: \$11.28 | |
| Apr. 18 2022 | | | | | Dishes IKEA: \$29.44 |
| Oct. 2 2022 | Puzzles Toys r Us \$12.12 | Art supplies Walmart \$9.78 | | | |
| TOTAL | | | | | |

Sample Record of Other Business Expenses (Keep all receipts)

Record all business expenses using additional categories as needed. Claim totals according to category.

| DATE | Advertising | Memberships | Field Trips | Training & PD | Liability Insurance |
|--------------|-------------|--------------|--------------|-----------------|---------------------|
| Jan 15 2022 | | Costco: \$60 | | | |
| Jan 15 2022 | | CCPRN: \$75 | | | |
| Feb. 4 2022 | | | Museum: \$15 | | |
| Feb. 18 2022 | | | | Workshop: \$175 | |
| TOTAL | | | | | |

Sample Record of Home Expenses (deduct a portion of these expenses based on daycare use of home)

| ITEM | Annual Cost |
|---|----------------------------|
| Heat | |
| Hydro | |
| House Insurance (excluding caregiver liability) | |
| Mortgage Interest | |
| Mortgage Insurance | |
| Property Taxes | |
| Water and Sewer | |
| Internet | |
| Phone/Cell phone | |
| Other | |
| TOTAL | See “Part 7” of Form T2125 |