

INTRODUCTION

Since 1980, GO WEST has been the leader in quality motorhome rentals and we are dedicated to your satisfaction as an owner on our fleet.

Having researched the market thoroughly, we have designed a program beneficial to the owners and our rental customers. We purchase only the highest quality brands that are built to our specifications. Motorhomes such as: Regal, and Embassy, by Triple E, Access, Outlook and Sightseers by Winnebago, Van Conversions and Sprinters by Roadtrek.

Please take the time to read our presentation. Should our owner program be of interest to you, please call me and I will be glad to show you our operations.

Sincerely,

Go West RV Sales

GO WEST PRIVATE OWNER RENTAL PROGRAM**Preparations:**

- Purchase motorhome or van**
- Decide on a company name (or limited company)**
- Register for a Business #**
<http://www.cra-arc.gc.ca/E/pbg/tf/rc1/README.html>
- Open bank account in company name**
- Issue fleet insurance cheque to ICBC**

Allowable Deductions for Income Tax:

- Interest on bank loan**
- Insurance**
- Maintenance**
- Depreciation**

**ADVANTAGES OF OUR PRIVATE OWNERSHIP
INVESTMENT PROGRAM****Savings:**

- **HST/GST paid and subsequently refunded**
- **Non-taxable income**
- **Low interest rates on financing**

Returns:

- **Rental income**
- **Personal recreational enjoyment of motorhome**
- **Higher resale value for your professionally maintained vehicle**

Motorhome Income – Income Tax Treatment

General Rules

Each individual, corporation or partnership owning motor homes in your pool must calculate their “net income for tax purposes” from the motor homes. The starting point for this calculation is the net income from their motor homes earned in the year. This is simply the excess of the rental revenues earned over the expenses (repairs, administration charges, etc.) incurred in respect of the motor home. A statement would be provided to each owner by Go West showing the net income or loss for the year.

The next step is to deduct non-personal expenses directly incurred by the owner in respect of their motor home. These would include items such as interest expense, license and insurance. If the motor home is partially used for personal use only the business portion of the expenditures may be deducted.

The final deduction is for capital cost allowance (“CCA”) in respect of the cost of the motor homes. CCA is calculated each year based upon the undepreciated cost of the motor home. The CCA rate for motor homes is 40 percent except in the year of acquisition where the rate is reduced in half to 20 percent. This calculation applies to limited companies only. For a personal company depreciation can only be the amount left over after deducting expenses from income. (see next paragraph).

Since a motor home is considered a “leasing property”, similar to a taxi cab company, capital allowance that can be deducted is restricted to the amount of income earned on leasing properties. As a result the maximum amount of CCA that may be claimed is the amount that reduces the previously calculated net income figure to zero.

Where a person owns more than one motor home the net income before CCA is added together for all of the motor homes and the total CCA claim is restricted to that amount.

If a person sells his last motor home or stops leasing it, a portion of the previously claimed CCA may be required to be included in his income. This is this case where the proceeds or market value of the motor home exceeds the undepreciated cost of the motor home. This recapture can be avoided by leasing a new motor home before the end of the year.

Corporations

The same general rules also apply to motor homes by a corporation. The following are rules specific to corporations:

- A corporation should calculate its income based upon its fiscal period as opposed to a calendar year.
- The restriction on CCA does not apply to a “principle business corporation.” This is a corporation that derives 90% or more of its revenues from leasing or rental activities.

Partnerships

A partnership would calculate its net income for tax purposes in the same manner as an individual. CCA is calculated by the partnership and is restricted to the partnership’s net income before CCA. The partnership’s net income for tax purposes is then allocated to each of its partners. Each partner can then deduct expenses he incurred from his share of income.

Attached is a sample form to use in calculating a person’s net income for tax purposes from motor home rentals.

**GO WEST CAMPERS INTERNATIONAL LTD.
CALCULATION OF RENTAL INCOME FOR INCOME TAX PURPOSES**

NET INCOME FROM GO WEST (SEE ATTACHED FINANCIAL STATEMENT \$ _____)

LESS:

INTEREST EXPENSE INCURRED ON LOANS TO ACQUIRE MOTOR HOMES _____

OTHER EXPENSES INCURRED BY OWNER (INSURANCE, MAINTENANCE) _____

LESS PERSONAL USE PORTION OF ABOVE _____ (_____)_____

NET INCOME BEFORE CCA \$ _____

CCA (SEE CALCULATION BELOW) _____

NET INCOME FOR TAX PURPOSES \$ _____

CAPITAL COST ALLOWANCE

OPENING BALANCE (A) \$ _____

ADDITIONS (B) _____

DISPOSALS (LESSER OF COST AND PROCEEDS) _____ (_____)_____

CCA 40% $*[A=.5*(B-C)]$ _____

ENDING BALANCE _____