

The AUTO Toolkit

Auto Expenses, Allowances & Benefits

CRA auditors will always scrutinize auto deductions, auto allowances and taxable benefits. The rules are complex and rigid, and make for 'quick pickings' for auditors. If you are faced with any of these situations, these are some important facts you should know.

- **General Limitation.** For an expense to be deductible, it must be reasonable in the circumstances, **and for the purpose of gaining or producing income** from business or property.
- **Deductible Expenses.** The business portion of auto expenses are deductible; **the personal portion must be extracted.**

2023 Auto Rates for BC	
Maximum monthly lease payments (plus applicable taxes)	\$ 950
Maximum Class 10.1 capital cost (plus applicable taxes)	\$ 36,000
Maximum annual interest	\$ 3,650

- **Receipts.** You must retain all receipts to support your claim: fuel, maintenance, insurance, lease and/or purchase/financing documents.
- **Onus of proof.** Since the **onus of proof** is on the taxpayer, an Auto Log is **essential**. Without one, CRA will disallow **all** your auto expenses.
- **Auto Log.** To get the full benefit of your claim, keep a detailed Auto Log of the total business mileage driven in the year **and** the total mileage driven in the year. Include all details: date, destination, purpose of trip, and beginning and ending mileage.

Tax Tip. Use a mileage app to track your business mileage.

- **Driving between home and work.** Travel to/from work is normally considered personal use. However, trips to/from your business premises are deductible if you make a business stop en route.

Tax Tip. Maximize your business travel by making business calls at the beginning and end of your day, thereby, making your entire trip to/from work count as a business expense.

- **Common situations that lead to reassessments.** Reassessment of auto expenses are common when there is a failure to keep receipts or a detailed Auto Log.

Tax Tip. Don't forget to add mileage on all business errands: e.g. to the bank, the mailbox, the office supplies store, the accountant's office, and to/from business lunches/functions.

Rules For Employees

- **Non-taxable allowances.** Reasonable per-kilometre allowances are **not taxable and not included in income** provided the employee is not reimbursed for expenses.
- **Flat-rate allowances.** Allowances that are not based on kilometres driven are **taxable** and included in income (and subject to CPP & EI). Where auto expenses exceed the allowance, the difference may be deductible.

Tax Tip. Pay non-taxable allowances based on kilometres driven.

2023 Maximum Non-Taxable Employee Car Allowance for BC	
First 5,000 km in the year	\$ 0.68 / km
Over 5,000 km in the year	\$ 0.62 / km

Tax Tip. Keep a detailed Auto Log to avoid the denial of all your auto expenses.

- **Employer Certification.** All employees (including owners of corporations) must have a signed T2200 Certification to write-off any business use of a personal vehicle.

Tax Tip. Maximize your employment-related travel by making calls at the beginning and end of your work day. This makes your entire trip to/from work count as travel for employment purposes.

Use Of A Company Vehicle

- **What is considered personal use.** Travel between home and work is a personal expense. Even if the employer insists that the employee take the vehicle home, it is still considered personal. Having the vehicle available for personal use during non-business hours, without any restrictions, is also considered personal.
- **Taxable benefits.** Anytime an employee has the use of a company owned or leased automobile for personal use, they are deemed to be in receipt of a taxable benefit. These benefits can be **substantial** because part of the benefit is based on the original cost of the vehicle regardless of its depreciated value. The operating expenses also serve to increase the benefit.

Tax Tip. Keep company vehicles on company property during non-business hours.

This information is current to January 2023. It is of a general nature and is not intended to address the specific circumstances of a particular individual. You should not act on this information without appropriate professional advice after thorough examination of a particular situation. E&OE