

# Car Expenses and Benefits—A Tax Guide: Update for 2005 to 2009<sup>1</sup>

## Need a 2009 Guide or Logbook?

Go to [www.pwc.com/ca/carexpenses](http://www.pwc.com/ca/carexpenses) to find a 2009 guide or logbook.

## Need Help?

For more help with this complex subject, contact your PricewaterhouseCoopers adviser or any of the individuals listed on page 46 of the 2009 guide.

## Tracking of motor vehicle use

(Changes affect pages 14, 26 and 36)

Under a federal proposal, commencing 2009, an employee logbook, maintained for a sample period that is representative of the motor vehicle's use, will be sufficient to support motor vehicle expenses and taxable benefit calculations. The federal proposal will not apply for Quebec tax purposes. No details on the proposal have been provided.

## Reduction of operating cost benefit

(Changes affect pages 9, 13, 14, 15 and 35)

On May 26, 2008, the Canada Revenue Agency commented that it will allow an employee's operating cost benefit to be reduced by operating expenses paid by the employee to third parties.

## Definition of "Automobile"

(Changes affect page 31)

Commencing 2005 taxation years, the definition of "automobile" no longer includes a clearly marked emergency medical response vehicle that is used, in an individual's office or employment with an emergency medical response or ambulance service, to carry emergency medical equipment together with one or more emergency medical attendants or paramedics.

## Quebec Logbook Changes

(Changes affect pages 14 and 15)

Commencing in 2005, for Quebec income tax purposes, Quebec employees with employer-provided automobiles must provide their employers with logbooks that record:

- the number of days in the year the automobile was available to the employee, or a person related to the employee;
- on a daily, weekly or monthly basis, the total kilometres driven on the days the automobile was available during the year;
- on a daily basis, for each trip made by the automobile in connection with or in the course of the individual's office or employment:
  - the place of departure and the place of destination;
  - the number of kilometres travelled between the two places; and
  - whether the trip was made in connection with or in the course of the individual's office or employment.

If the automobile was available to the employee on December 31, the logbook must be provided to the employer no later than January 10 of the following year. In other cases, the deadline is 10 days after the automobile was last available to the employee. Employees who do not comply face a \$200 penalty.

1. This update highlights key changes to the PricewaterhouseCoopers publication *Car Expenses and Benefits – A Tax Guide* (2004), the most recent hard copy edition.

## 2005 to 2009 Prescribed Rates for Automobiles

(Changes affect page ii)

		Prescribed rates			Pages		
		2005	2006 to 2007	2008 to 2009			
Deduction limits	Owned cars	Maximum monthly interest deduction	\$300			3, 33	
		Maximum capital cost on which capital cost allowance (CCA) may be claimed	\$30,000 + GST/HST & PST on \$30,000				
	Leased cars	Thresholds used to determine the maximum deduction for lease payments	Lease cost limit	\$800 + GST/HST & PST on \$800			4, 32, 33
			Monthly lease limit Manufacturer's list price limit	\$35,294 + GST/HST & PST on \$35,294			
	Automobile allowances	Per-kilometre allowance	Same limits as tax-exempt allowances, below			21	
Taxable benefits	Tax-exempt allowances	Kilometres driven in the Yukon, NWT or Nunavut	First 5,000	49¢	54¢		56¢
			Each additional	43¢	48¢		50¢
	Kilometres driven in all other locations	First 5,000	45¢	50¢	52¢		
		Each additional	39¢	44¢	46¢		
Operating cost benefit	Persons employed principally in selling or leasing automobiles		17¢	19¢	21¢		9, 35
		All other employees	20¢	22¢	24¢		

## GST/HST and QST Changes

(Changes affect pages 33, 37 to 42 and 44)

Decreases in the goods and services tax (GST) rate from 7% to 6% on July 1, 2006, and to 5% on January 1, 2008, and the harmonized sales tax (HST) rate from 15% to 14% on July 1, 2006, and to 13% on January 1, 2008, reduce:

- automobile deduction limits for passenger vehicles purchased or leased after June 30, 2006; and
- GST/HST and input tax credit (ITC) rate factors, which in turn reduce:
  - ITCs claimed on the purchase or lease of automobiles by corporations, after June 30, 2006, or by individuals or partnerships, after the 2005 taxation year;
  - the GST/HST remitted by employers on taxable automobile benefits (i.e., standby charge, operating cost) after the 2005 taxation year; and
  - ITCs claimed by employers for automobile expense reimbursements or for automobile allowances, paid to employees after June 30, 2006.

For passenger vehicles acquired or leased after November 27, 2006, the maximum value on which an ITC (or input tax refund for small and medium-sized businesses for Quebec purposes) may be claimed will exclude GST/HST and PST/QST, so that this value will be:

- the prescribed amount for capital cost allowance purposes, excluding GST/HST and PST/QST; or
- the monthly lease limit, excluding GST/HST and PST/QST.

## Quebec Input Tax Refund Changes

(Changes affect pages 41 to 43)

Large businesses are allowed to claim input tax refunds on Quebec sales tax (QST) paid in respect of a "prescribed new hybrid vehicle" acquired, or leased for at least one year, after June 26, 2007, and before 2009. As a result, large businesses that provided these vehicles for use by their employees:

- must remit QST on the employees' standby charge and operating cost benefits; and
- could claim input tax refunds for allowances and reimbursements paid to these employees, in respect of these vehicles.

## Saskatchewan PST Changes

(Changes affect page 33)

A decrease in Saskatchewan's provincial sales tax (PST) rate from 7% to 5% on October 28, 2006, reduces the automobile deduction limits for passenger vehicles purchased or leased in Saskatchewan after October 27, 2006.

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