

Motor vehicles – Deductions and Benefits for 2015

Deduction limits	
Maximum cost for capital cost allowance purposes	\$30,000 + (GST/HST & PST)
Maximum deductible monthly lease payment	\$800 + (GST/HST & PST)
Maximum deductible monthly interest cost on automobile loans	\$300
Maximum deductible allowances paid to employees	
First 5,000 employment-related kilometres	\$0,55 /km
Each additional employment-related kilometre	\$0,49 /km
Taxable benefits	
Standby charge benefit	
Employer-owned automobile	2% per month of original cost
Employer-leased automobile	2/3 of monthly lease cost
Operating cost benefit per kilometre of personal uses	\$0.27 /km
Allowances	Taxable with certain exceptions

Notes

When a motor vehicle is purchased or leased for the purpose of earning income, certain expenses may be deducted. The more common types of motor vehicle expenses include fuel, insurance, maintenance and repairs, licence and registration fees, capital cost allowance, lease payments, and interest. The expenses also include all applicable federal and provincial sales taxes (GST, HST, PST and QST) to the extent the taxpayer is not a sales tax registrant and does not claim an input tax credit (input tax refund in Québec) for the taxes paid.

Company owned-car

If a company has purchased the vehicle, it is eligible to claim capital cost allowance (CCA) and related interest expense or other borrowing charges, subject to the following special rules and limitation.



CCA rules for company owned-car

	Passenger vehicles that cost more than prescribed amount	Other passenger vehicles
CCA class	Class 10.1	Class 10
Maximum cost added to CCA class	Prescribed amount: for vehicles purchased in 2015, \$30,000 + (GST/HST & PST)	Purchase price + GST/HST & PST
Maximum CCA rate	15% in year acquired; otherwise 30%	
	15% in year of disposal	N/A
Recapture or terminal loss?	None	Possible
Maximum interest deduction	Interest limit: for vehicles purchased in 2015, \$300 per 30-days period (\$3,600 for a full year)	

Car allowance

The general rule on allowances for travel and/or motor vehicle expenses is simple: to be tax-free to the employee, the allowances must be reasonable. An allowance will be considered reasonable only if it is:

- based solely on the number of kilometres driven in the course of employment; and
- computed using a reasonable per-kilometer rate.

If an allowance for travel expenses and/or motor vehicle is tax-free, the employee may not deduct travel expenses and/or expenses in respect of the motor vehicle.

Consequently, a flat monthly car allowance is not considered reasonable for tax purposes, and must be included in income. Even an allowance that meets the above criteria for reasonableness will be taxable in its entirety if the employee is reimbursed for some of the vehicle expenses.

If an employee receives a combination of flat-rate and reasonable per-kilometre allowances, or any other personal reimbursement such as a fuel card, that cover the same use for the vehicle, the total combined allowance is taxable.

Allowances	Consequences of car allowances to:			
	Employees		Employers	
> prescribed rates	Not taxable if reasonable	Taxable if not reasonable	Deductible up to prescribed rates	Fully deductible if taxable to the employee
< prescribed rates				Fully deductible
= prescribed rated	Not taxable		Fully deductible	
Not based on business km	Taxable			

