

## Motor Vehicle Expenses

**In order to deduct automobile expenses, you must meet the following conditions:**

- Keep and provide the tax preparer with a daily vehicle log book which outlines your km's driven every day.
- In order to qualify for motor vehicle expenses, you must include km's driven from your place of residence to the work reporting site you report to, and then from the work reporting site to the place you are required to work.
- All km's driven from your residence to the work site are considered personal, and only km's from the initial work site to the destined work site are allowable.
- There are specific qualifying conditions that must be met
- You must be ordinarily required to work away from your employer's place of business, or in different places
- You must be required, under your employment contract, to pay automobile expenses incurred in the course of performing your employment duties
- You must not have received a tax-free car allowance
- You must have CRA form T2200 signed by your employer and you should keep it on file in case the CRA requests it

You may be receiving an allowance from your employer to compensate you for the use of your vehicle. If the allowance was a reasonable reimbursement of your actual expenses, you would treat it as a non-taxable amount, and not deduct any automobile expenses. However, if the allowance is unreasonably low, you can include it in your income and deduct your actual expenses, if you meet the conditions. You would then have to keep detailed records of expenses and kilometres driven.

The CRA would normally consider an allowance reasonable if it does not exceed the following rates (for the year 2018)

- .55 c/km for the first 5,000 km of business travel
- .49 c/km for business travel over 5,000 km

If the allowance exceeds these amounts, or could otherwise be viewed as being unreasonably high, it is wise to track actual expenses and kilometres driven, in order to substantiate this higher amount, should the CRA challenge it.

Any allowance not calculated wholly on a reasonable "per km" basis, is in most cases automatically considered taxable by the CRA; this could be the case for instance, if you received a flat dollar amount per month.

The record should include the total kilometres you drove as well as the kilometres you drove to earn employment income. The record for each trip you took to earn employment income should list the **date, destination, & purpose**.

Again, the business use for the vehicle is based on the following. Total Km's driven in the year of business vs total km driven in the year on the vehicle. So, for example if you drive 18,000 km on the vehicle if 1800 Km's pertain to business or employment expense then 10% of your vehicle expenses for the year would be offset against your business income.

You are allowed to claim a portion of your auto expenses that relate to the business. This includes gas, maintenance, auto club membership, license fees and insurance.