



OVERVIEW

# 4 TAX PROFILES





The content of this document is provided for information purposes only and must not be used as an alternative to specialized professional advice with respect to any particular question. Please refer to government sites to obtain up-to-date information.

## The importance of the mileage logbook

Whether you are self-employed worker, an employee, a shareholder, or a related person, or an employer, you must keep a logbook of the usage of the vehicle so that you can properly identify the personal and business kilometres during the calendar year.

**In order to have a compliant logbook, it must contain the following information:**

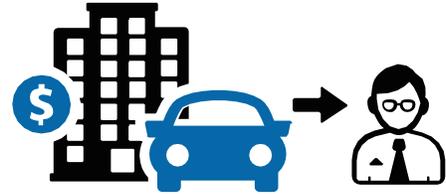


- ✓ Date of trip;
- ✓ Starting and destination addresses;
- ✓ Total kilometres driven;
- ✓ Reason for the trip.

# Taxable Benefits

Employee, shareholder or related person provided with a company-owned vehicle.

- ✓ Tax obligations and effects for both parties, including impact on sales tax rebates (GST/QST)
- ✓ Payroll tax and withholding tax
- ✓ The benefit is determined using two different calculations

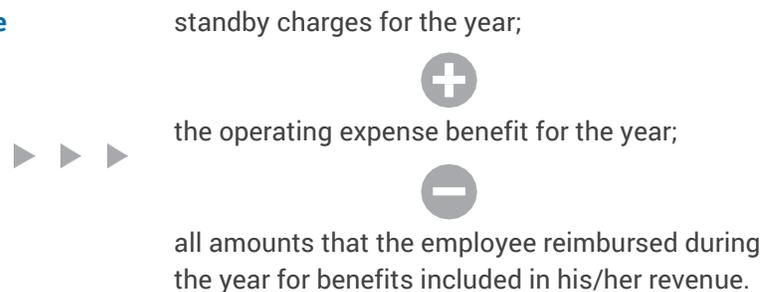


## PERSONAL TRAVEL

**Usages for personal reasons include all usage of the vehicle by the employee, shareholder, or related person, for purposes other than in the course of a job:**

- ✓ vacation trips;
- ✓ personal errands;
- ✓ trips between home and the regular workplace other than a destination site (including all reimbursed expenses, like taxi fare);
- ✓ trips between home and the regular workplace, even if it is required by the employer.

**Calculating taxable benefits for a vehicle provided by the employer for a year:**



## STANDBY CHARGE BENEFIT

**If car is purchased:**

- ✓ 2% of the initial cost of the vehicle (including taxes for each month (or number of days/30) when it was available to the employee (24% per year)

**If car is leased:**

- ✓ 2/3 of the leasing costs (including taxes) for each month (or number of days/30) when it was available to the employee
- Minus reimbursements other than operating expenses made by the employee during the calendar year (not in the 45 days following the tax year)
- No cap on the taxable benefit

## OPERATING EXPENSES

All these expenses including GST/HST and QST constitute a taxable benefit for the employees.

### These expenses include:

- ✓ Gasoline and oil
- ✓ Maintenance and repair fees minus any insurance proceeds
- ✓ Licenses and insurances

### These expenses do not include:

- ⊗ Interest
- ⊗ Capital cost allowance
- ⊗ Leasing costs
- ⊗ Parking costs and tolls

Regardless of the operating expenses that you assume, you must determine the relative advantage for operating expenses by using the optional or fixed rate calculation.

## ALTERNATIVE METHOD

- ✓ Used to reduce the taxable benefit for operating expenses.

**If the employee primarily (50% or more) uses the employer's automobile for employment purposes:**

Operating expenses benefit corresponds to half the standby charges

**The distance driven for personal purposes is less than 1667 kilometres per month (20,004 kilometres per year)**

  
 Any amount reimbursed by the employer in the 45 days following the end of the year

- ✓ The employee must notify the employer in writing before the end of the tax year.

## FIXED-RATE CALCULATION

The current year's fixed rate\* per kilometre of personal use (includes the GST/HST and PST).

\*To know the current year's rate, click on the link:

<http://www.cra-arc.gc.ca/tx/bsnss/tpcs/pyrll/bnfts/tmblllwnc/nntx-eng.html>

**For more information:**

<http://www.revenuquebec.ca/en/sepf/formulaires/in/in-253/default.aspx>

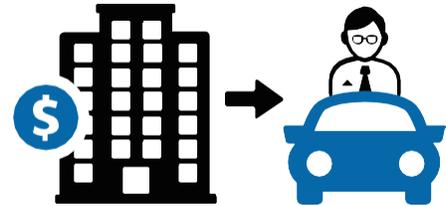
<http://www.cra-arc.gc.ca/E/pub/tg/t4130/>

## Reasonable Per-kilometre Allowance

Employee or shareholder who receives a per-kilometre allowance.

Payment that the employer pays to an employee for the use of his vehicle as part of his employment, without justification will be possibly considered unreasonable and taxable.

- ✓ The allowance may be reasonable or taxable
- ✓ A freelance worker may not pay a kilometric rate



**It is the employee's responsibility to claim the expenses on his or her income tax and benefits return and to keep records to support the claim.**

**The automobile allowance rates for 2016 are:**

- ✓ \$0.54 per kilometre for the first 5,000 kilometres driven;
- ✓ \$0.48 per kilometre driven after that.

In the Northwest Territories, Yukon, and Nunavut, there is an additional \$0.04 per kilometre for travel.

### REASONABLE ALLOWANCE

- ✓ Reasonable allowance paid for the use of a motor vehicle in carrying out one's duties as an employee
- ✓ Does not constitute a taxable benefit for the employee
- ✓ The kilometric rate must not exceed the rates prescribed by the tax authorities, except warranted by the facts.

### INSUFFICIENT ALLOWANCE

If the employer includes an insufficient income allowance on slip T4 and Relevé 1:

- ✓ The employer must complete and sign the employment conditions form; and
- ✓ The employee may deduct job-related expenses incurred (line 229 of the federal return, line 207 in Quebec).

### COMBINATION ALLOCATION

- ✓ An amount paid that combines a reasonable per-kilometre rate and a fixed amount
- ✓ Total amount is taxable if paid for the same use of a vehicle
- ✓ Included in employee income
- ✓ If the amount paid does not correspond to the same use, the per-kilometre allowance may be deemed non-taxable.

#### For more information:

<http://www.revenuquebec.ca/en/sep/ff/formulaires/in/in-253/default.aspx>

<http://www.cra-arc.gc.ca/tx/bsnss/tpcs/pyrll/bnfts/tmbl/lwnc/menu-eng.html>

<http://www.cra-arc.gc.ca/E/pub/tg/t4130/>

<http://www.cra-arc.gc.ca/E/pbg/tf/t2200/>

[http://www.revenuquebec.ca/en/sep/ff/formulaires/tp/tp-64\\_3.aspx](http://www.revenuquebec.ca/en/sep/ff/formulaires/tp/tp-64_3.aspx)

# Employment Expenses

Salaried employee or employee who earns a commission

You are an employee and your employer requires you to pay expenses to earn your employment income or employee paid by commission.



## ELIGIBLE TRIPS



- ✓ The employee must perform all or some of his or her duties somewhere besides the place of business of his or her employer, or in different locations.
- ✓ A commute between home or the main place of business and a client or supplier is considered business.

## NON-ELIGIBLE TRIPS



- ⊗ Commutes between home and the employer's main place of business are considered personal.

## TYPE OF ELIGIBLE EXPENSES (Expenses deductible pro-rata for business kilometers driven as a share of total kilometers driven)

- ✓ Gasoline
- ✓ Maintenance and repair fees
- ✓ Extended warranty fees \*
- ✓ Insurance premiums
- ✓ Vehicle registration and driver's license fees
- ✓ CAA membership
- ✓ Interest paid on a car loan
- ✓ Vehicle leasing costs
- ✓ Vehicle depreciation

\* Deduction depends on whether one is an employee or freelancer

## FULLY DEDUCTIBLE EXPENSES

- ✓ ODOTRACK
- ✓ Business parking

## FORMS REQUIRED

To claim the deduction for job-related expenses, the following forms must be completed:

For the employer: <http://www.cra-arc.gc.ca/E/pbg/tf/t2200/>  
[http://www.revenuquebec.ca/en/sep/formulaires/tp/tp-64\\_3.aspx](http://www.revenuquebec.ca/en/sep/formulaires/tp/tp-64_3.aspx)

For the employee: <http://www.cra-arc.gc.ca/E/pbg/tf/t777/>  
<http://www.revenuquebec.ca/en/sep/formulaires/tp/tp-59.aspx>

**For more information:**

<http://www.revenuquebec.ca/en/sep/formulaires/in/in-118/default.aspx>

# Business Expenses

Business owner or self-employed worker

Reasonable expenses incurred to earn business and professional income.

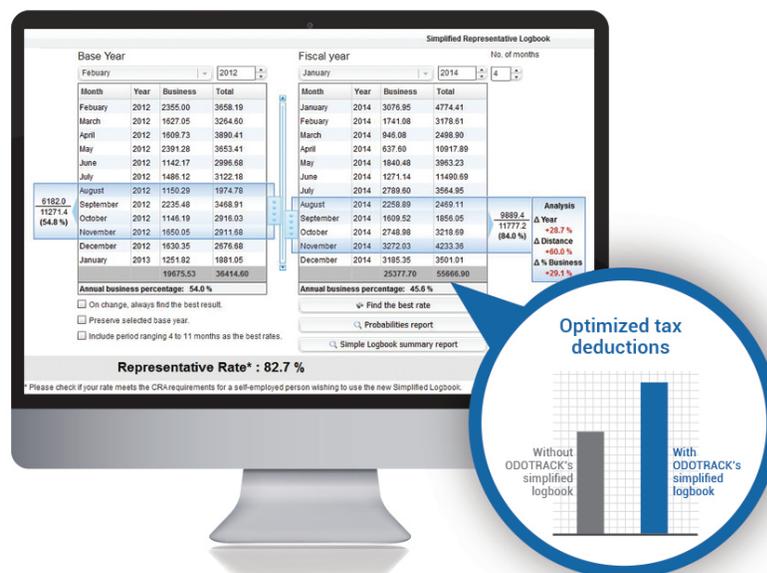


## SALES TAX REBATE

- ✓ A freelance worker can claim tax rebates for his/her eligible taxable expenses, if he/she is a tax registrant
- ✓ The rebates are claimed based on the use of the vehicle for business purposes:
  - 90 % or more:** Can claim all rebates on the price paid or \$30,000, whichever is lower
  - Between 10 % and 90 %:** Rebates are claimed based on the CCA deduction claimed each year
  - 10 % or less:** No tax rebate can be claimed
- ✓ Reduce the balance of the UCC during the year when the tax rebates are claimed.

## REPRESENTATIVE SIMPLIFIED LOGBOOK

- ✓ End goal: Simplify paperwork and streamline the task for freelance workers
- ✓ To optimize the deductibility of motor vehicle expenses up to 10 %
- ✓ Keep a complete logbook for 12 consecutive months to determine your base year
- ✓ For subsequent years: The logbook must be completed of three or more consecutive months while also being representative, and must be accurately calculated with the representative base year.



For more information:

- <http://www.revenuquebec.ca/en/sep/formulaires/in/in-155/default.aspx>
- <http://www.cra-arc.gc.ca/E/pub/tg/t4002/>
- <http://www.cra-arc.gc.ca/whtsnw/lgbk-eng.html>