



# Other Tax Rates

## Automobiles—Deductions and Benefits

	2021	2022
<b>Deduction limits<sup>1</sup></b>		
Maximum cost for capital cost allowance purposes <sup>2</sup>	\$30,000	\$34,000
Maximum deductible monthly lease payment <sup>3</sup>	\$800	\$900
Maximum deductible monthly interest cost on automobile loans <sup>4</sup>	\$300	\$300
Maximum deductible allowances paid to employees <sup>5</sup>		
First 5,000 employment-related kilometres	59¢	61¢
Each additional employment-related kilometre	53¢	55¢
<b>Taxable benefits</b>		
Standby charge benefit <sup>6</sup>		
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 use <sup>6</sup>	27¢	29¢
<b>Allowances<sup>7</sup></b>		
	Taxable with certain exceptions	

### Notes

- (1) 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 (CCA), 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 Quebec) for the taxes paid.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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Current as of March 31, 2022

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- (2) The maximum amounts shown in the table are determined before all applicable sales taxes, and are based on the automobile's year of purchase.

Each automobile with a cost in excess of the limit is allocated to a separate CCA Class 10.1. The maximum capital cost of each automobile that may be included in Class 10.1 increased to \$34,000 (from \$30,000) plus all applicable federal and provincial sales taxes for 2022. A Class 10.1 automobile is not subject to the normal recapture or terminal loss rules, and is eligible for a 15% CCA claim in the year of disposition.

Motor vehicles having a cost equal to or less than the limit are included in Class 10. The normal rules for recapture, terminal loss and CCA apply to these vehicles.

The CCA rate for both classes is 30% declining balance (15% in the year of acquisition).

For motor vehicles acquired after November 20, 2018, the CCA rate in the year of acquisition is increased to 45% (from 15%). The accelerated deduction will be gradually phased out starting in 2024 and will not apply to motor vehicles available for use after 2027.

The federal government introduced a temporary enhanced first-year CCA rate of 100% for eligible zero-emission vehicles purchased on or after March 19, 2019. A new Class 54 was created for zero-emission passenger vehicles that would otherwise be included in Class 10 or 10.1. The maximum capital cost of each vehicle that may be included in Class 54 increased to \$59,000 (from \$55,000) plus all applicable federal and provincial sales taxes for 2022. The enhanced CCA rate will be gradually phased out for zero-emission vehicles that become available for use after 2023 and will not apply to zero-emission vehicles that become available for use after 2027.

Finance released draft legislation on February 4, 2022 to allow certain taxpayers to temporarily expense up to \$1.5 million of eligible property per year. The new legislation expands the eligibility of these rules, which were originally announced in the 2021 federal budget to apply for Canadian-controlled private corporations (CCPCs), so that sole proprietors and certain partnerships are also eligible for this expensing measure. Finance accepted comments on the draft legislation for the immediate expensing rules until March 7, 2022.

This immediate expensing measure generally applies to "eligible property" acquired by a CCPC on or after April 19, 2021, and that becomes available for use before January 1, 2024, up to a maximum amount of \$1.5 million per taxation year. The immediate expensing would only be available for the year in which the property becomes available for use and would be shared among an associated CCPC group. The rules do not permit any carryforward of excess capacity. Eligible property includes capital property that is subject to the CCA rules, other than property included in CCA Classes 1 to 6, 14.1, 17, 47, 49 and 51.

In addition, the draft legislation provides that unincorporated businesses carried on directly by Canadian resident individuals (other than trusts) and certain partnerships are also now eligible for the \$1.5 million temporary immediate expensing measure. A partnership is eligible where all members would have otherwise benefitted from the measure had they carried on the partnership's business directly, although multi-tiered partnerships are not eligible. In particular, this measure would be effective for eligible property acquired on or after January 1, 2022 that become available for use before 2025 (in the case of an individual or a partnership all the members of which are individuals) or before 2024 (for other partnerships).

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- (3) The maximum amounts shown in the table are determined before all applicable sales taxes, and are based on the year the lease was entered into. The maximum deductible monthly lease payment increased to \$900 (from \$800) for 2022.

In general, the maximum deductible monthly lease charge is computed, as the lesser of:

- The actual lease payments paid or incurred in the year (including insurance, maintenance and taxes if they are part of the actual lease payment)
- The prescribed monthly rate, or
- The annual lease limit, which is equal to the monthly pre-tax lease cost multiplied by the ratio of

CCA cost limit

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85% x greater of the prescribed limit and the manufacturer's suggested list price

- (4) The maximum deductible monthly interest cost is based on the automobile's year of purchase.
- (5) For the Northwest Territories, Nunavut and Yukon, the tax-exempt allowance is set 4 cents higher (in 2022, 65 cents for the first 5,000 kilometres and 59 cents for each additional kilometre).

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- (6) When an employee uses an employer-provided automobile for personal use, the employee must generally include a standby charge and operating expense benefit in income.

Generally, the standby charge can be reduced when the automobile is used for business purposes more than 50% of the time and the employee does not exceed 1,667 km per month for personal use. If an employee's use of the automobile is primarily for business purposes, the employee may also elect to calculate their operating expense benefit as an amount equal to 50% of the standby charge, rather than use the per-kilometre prescribed rate (29 cents per kilometre in 2022 and 27 cents in 2021). Operating expenses include items such as gasoline and oil, maintenance charges and licences and insurance. Operating expenses do not include items such as interest, lease costs for a leased automobile or parking costs. For taxpayers who are employed principally in selling or leasing automobiles, a reduced rate of 26 cents per kilometre in 2022 and 24 cents in 2021 applies.

The federal government announced that employees will be able to use their 2019 automobile usage to determine whether their employer-provided automobile is eligible for the reduced standby charge in 2021. The federal government also announced that employees will be able to use 2019 automobile usage to determine if they are eligible to calculate their operating cost benefit as 50% of the standby charge in 2021.

- (7) An "allowance" is generally defined as an amount paid for which the employee does not have to account (by providing receipts, vouchers, etc.) to the employer for its actual use. This can be contrasted to a "reimbursement" for which the employee must usually provide the employer with receipts and that the employer repays to the employee on a dollar-for-dollar basis.