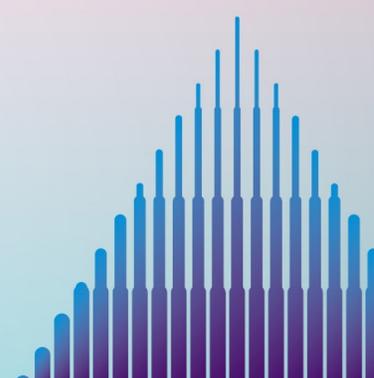




TaxNewsNow

Canada



January 5, 2021

2021 Automobile Allowance Limits — One Cent Drop for Personal Use Benefit

Most other limits and rates that applied in 2020 will continue to apply in 2021

Finance announced a one cent decrease to the prescribed rates used to compute certain employee taxable benefits for 2021. The rate used to determine the taxable benefit relating to the personal portion of automobile operating expenses paid by employers decreased to 27 cents per kilometer (from 28 cents per kilometer), as of January 1, 2021. The rate used to determine the taxable benefit of an employee who is employed principally in selling or leasing vehicles has also decreased to 24 cents per kilometer (from 25 cents per kilometer) for 2021.

Finance also proposed temporary adjustments to allow employees with employer-provided vehicles to use 2019 usage to determine eligibility for the reduced standby charge and optional operating cost benefit calculation for 2020 and 2021, in light of the COVID-19 pandemic (see *TaxNewsNow* "[Finance Allows Temporary Rearview Eligibility](#)").

All other limits remain unchanged from their 2020 amounts:

- Income tax deduction limits on tax-exempt allowances paid by employers to employees who use their personal vehicles for business purposes in 2021
- The ceiling on the capital cost of both non-zero-emission passenger vehicles and eligible zero-emission passenger vehicles, for CCA purposes in 2021
- The maximum allowable interest deduction for amounts borrowed to purchase an automobile in 2021
- The limit on the deductible leasing costs for leases entered into in 2021.

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As a result, the limits and rates for 2020 and 2021 are as follows:

	2020	2021
Deduction limits		
Maximum cost for capital cost allowance purposes ¹	\$30,000	\$30,000
Maximum deductible monthly lease payment ²	\$800	\$800
Maximum deductible monthly interest cost on automobile loans	\$300	\$300
Maximum deductible allowances paid to employees ³		
First 5,000 employment-related kilometres	59¢	59¢
Each additional employment-related kilometre	53¢	53¢
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 use	28¢	27¢
Taxpayers employed principally in selling or leasing automobiles	25¢	24¢
Allowances	Taxable with certain exceptions	

¹The maximums shown in the tables are determined before all applicable federal and provincial sales taxes and are based on the automobile's year of purchase.

The maximum cost for eligible zero-emission passenger vehicles purchased on or after March 19, 2019 is \$55,000. Eligible zero-emission passenger vehicles include plug-in hybrids with a battery capacity of at least 7kWh and vehicles that are fully electric or fully powered by hydrogen.

²The maximum shown in the tables are determined before all applicable federal and provincial sales taxes and are based on the year the lease is entered into.

³These rates are set 4 cents higher for the Northwest Territories, Nunavut and Yukon.

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