Other Tax Rates

Automobiles—Deductions and Benefits

	2019	2020
Deduction limits[1]		
Maximum cost for capital cost allowance purposes[2]	$30,000	$30,000
Maximum deductible monthly lease payment[3]	$800	$800
Maximum deductible monthly interest cost on automobile loans[4]	$300	$300
Maximum deductible allowances paid to employees[5]		
First 5,000 employment-related kilometres	58¢	59¢
Each additional employment-related kilometre	52¢	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[6]	28¢	28¢
Allowances[7]		
	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, 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.

(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 capital cost allowance (CCA) Class 10.1. The maximum capital cost of each automobile that may be included in Class 10.1 is $30,000 plus all applicable federal and provincial sales taxes. 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.

Current as of June 30, 2020

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 will be created for zero-emission passenger vehicles that would otherwise be included in Class 10 or 10.1 and the maximum CCA deductible in respect of each vehicle is $55,000 plus applicable sales tax. Another new class 55 will be also created for zero-emission vehicles that would otherwise be included in Class 16. 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.

The federal government has proposed a new class 56 to provide a temporary enhanced first-year CCA rate of 100% for qualifying zero-emission off-road automotive vehicles purchased on or after March 2, 2020. The enhanced CCA rate would be gradually phased out for qualifying zero-emission off-road automotive vehicles that become available for use after 2023 but before 2028.

(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.

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

$$\frac{\text{CCA cost limit}}{\text{85\% x greater of the prescribed limit and the manufacturer's suggested list price}}$$

(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 2020, 63 cents for the first 5,000 kilometres and 57 cents for each additional kilometre).

(6) 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 25 cents per kilometre applies in both 2019 and 2020.

(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.