



# bulletin

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## Federal Government Announces 2018 Automobile Deduction Limits and Expense Benefit Rates

The Department of Finance Canada has announced the income tax deduction limits and expense benefit rates that will apply effective January 01, 2018 when using an automobile for business purposes. **These limits/rates have changes from 2017.**

Most of the limits and rates that applied in 2017 will continue to apply in 2018, with two changes taking effect January 01, 2018.

1. The 2018 limit on the deduction of tax-exempt allowances that are paid by employers to employees who use their personal vehicle for business purposes within BC will increase by one cent (\$0.01) per km to **fifty-five cents (\$0.55) per km for the first 5,000 km driven and to forty-nine cents (\$0.49) per km for each additional km.**
2. The general prescribed rate that is used to determine the taxable benefit of employees relating to the personal portion of automobile operating expenses paid by their employers will also accordingly be increased by one cent (\$0.01) per km to twenty-six cents (\$0.26) per km.

The amount of this benefit is intended to reflect the costs of operating an automobile. The additional benefit of having an employer-provided vehicle available for personal use (i.e. the automobile standby charge) is calculated separately based on capital costs and is also included in the employee's income.

The following limits from 2017 will remain in place for 2018:

- > The ceiling on the capital cost of passenger vehicles for capital cost allowance (CCA) purposes will remain at \$30,000 (plus applicable federal and provincial sales taxes) for purchases after 2017. This ceiling restricts the cost of a vehicle on which CCA may be claimed for business purposes.
- > The maximum allowable interest deduction for amounts borrowed to purchase an automobile will remain at \$300 per month for loans related to vehicles acquired after 2017.
- > The limit on deductible leasing costs will remain at \$800 per month (plus applicable federal and provincial sales taxes) for leases entered into after 2018. This limit is one of two restrictions on the deduction of automobile lease payments. A separate restriction prorates deductible lease costs where the value of the vehicle exceeds the capital cost ceiling.

**Please be sure to notify your payroll staff of these important changes as soon as possible.**

For a full copy of the announcement please refer to: <http://www.fin.gc.ca/n17/17-131-eng.asp>