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January 4, 2019

Automobile Deduction Limits / Expense Rates Increase for 2019

The Federal Government announced that automobile expense deduction limits and the prescribed rates for the automobile operating expense benefit increased effective January 1, 2019.

1. The 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 be increased by \$0.03 cents to \$0.58 cents per kilometre for the first 5,000 kilometres driven, and to \$0.52 cents per kilometre for each additional kilometre.
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 be increased by \$0.02 cents to \$0.28 cents per kilometre.

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 2018 will remain in place for 2019:

1. 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-territorial sales taxes) for purchases after 2018. This ceiling restricts the cost of a vehicle on which CCA may be claimed for business purposes.
2. 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 2018.
3. The limit on deductible leasing costs will remain at \$800 per month (plus applicable federal and provincial-territorial 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 ensure your payroll staff are made aware of these important changes as soon as possible.

For a full copy of the announcement and links to the complete amended policy, see:

<https://www.fin.gc.ca/n18/18-125-eng.asp>