



bulletin

January 4, 2016

Automobile Deduction Limits / Expense Rates **DECREASE** for 2016

The Federal government has announced that automobile expense deduction limits and the prescribed rates for the automobile operating expense benefit will **decrease** for 2016.

The limit on the deduction of tax-exempt allowances paid by employers to employees using their personal vehicle for business purposes for 2016 will be **decreased** by ***\$0.01, to \$0.54 per kilometre for the first 5,000 kilometres driven and \$0.48 for each additional kilometre.*** Limits are \$0.04 higher for operations in the Yukon, the Northwest Territories and Nunavut.

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 has also been reduced by \$0.01, to \$0.26 per kilometre. 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

Finally, the following limits from 2015 will remain in place for 2016:

- 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 2015. 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 2015.
- The limit on deductible leasing costs will remain at \$800 per month (plus applicable federal and provincial sales taxes) for leases entered into after 2015. 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:

<http://www.fin.gc.ca/n15/15-090-eng.asp>