

# bulletin

January 17, 2020

## Automobile Expense Rates Increase for 2020

The Federal Government announced that automobile expense limits increased effective January 1, 2020.

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 for 2020 is increased by one cent to 59 cents per kilometre for the first 5,000 kilometres driven, and to 53 cents per kilometre for each additional kilometre.

These allowances are intended to reflect the main costs of owning and operating an automobile, such as depreciation, financing, insurance, maintenance, and fuel.

The following limits from 2019 will remain in place for 2020:

1. 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 remain at 28 cents per kilometre. For taxpayers who are employed principally in selling or leasing automobiles, the prescribed rate used to determine the employee's taxable benefit will remain at 25 cents per kilometre.
2. For purchases after 2019, 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 non zero-emission passenger vehicles, and at \$55,000 (plus applicable federal and provincial-territorial sales taxes) for eligible zero-emission passenger vehicles. Eligible zero-emission passenger vehicles include plug-in hybrids with a battery capacity of at least 7 kWh and vehicles that are fully electric or fully powered by hydrogen. These ceilings restrict the cost of a vehicle on which CCA may be claimed for business purposes.
3. 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 2019.
4. 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 2019. 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 of \$30,000.

**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.canada.ca/en/department-finance/news/2019/12/government-announces-the-2020-automobile-deduction-limits-and-expense-benefit-rates-for-businesses.html>