

Tax Tip
Week of January 12, 2009

2009 Automobile Reimbursements

Near the end of every calendar year, the government announces the changes to automobile reimbursements and expenses for the upcoming year. Their recent announcement indicated that the reimbursement and expenditure limits for 2008 will remain in place for 2009. These rates can be summarized as follows:

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 2008. This ceiling restricts the cost of a vehicle on which CCA may be claimed for business purposes.

The limit on deductible leasing costs will remain at \$800 per month (plus applicable federal and provincial sales taxes) for leases entered into after 2008. 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.

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 2008.

The limit on the deduction of tax-exempt allowances paid by employers to employees using their personal vehicle for business purposes for 2009 will remain at 52 cents per kilometre for the first 5,000 kilometres driven and 46 cents for each additional kilometre. For the Yukon Territory, Northwest Territories and Nunavut, the tax-exempt allowance will remain at 56 cents for the first 5,000 kilometres driven and 50 cents for each additional kilometre.

The general prescribed rate used to determine the taxable benefit relating to the personal portion of automobile operating expenses paid by employers for 2009 will remain at 24 cents per kilometre. For taxpayers employed principally in selling or leasing automobiles, the prescribed rate will remain at 21 cents per kilometre. The additional benefit of having an employer-provided vehicle available for personal use (i.e., the automobile standby charge) is calculated separately and is also included in the employee's income.

The Government reviews these rates and limits annually, and announces any planned changes prior to the end of the calendar year. This practice ensures that businesses are aware of the new rates before the beginning of the year in which they