

**Tax Tip**  
**Week of May 10, 2010**

**Automobile Accidents and the Self-Employed**

When self-employed individuals determine their automobile expenses for tax purposes, the basic calculation is to total the expenses and then make an allocation between personal and business. Thus, if 80% of an individual's driving is business related, then 80% of the capital cost allowance and operating expenses are deductible. There are certain restrictions on leasing expense, financing and capital cost allowance on vehicles costing more than \$30,000, but for the most part expenses can simply be allocated between personal and business driving.

An important exception is expenses related to automobile accidents. For example if an individual used his vehicle 80% for business and had an accident, it would appear reasonable that 80% of the repair costs would be deductible for income tax purposes. However, this is not the case. It is CRA's policy that if the accident occurs during business driving, all of the expenses are deductible. However, if the accident occurs while the car is being driven for non-business reasons, no portion of the accident or related repairs are deductible for income tax purposes.