Other Tax Rates

Automobiles—Deductions and Benefits

	2023	2024
Deduction limits[1]		
Maximum cost for capital cost allowance purposes[2]	$36,000	$37,000
Maximum deductible monthly lease payment[3]	$950	$1,050
Maximum deductible monthly interest cost on automobile loans[4]	$300	$350
Maximum deductible allowances paid to employees[5]		
First 5,000 employment-related kilometres	68¢	70¢
Each additional employment-related kilometre	62¢	64¢
Taxable benefits		
Standby charge benefit[6]		
Employer-owned automobile	2% per month of original cost	
Employer-leased automobile	2/3 of monthly lease cost	
Operating cost benefit per kilometre of personal use[6]	33¢	33¢
Allowances[7]		
	Taxable with certain exceptions	

Notes

(1) When a motor vehicle is purchased or leased for the purpose of earning income, certain expenses may be deducted. The more common types of motor vehicle expenses include fuel, insurance, maintenance and repairs, licence and registration fees, capital cost allowance (CCA), lease payments, and interest. The expenses also include all applicable federal and provincial sales taxes (GST, HST, PST and QST) to the extent the taxpayer is not a sales tax registrant and does not claim an input tax credit (input tax refund in Quebec) for the taxes paid.

Automobiles—Deductions and Benefits

Notes, continued

(2) The maximum amounts shown in the table are determined before all applicable sales taxes and are based on the automobile's year of purchase.

Each automobile with a cost in excess of the limit is allocated to a separate CCA Class 10.1. The maximum capital cost of each automobile that may be included in Class 10.1 increased to $37,000 (from $36,000) plus all applicable federal and provincial sales taxes for 2024. A Class 10.1 automobile is generally not subject to the normal recapture or terminal loss rules and is eligible for a 15% CCA claim in the year of disposition.

Motor vehicles having a cost equal to or less than the limit are included in Class 10. The normal rules for recapture, terminal loss and CCA apply to these vehicles.

The CCA rate for both classes is 30% declining balance (15% in the year of acquisition).

For motor vehicles acquired after November 20, 2018, the CCA rate in the year of acquisition is increased to 45% (from 15%). The accelerated deduction will be gradually phased out starting in 2024 and will not apply to motor vehicles available for use after 2027.

The temporary enhanced first-year CCA rate of 100% is available for eligible zero-emission vehicles purchased on or after March 19, 2019. CCA Class 54 was created for zero-emission passenger vehicles that would otherwise be included in Class 10 or 10.1. The maximum capital cost of each vehicle that may be included in Class 54 is $61,000 plus all applicable federal and provincial sales taxes for 2023 and 2024. The enhanced CCA rate will be gradually phased out for zero-emission vehicles that become available for use after 2023 and will not apply to zero-emission vehicles that become available for use after 2027.

Canadian-controlled private corporations (CCPCs), sole proprietors and certain partnerships may be able to take immediate expense up to $1.5 million of eligible property per year. Eligible property includes capital property that is subject to the CCA rules, other than property included in CCA Classes 1 to 6, 14.1, 17, 47, 49 and 51.

This immediate expensing measure generally applies to eligible property acquired by a CCPC on or after April 19, 2021, and that becomes available for use before January 1, 2024. The immediate expensing would only be available for the year in which the property becomes available for use. The $1.5 million annual expensing limit must be shared among an associated CCPC group. The rules do not permit any carryforward of excess capacity.

Unincorporated businesses carried on directly by Canadian resident individuals (other than trusts) and certain partnerships are also eligible for the $1.5 million temporary immediate expensing measure for eligible property acquired on or after January 1, 2022 that become available for use before 2025 (in the case of an individual or a partnership all the members of which are individuals) or before 2024 (for other partnerships).

A partnership is eligible where all members would have otherwise benefitted from the measure had they carried on the partnership's business directly, although multi-tiered partnerships are not eligible.

Automobiles—Deductions and Benefits

Notes, continued

(3) The maximum amounts shown in the table are determined before all applicable sales taxes, and are based on the year the lease was entered into. The maximum deductible monthly lease payment increased to $1,050 (from $950) for 2024.

In general, the maximum deductible monthly lease charge is computed, as the lesser of:

- The actual lease payments paid or incurred in the year (including insurance, maintenance and taxes if they are part of the actual lease payment)
- The prescribed monthly rate, or
- The annual lease limit, which is equal to the monthly pre-tax lease cost multiplied by the ratio of

$$\frac{\text{CCA cost limit}}{85\% \text{ x greater of the prescribed limit and the manufacturer's suggested list price}}$$

(4) The maximum deductible monthly interest cost is based on the automobile's year of purchase.

(5) For the Northwest Territories, Nunavut and Yukon, the tax-exempt allowance is set 4 cents higher (in 2024, 74 cents for the first 5,000 kilometres and 68 cents for each additional kilometre).

(6) When an employee uses an employer-provided automobile for personal use, the employee must generally include a standby charge and operating expense benefit in income.

Generally, the standby charge can be reduced when the automobile is used for business purposes more than 50% of the time and the employee does not exceed 1,667 km per month for personal use. If an employee's use of the automobile is primarily for business purposes, the employee may also elect to calculate their operating expense benefit as an amount equal to 50% of the standby charge, rather than use the per-kilometre prescribed rate (33 cents per kilometre in 2023 and in 2024).

Operating expenses include items such as gasoline and oil, maintenance charges and licences and insurance. Operating expenses do not include items such as interest, lease costs for a leased automobile or parking costs. For taxpayers who are employed principally in selling or leasing automobiles, a reduced rate of 30 cents per kilometre in 2023 and in 2024 applies.

(7) An "allowance" is generally defined as an amount paid for which the employee does not have to account (by providing receipts, vouchers, etc.) to the employer for its actual use. This can be contrasted to a "reimbursement" for which the employee must usually provide the employer with receipts and that the employer repays to the employee on a dollar-for-dollar basis.