Other Tax Rates

Automobiles—Deductions and Benefits

	2024	2025
Deduction limits[1]		
Maximum cost for capital cost allowance purposes[2]	$37,000	$38,000
Maximum deductible monthly lease payment[3]	$1,050	$1,100
Maximum deductible monthly interest cost on automobile loans[4]	$350	$350
Maximum deductible allowances paid to employees[5]		
First 5,000 employment-related kilometres	70¢	72¢
Each additional employment-related kilometre	64¢	66¢
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¢	34¢
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 $38,000 (from $37,000) plus all applicable federal and provincial sales taxes for 2025. 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% on a declining balance (15% in the year of acquisition).

The 2024 federal fall economic update proposed to re-instate the Accelerated Investment Incentive (AII) for eligible property acquired on or after January 1, 2025 that becomes available for use before 2030. Under this proposal, the first-year CCA rate for qualifying motor vehicles would be 45% (rather than 15%). The AII is proposed to be phased out starting in 2030 and fully eliminated for property that becomes available for use after 2033. This measure has not been enacted and thus the proposed measure may change if and when it becomes law.

The 2024 federal fall economic update also proposed to re-instate the enhanced first-year CCA rate of 100% for zero-emission vehicles under CCA Class 54 acquired on or after January 1, 2025 that become available for use before 2030. The enhanced first-year CCA rate is proposed to be phased out starting in 2030 and fully eliminated for zero- emission vehicles that become available for use after 2033. This measure has not been enacted and thus the proposed measure may change if and when it becomes law.

The maximum capital cost of each zero-emission vehicle that may be included in Class 54 remains at $61,000 plus all applicable federal and provincial sales taxes for 2025.

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 $1,100 (from $1,050) for 2025.

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

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

(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 4 cents higher (i.e., 76 cents for the first 5,000 kilometres and 70 cents for each additional kilometre in 2025).

(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 kilometres per month of personal use.

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 and parking costs. 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 of 34 cents per kilometre in 2025 (previously 33 cents per kilometre in 2024). For taxpayers who are employed principally in selling or leasing automobiles, a reduced rate of 31 cents per kilometre in 2025 (previously 30 cents per kilometre 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.