Other Tax Rates

Automobiles—Deductions and Benefits

	2025	2026
Deduction limits[1]		
Maximum cost for capital cost allowance purposes[2]	$38,000	$39,000
Maximum cost for eligible zero-emission passenger vehicles[2]	$61,000	$61,000
Maximum deductible monthly lease payment[3]	$1,100	$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	72¢/76¢	73¢/77¢
Each additional employment-related kilometre	66¢/70¢	67¢/71¢
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]	34¢	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.

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

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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 $39,000 (from $38,000) plus all applicable federal and provincial sales taxes for 2026. 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 federal government re-instated the accelerated investment incentive, now called the Reaccelerated Investment Incentive (RAII), for eligible property acquired on or after January 1, 2025 that becomes available for use before 2030. Under the RAII, the first-year CCA rate for qualifying motor vehicles is generally 45% (rather than 15%). The RAII will be phased out starting in 2030 and fully eliminated for property that becomes available for use after 2033. For eligible property acquired on or after September 15, 2026, the federal government proposes to introduce the Productivity Mega Deduction (PMD), which would allow taxpayers to fully deduct the cost of a wide range of capital assets in the year they become available for use. Eligibility to the PMD is restricted to vehicles that are new and assembled in Canada. The proposed PMD would be permanent and would replace the RAII for eligible vehicles acquired on or after September 15, 2026.

The federal government also re-instated 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 will be phased out starting in 2030 and fully eliminated for zero-emission vehicles that become available for use after 2033. The federal government also proposes extending eligibility to the Productivity Mega Deduction to eligible zero-emission vehicles, with no newly owned and Canadian assembly requirements. If the PMD is enacted, this would override the enhanced first-year CCA rate of 100% and make the write-off permanent.

Eligible zero-emission passenger vehicles include plug-in hybrids with a battery capacity of at least 7kWh and vehicles that are fully electric or fully powered by hydrogen.

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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 remains at $1,100 for 2026.

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., 77 cents for the first 5,000 kilometres and 71 cents for each additional kilometre in 2026).

(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 2026. For taxpayers who are employed principally in selling or leasing automobiles, a reduced rate of 31 cents per kilometre in 2026 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.

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