

# Automobile Expense Provisions

## Saving time and reducing taxes for small businesses!

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CFIB has been the only organization in Canada with **access** and **influence** at senior levels of government to aggressively lobby the Canada Revenue Agency (CRA) to improve the automobile expense deduction and standby charge for SMEs.

### The simplified logbook for motor vehicle expense provisions

“Budget 2008 proposes that maintaining a logbook during a sample period of time be sufficient to support motor vehicle expense and taxable benefit calculations. *CRA will undertake consultations with CFIB, and will implement a revised administrative policy.*”

—Hon. Jim Flaherty, Budget 2008, p. 88

#### Seven years of CFIB lobbying pays dividends for SMEs

- 7,600 members told us in a survey that the mileage log was the biggest problem.
- Finance Minister Flaherty listened to constant CFIB lobbying and committed CRA to allow a sample log period to reduce the burden of the deduction.
- CRA Minister Keith Ashfield (left) announced the new sample log provision at a meeting of CFIB staff in Truro, NS in June 2010 (pictured at right).

#### How does it work?

According to CRA, the best evidence to support the use of a vehicle is an accurate logbook of business travel maintained for the entire year, showing for each business trip, the destination, the reason for the trip and the distance covered. This is incredibly onerous and many firms are not doing it right—leaving themselves vulnerable if audited.

The CRA will give considerable weight to a logbook maintained for a sample period as evidence of a full year’s usage of a vehicle if it meets the following criteria:

- The taxpayer has previously filled out and retained a logbook covering a full 12-month period that was typical for the business (not required to be a calendar year).
- A logbook for a sample period of at least one continuous 3-month period in each subsequent year has been maintained.
- The distances travelled and the business use of the vehicle during the 3-month sample period is within 10 percentage points of the same 3-month period in the base year (and the annual business use meets the same test).

**Properly done, this will lead to a 75% reduction in the ongoing paperwork associated with the automobile expense deduction.** CRA also explained that, in some cases, alternatives to a log book would be acceptable to their auditors such as Microsoft Outlook calendars or service call logs. Before deciding whether this or any other tax deduction is right for you, we strongly suggest you talk to your accountant. Full details can be found at: [www.cra-arc.gc.ca/whtsnw/lgbk-eng.html](http://www.cra-arc.gc.ca/whtsnw/lgbk-eng.html)



## The Standby Charge—CFIB leadership gets results in reducing taxes for SMEs

Standby charges are the taxes paid by an employee/owner who has a company car that is also driven for personal use. In 2003, after listening to CFIB's concerns, the government announced a change to the standby charge that saves business owners and their employees an estimated \$20 million per year. The change raised the limit on personal driving from 12,000 km to 20,000 km, thereby reducing the taxes of anyone in the business with a company vehicle.

Vehicle Leased Example:	Vehicle Owned Example:
Monthly Lease = \$600 Business/Personal = 62.5% Standby Charge = \$400 Taxes @ 40% = \$160.00 Yearly = \$1,920	Value of Vehicle = \$27,000 Business/Personal = 62.5% Standby Charge = \$540 Taxes @ 40% = \$216.00 Yearly = \$2,592

In addition, the requirement on the employee's business use of the company-provided automobile was relaxed from "at least 90%" to "more than 50%." This resulted in substantial savings in personal income taxes for anyone in the business with a company vehicle.

Vehicle Leased Example:	Vehicle Owned Example:
Monthly Lease = \$600 Business/Personal = 62.5% Standby Charge = \$400 Reduction Ratio = 75% (Personal km/20000 km) Reduced Standby = \$300 Taxes @ 40% = \$120.00 Yearly = \$1,440	Value of Vehicle = \$27,000 Business/Personal = 62.5% Standby Charge = \$540 Reduction Ratio = 75% (Personal km/20000 km) Reduced Standby = \$405 Taxes @ 40% = \$162.00 Yearly = \$1,944
<b>Savings = \$480</b>	<b>Savings = \$648</b>

### We won't give up, and we won't go away on taxpayer fairness!

CFIB has been a leading force for change at CRA. We've scored many wins like simplifying Scientific Research and Experiment Development (SRED) tax credits, allowing taxpayers to request an ID number for CRA staff, a Taxpayers' Bill of Rights and CRA Ombudsman. However, there is a long way to go. We continue to work with all members—including tax professionals—on simplifying other onerous procedures at CRA.

Currently, CFIB is working on:

- A CRA Fairness Code—we want to improve CRA information and give our members more clout when they have a dispute.
- Vendor Compensation for GST—SMEs should be able to keep a small portion of the GST/HST to recognize their work as tax collectors for government.

To help ensure that (taxpayers') rights are accessible and easily understood, the CRA will consult with key stakeholders, such as CFIB, in order to identify ways in which transparency and accessibility can be strengthened.

—Finance Minister Jim Flaherty, Budget 2010, p. 96

Our government continues to work closely with CFIB to address the needs of small businesses.

—CRA Minister Keith Ashfield in a June, 2010 news release

**Our CRA agenda comes from our members.  
Send your ideas for further change to: [cfib@cfib.ca](mailto:cfib@cfib.ca)**

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