



This Month:

- 2023 Automobile Deduction Limits & Expense Benefit Rates for Business
 - Remitting GST/HST on taxable benefits

2023 Automobile Deduction Limits and Expense Benefit Rates for Business

The ceiling on the capital cost of passenger vehicles for capital cost allowance (CCA) purposes is increased to \$36,000 (plus applicable federal and provincial sales taxes) for non-zero-emission vehicles and to \$61,000 for eligible zero-emission passenger vehicles. These ceilings restrict the cost of a vehicle on which CCA may be claimed for business purposes.

The limit on deductible leasing costs increases to \$950 per month (plus applicable federal and provincial sales taxes). This limit, which ensures that the level of deductions for leased and purchased vehicles is consistent, is one of two restrictions on the deduction of automobile lease payments. A separate restriction prorates deductible lease costs where the value of the vehicle exceeds the capital cost ceiling.

The limit on the deduction of tax-exempt allowances paid by employers to employees increased to 68¢ per kilometer for the first 5,000 kilometers driven and 62¢ for each additional kilometer. The allowance amounts reflect the key cost components of owning and operating an automobile, such as depreciation, financing, maintenance, and fuel costs. You may realize a capital gain on the property, like real estate or marketable securities if your selling price (net of costs like commissions or legal fees) exceeds your cost of the property. For income tax purposes, one-half of this gain is included in your income and subject to tax.

The maximum allowable interest deduction for amounts borrowed to purchase an automobile remains at \$300. This limit supposedly reflects the reasonable cost of financing a vehicle for business purposes although this is surprising with the interest rate increases we have seen in the past year.

The general prescribed rate used to determine the taxable benefit relating to the personal portion of automobile operating expenses paid by employers will increase to 33¢ per kilometer. For taxpayers employed principally in selling or leasing automobiles, the prescribed rate will increase to 30¢ per kilometer. The amount of the benefit reflects the costs of operating an automobile. Do not forget that there is an additional benefit simply from having an employer-provided vehicle available for personal use which is called the automobile "standby charge". There is a special formula to calculate the benefit, which is reported on the T4 slip and included in the employee's income. In order to compute this standby charge and operating cost benefit, it is important that total and business kilometers are tracked throughout the year.

Remitting GST/HST on Taxable Benefits



As an employer, you are responsible for remitting GST/HST on employee taxable benefits unless the benefit is tax exempt or zero-rated. A common example of a tax benefit that is not exempt includes the automobile standby charge and operating expense benefit.

The rate that needs to be remitted depends on the location your employee ordinarily worked in, or the location to which he or she ordinarily reported to.

You are considered to have collected an amount equal to a percentage of the value of the benefit for GST/HST purposes, based on one of the following rates:

Automobile operating expense benefit:

- 11% for Nova Scotia; Prince Edward Island (PEI), New Brunswick, Newfoundland and Labrador;
- 9% for Ontario;
- 3% for the rest of Canada.

Other Than Automobile Operating Expense Benefits:

- 14/114 for Nova Scotia, PEI, New Brunswick, Newfoundland and Labrador;
- 12/112 for Ontario;
- 4/104 for the rest of Canada.

The above rates may be reduced for large businesses.



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Padgett Business Services is dedicated to meeting the tax, government compliance, profit & financial reporting and payroll needs of businesses with fewer than 20 employees in the retail and service sector of the economy. This publication suggests general business planning concepts that may be appropriate in certain situations. It is designed to provide complete and accurate information to the reader. However, because of the complexities of the tax law and the necessity of determining whether the material discussed herein is appropriate to your business, it is important you seek advice from your Padgett office before implementing any of the concepts suggested in this newsletter.