

This Month:

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2022 Automobile Deduction Limits and Expense Benefit Rates for Business

The ceiling on the capital cost of passenger vehicles for capital cost allowance (CCA) purposes has increased from \$30 000 to \$34 000 (plus applicable federal and provincial sales taxes) **for non-zero-emission vehicles and from \$55 000 to \$59 000 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 has also increased from \$800 to \$900 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 from 59¢ to 61¢ per kilometer for the first 5,000 kilometers driven and from 53¢ to 55¢ 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.

The maximum allowable interest deduction for amounts borrowed to purchase an automobile remains at \$300. This limit reflects the reasonable cost of financing a vehicle for business purposes.

The general prescribed rate used to determine the taxable benefit relating to the personal portion of automobile operating expenses paid by employers will increase by 2¢ to 29¢ per kilometer. For taxpayers employed principally in selling or leasing automobiles, the prescribed rate will increase by 2¢ to 26¢ per kilometer. The amount of the benefit reflects the costs of operating an automobile. The additional benefit of having an employer-provided vehicle available for personal use (i.e., the automobile standby charge) is calculated separately and is also included in the employee's income.

2022 Indexation Adjustment for Personal Income Tax and Benefit Amounts

On January 1, 2021, all indexed personal income tax amounts, including tax bracket thresholds and amounts used to calculate non-refundable tax credits, were adjusted by 2.4%. The Canada Child Benefit and the goods and services tax credit will take effect July 1, 2022.

For 2022 the federal tax bracket thresholds are:

- 15% for taxable income between \$0 and \$50 197
- 20.5% for taxable income above \$50 197
- 26% for taxable income above \$100,392
- 29% for taxable income above \$155,625
- 33% for taxable income above \$221,708

RRSP Contribution Deadline

The RRSP Contribution Deadline for the 2021 tax year is Tuesday March 1, 2022. The annual contribution limit for 2021 is \$27 830.

TFSA Limit

The Tax Free Savings Account limit is \$6 000 for 2022.

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Rates and Maximums Chart

CPP—2022	
Year's Maximum Pensionable Earnings	\$ 64 900.00
Year's Basic Exemption (by pay period type):	
• Annual	\$ 3 500.00
• Monthly (12)	\$ 291.66
• Semi-Monthly (24)	\$ 145.83
• Bi-Weekly (26)	\$ 134.61
• Weekly (52)	\$ 67.30
Maximum Contributory Earnings	\$ 61 400.00
Contribution Rate — Employee/Employer	5.70%
Contribution Rate — Self-Employed	11.4%
Maximum Contribution — Employee/Employer	\$ 3 499.80
Maximum Contribution — Self-Employed	\$ 6 999.60

EMPLOYMENT INSURANCE—2022	
Maximum Annual Insurable Earnings	\$ 60 300.00
Premium Rate (Employee)	1.58%
Premium Rate (Employer, 1.4 x Employee)	2.212%
Annual Maximum Premium (Employee)	\$ 952.74
Annual Maximum Premium (Employer)	\$ 1 333.84

TD1—PERSONAL TAX CREDIT RETURN (FEDERAL)—2022	
Basic Personal Amount <i>(Note: applies if net income is less than \$155 625, otherwise it is linearly reduced down to \$12 719 at a net income level of \$ 221 708.)</i>	\$14 398
Eligible Dependent or Spouse or Common-Law Partner Amount (see note above)	\$14 398
Pension Income Amount	\$ 2 000
Age 65 Amount	\$ 7 898
Disability Amount	\$ 8 870
Canada Caregiver Amount	\$ 7 525
Family Caregiver Amount for children < 18	\$ 2 350

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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.