

**Tax Tip**  
**Week of August 23, 2010**

**Documenting the Business Use of a Vehicle**

If an individual uses a personal vehicle for business purposes, a portion of the travel expenses will be deductible for income tax purposes. CRA has released guidelines as to acceptable methods of determining the allocation between personal and business travel. The three methods are:

- 1) log book of business miles:
- 2) a reasonableness approach: and
- 3) sampling from the prior year.

**Log Book** - The best evidence to support the business 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.

**Alternative records** – If the taxpayer does not keep a log book, CRA will look at other records of the business to determine if the taxpayer's allocation is reasonable. For many individuals, the books and records they maintain as part of their normal business operations may be indicative of the presence of and the extent of business driving. An appointment diary indicating what addresses were visited and why, or a log of service calls might be sufficient. Purchase or sales invoices may indicate that items were picked up or delivered by the taxpayer.

CRA auditors will generally consider the usage of a vehicle in the context of the entire operation of that particular business. A proposal to disallow a portion of a claim for vehicle expenses would only occur where the claimed travel seems out of proportion in that overall context and is not supported by sufficient evidence as described here. However, it should be noted that individuals will be responsible for providing sufficient evidence to demonstrate the accuracy of their claims for business distances driven throughout the year.

**Logbook for a sample period** - CRA will also consider sampling based upon the prior year if the following conditions exist:

- the taxpayer has previously filled out and retained a logbook covering a full 12-month period that was typical for the business
- a logbook for a sample period of at least one continuous three-month period in each subsequent year has been maintained
- the distances travelled and the business use of the vehicle during the three-month sample period is within 10 percentage points of the corresponding figures for the same three-month period in the base year
- the calculated annual business use of the vehicle in a subsequent year does not go up or down by more than 10 percentage points in comparison to the base year.