

Tax Tip
Week of December 12, 2011

Automobile Accidents and the Self-Employed

When self-employed individuals determine their automobile expenses for tax purposes, the basic calculation is to total the expenses and then make an allocation between personal and business. Thus, if 80% of an individual's driving is business related, then 80% of the capital cost allowance and operating expenses are deductible. There are certain restrictions on leasing expense - \$800 per month, financing - \$300 per month and capital cost allowance on vehicles costing more than \$30,000, but for the most part expenses can simply be allocated between personal and business driving.

An important exception is expenses related to automobile accidents. It is CRA's policy that if the accident occurs during business driving, all of the expenses are deductible. However, if the accident occurs while the car is being driven for non-business reasons, no portion of the accident or related repairs are deductible for income tax purposes.