

Tax Tip
Week of January 2, 2012

2012 Automobile Expense Guidelines

The Department of Finance has announced the automobile expense deduction limits and the prescribed rates for the automobile operating expense benefit that will apply in 2012:

- the ceiling on the capital cost of passenger vehicles for capital cost allowance (CCA) purposes will remain at \$30,000 (plus applicable federal and provincial sales taxes) for purchases after 2011. This ceiling restricts the cost of a vehicle on which CCA may be claimed for business purposes.
- the limit on deductible leasing costs will remain at \$800 per month (plus applicable federal and provincial sales taxes) for leases entered into after 2011. This limit 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 maximum allowable interest deduction for amounts borrowed to purchase an automobile will remain at \$300 per month for loans related to vehicles acquired after 2011.
- the limit on the deduction of tax-exempt allowances paid by employers to employees using their personal vehicle for business purposes for 2012 will be increased by 1 cent to 53 cents per kilometre for the first 5,000 kilometres driven and to 47 cents for each additional kilometre. For Yukon, the Northwest Territories and Nunavut, the tax-exempt allowance is set 4 cents higher, and will also increase by 1 cent to 57 cents for the first 5,000 kilometres driven and to 51 cents for each additional kilometre. The allowance amounts reflect the key cost components of owning and operating an automobile, such as depreciation, financing, insurance, maintenance and fuel costs.
- the general prescribed rate used to determine the taxable benefit relating to the personal portion of automobile operating expenses

paid by employers for 2012 will increase by 2 cents to 26 cents per kilometre.