

Tax Tip

Week of January 3, 2011

2011 Automobile Expenses

On December 29, the Department of Finance announced the automobile expense deductions and prescribed rates for the automobile operating expense benefit. The rates will remain unchanged from 2010. To summarize, the rules for 2011 are:

- The ceiling on the capital cost of passenger vehicles for capital cost allowance purposes will remain at \$30,000 (plus applicable federal and provincial sales taxes) for purchases after 2010. This ceiling restricts the cost of a vehicle on which CCA may be claimed for business purposes
- 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 2010
- The limit on deductible leasing costs will remain at \$800 per month (plus applicable federal and provincial sales taxes) for leases entered into after 2010
- The limit on the deduction of tax-exempt allowances paid by employers to employees using their personal vehicle for business purposes for 2011 will remain at 52 cents per kilometre for the first 5,000 kilometres driven and 46 cents for each additional kilometre. For Yukon, the Northwest Territories and Nunavut, the tax-exempt allowance will remain at 56 cents for the first 5,000 kilometres driven and 50 cents for each additional kilometre
- The general prescribed rate used to determine the taxable benefit relating to the personal portion of automobile operating expenses paid by employers for 2011 will remain at 24 cents per kilometre