



## TAXABLE AUTOMOBILE BENEFITS 2009

Taxable automobile benefits total the following amounts: 1) A **STANDBY CHARGE** for the year and 2) an **OPERATING COST BENEFIT** for the year, **minus** any reimbursements from the employee.

An **AUTOMOBILE** does not include:

- An ambulance;
- A motor vehicle bought primarily to be used as a taxi or bus used to transport passengers;
- A hearse used for funerals; or
- A van, pick-up truck, or similar vehicle that:
  - carries not more than the driver and two passengers and is used primarily to transport goods or equipment in the course of business; or
  - is used 50% or more of the time to transport goods, equipment or passengers in the course of business.

### **AUTOMOBILE AVAILABILITY**

The automobile is considered to be available to the employee as long as they have access to or control over the vehicle. Access ends only when an employee returns all the automobile's keys.

### **PERSONAL DRIVING**

Personal driving is any driving by an employee, or a person related to an employee, for purposes other than business. This includes:

- Vacation travel;
- Driving for personal business;
- Travel between home and work.

It is not considered personal driving if the employee is required or allowed to

travel directly home from a point of call (ie. Salesperson visiting a customer).

### **AUTOMOBILE COSTS**

The total cost of an automobile used in determining standby charges is as follows:

- The cost of automobile when you bought it; including options, accessories, GST and PST
- The cost of additions (including GST & PST)

### **LEASING COSTS**

Leasing costs include:

- The rental cost for the automobile; and
- Any associated costs, such as maintenance contracts, excess mileage charges, GST and PST

### **STANDBY CHARGE**

A standby charge represents the benefit an employee enjoys through the use of a company owned or leased automobile for personal use.

### **STANDBY CHARGE BENEFIT CALCULATION**

#### **1. For vehicles company owns**

- 2% of the automobile's cost;
- The number of 30-day periods in the year the automobile was available to the employee;
- The personal driving the employee did while the automobile was available to the employee; and
- The amount of any payment you received from the employee for the standby charge.

## Example 1

Number of 30-day periods = 12  
 Cost (incl GST & PST) \$33,600  
 Personal km driven 20,000

Standby charge =  
 $\$33,600 \times 2\% \times 12 = \underline{\underline{\$8,064}}$

## 2. For vehicles company leases

- Two-thirds of the cost of the automobile lease;
- The number of 30-day periods in the year the automobile was available to the employee;
- The personal driving the employee did while the automobile was available to the employee; and
- The amount of any payment you received from the employee for the standby charge.

## Example 2

Monthly lease cost  
 (incl GST & PST) = \$896  
 Number of 30-day periods 12  
 Personal km driven 20,000

Standby charge =  
 $\$896 \times 12 \times 2/3 = \underline{\underline{\$7,168}}$



## REDUCING THE STANDBY CHARGE

For 2003 and later, you can reduce the standby charge if the automobile is used more than 50% of the time for business purposes and the total kilometres for personal use are less than 20,000 a year.

## Example 3

Above example for employer-owned automobile, personal use 4,000 km.

Standby charge =  
 $33,600 \times 2\% \times 12 \times 4,000/20,000 = \underline{\underline{\$1,613}}$

## OPERATING COST BENEFITS

When you provide an automobile to an employee and pay for the operating expenses related to personal use, the payment represents a taxable benefit for the employee and you have to calculate the operating cost benefit using a charge based on a fixed rate of \$0.24 per kilometre of personal use. The fixed rate of \$0.24 per kilometre includes GST.

## Example 4

In 2009 your employee used a company-owned car to travel 4,000 kilometres for personal use.

The operating cost benefit is –  
 $4,000 \text{ km} \times \$0.24 = \$960$

Operating costs include:

- Gasoline and oil;
- Maintenance and repair costs;
- Licenses and insurance;

Operating costs **do not** include the following:

- Interest
- Capital cost allowance
- Lease costs
- Parking costs

## REIMBURSEMENT

If the employee reimburses you in the year or no later than 45 days after the end of the year for all operating expenses attributable to personal use, there will be no taxable benefit for operating costs in the year.

If the employee reimburses you in the year or no later than 45 days after the end of the year for part of the operating expenses, deduct this amount from the calculated benefit.

## OPTIONAL CALCULATION OF THE OPERATING COST BENEFIT

You can use this optional calculation of the vehicle's operating cost benefit if:

- You include a standby charge in your employee's income;
- Your employee uses the automobile more than 50% for employment purposes; and
- Your employee notifies you in writing, before the end of the taxation year to use this method.



If your employee meets these three conditions, you have the option of calculating the operating cost benefit of the automobile as the lesser of ½ of the standby charge or \$0.24 per kilometre of personal use as shown above.

## LUMP-SUM LEASE PAYMENTS

Lump-sum payments you make at the beginning or end of a lease that are not a payment to buy the automobile will affect the standby charge for the automobile. Prorate the lump-sum payment you make at the beginning of the lease over the life of the lease and add this amount to the basic regular lease payment in order to calculate the standby charge.

## TOTAL TAXABLE AUTO BENEFIT

Personal use – 4,000 km	
Standby charge, per example 3 above	\$ 1,613
Operating benefit (4,000 km @ \$0.24)	<u>960</u>
Total	<u>\$ 2,573</u>

**NOTE THAT THE EMPLOYER IS RESPONSIBLE FOR REMITTING THE GST INCLUDED IN THE STANDBY CHARGE AND 5% OF THE OPERATING BENEFIT.**

**From Examples 3 and 4 the GST to be remitted is:**

GST on standby charge (\$30,000 x 2% x 12 x 5% x 4,000/20,000)	\$72
GST included in operating benefit (\$960 x 5%)	<u>48</u>
Total	<u>\$ 120</u>

1. Add the value of the taxable benefit to the employee's salary in Box 14 – (Employment Income before deductions) of the T4 slip.
2. Disclose the value of the taxable benefit separately in Box 34 – (Personal use of an employer's auto).
3. The value of the taxable benefit is included when calculating the total amount subject to income tax and Canada Pension Plan premiums.
4. The auto benefit is not EI insurable and is not subject to EI premiums.
5. Remit the GST as noted above.



This document is general in nature and should not be relied upon to replace specific professional advice.