

# THE BALANCE SHEET

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CHARTERED PROFESSIONAL ACCOUNTANTS



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## A NOTE FROM THE PARTNERS

We hoped you enjoyed reading the first issue of "The Balance Sheet"! If you missed it you can check it out on [our website](#).

The clocks have changed and Spring is in the air. Spring means personal tax time! If you haven't already, please be sure to get all your tax documents in. Take a moment to review the [2021 Personal Tax Checklist](#) to make sure you have everything you need to submit your taxes.

In this issue we are taking a deeper dive into vehicle expenses and sharing a helpful tool for tracking your mileage for business purposes.

As always, please do not hesitate to reach out with any accounting-related questions.

*George, Bryan, Dale, Trent, Brad, David, Paul & Brennan*

# VEHICLE EXPENSE DEDUCTION

Many of our clients are confused with how the vehicle expense deduction works. Understandably so. For starters, it is referred to as a 'mileage deduction', even though we use kilometers in real life (lol)! Let's take a closer look:

## How Does Mileage Deduction / Vehicle Expense Deduction Work?

As an employee, any corporation can reimburse you on a per-km basis. This reimbursement is tax-free up to a maximum of \$0.61/km for the first 5,000km's and \$0.55/km thereafter (in 2022). The rates typically change annually so always best to check.

## Tracking & Submitting Mileage Deductions

In this scenario, all you need to do is track your mileage and submit it to your employer. You pay your vehicle costs out of pocket and you cannot deduct any vehicle costs paid personally as you are already receiving a tax-free reimbursement from your employer intended to offset vehicle expenses.

This is often the most advantageous and efficient way for an owner of their own corporation to reimburse themselves for their vehicle usage.

## Monthly Allowance For Mileage

If you are an employee, and your employer requires you to drive your own vehicle for work purposes and you have a monthly vehicle allowance (instead of reimbursing your mileage) things work differently.

The monthly allowance is included on your T4 slip and added to your total taxable income. However, to offset this, you can then deduct your actual vehicle expenses from your taxable income.

## How Much Do I Deduct For Vehicle Expenses?

The amount to deduct is based on your total vehicle expenses, multiplied by the number of business km's / total km's.

This is referred to as an employment expense deduction. You still have to track your mileage but it works a bit differently. You now track your total mileage for the year AND your business-use mileage for the year.

You can use our template to help calculate this - <https://www.sslgroup.ca/forms/>

Self-employed people also have to track their mileage and all vehicle expenses in the same manner. For self-employed, all vehicle costs are totalled and then prorated to factor in the proportion their vehicles are used for business purposes compared to personal.



# VEHICLE EXPENSE DEDUCTION

CONTINUED ...

## What is Considered Business Use?

This can be a tricky question to answer. First off, business use is NOT driving to and from your regular place of employment. CRA considers this personal-use. However, if you drive to your office, then out to a client, or vice-versa, that is business-use. If you drive directly to a client's place of business and back home, that is business-use. If you drive throughout the day from customer to customer, that is business-use. If you pick up a coffee on your way to the office, that's personal. Things get cloudy when you have multiple places of regular employment or long-term job sites.

## Medical Mileage

This is very rare, but if you require medical treatments that are not available in your vicinity and you need to travel more than 40km's to a hospital or a specialist with no reasonable public transit option, then you can claim vehicle expenses as a medical expense. In this case, you are only tracking your actual medical-rated mileage.

## TRACKING MILEAGE



If you use your personal vehicle for work or business, it is important to track your mileage to be able to deduct some of your vehicle expenses against your income. It can be difficult to remember to log all your trips, which can lead to lost deductions.

One of the best tools/apps we have seen is called [MileIQ](#) which is available on both iOS and Android.

## Advantages

- You can enter information about your vehicle then set different rates for each type of trip
- You can turn on Drive Detection
- You can save various work locations so the app automatically calculates the rates for those drives
- You can automate further by setting your work hours, this causes the app to track personal hours which can be used for calculating moving expenses
- You can easily send your mileage to your accountant by using the send report link in the app

## Disadvantages

- You need to select "always allow" for the app to track your location
- If the app did not automatically track your trip you need to wait until you have a computer to classify your trip

## Cost

The free version is capped at 40 trips per month and you get all the features. Each drive counts as 1 trip.

If you are going to do more than 40 trips per month the paid plans are \$5.99/month or \$59.99 on a one-year plan.

## KEY DATES

A few key dates to keep in mind:

**March 15:** 1st personal tax instalment due

**March 31:** General trust return deadline; Partnership information return deadline

**May 2:** Individual tax return deadline; Self-employed GST balance due

**June 15:** Self-employed individual tax return filing deadline (taxes payable due April 30); Second personal tax instalment due

**June 30:** Contract payment reporting information return deadline; (or six months after your reporting period if it is not December 31)



## ARTICLES OF INTEREST

### ***Home Office Expenses & Your Taxes***

Everything you need to know about claiming home office expenses on your tax return.

[Check out this article to learn more.](#)

### ***Staycation Tax Credit***

What you need to know about the new [staycation tax credit](#).

### ***Tax Figure Changes for 2022***

[Keep this in mind](#) as part of your tax planning.

### ***When an Estate sells a home***

Estate sells a home at a loss after an individual's death: [can the loss be claimed?](#)

### ***Life in the Tax Lane - video***

If you have ten minutes [check out this video](#) with an overview of all the latest in tax news.

Q. Why did the CRA audit the chiropractor?

A. He owed back taxes!