the SmallBiz Builder

your monthly newsletter

Padgett

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This Month:

- 2025 Automobile Deduction Limits & Expense Benefit Rates for Business
- Remitting GST/HST on taxable benefits

2025 Automobile Deduction Limits and Expense Benefit Rates for Business

The ceiling on the capital cost of passenger vehicles for capital cost allowance (CCA) purposes is increased to $38 000 (plus applicable federal and provincial sales taxes) for non-zero-emission vehicles and remains at $61 000 for eligible zero-emission passenger vehicles purchased as of January 1, 2025. These ceilings restrict the cost of a vehicle on which CCA may be claimed for business purposes.

The limit on deductible leasing costs increases to $1 100 per month (plus applicable federal and provincial sales taxes) for leases entered into on or after January 1, 2025. This limit, which ensures that the level of deductions for leased and purchased vehicles is consistent, 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 limit on the deduction of tax-exempt allowances paid by employers to employees increased to 72¢ per kilometer for the first 5,000 kilometers driven and to 66¢ for each additional kilometer. The allowance amounts reflect the key cost components of owning and operating an automobile, such as depreciation, financing, maintenance, and fuel costs.

The maximum allowable interest deduction for amounts borrowed to purchase an automobile will remain at $350 for loans entered into on or after January 1, 2025.

The general prescribed rate used to determine the taxable benefit relating to the personal portion of automobile operating expenses paid by employers will increase to 34¢ per kilometer. For taxpayers employed principally in selling or leasing automobiles, the prescribed rate will increase to 31¢ per kilometer. The amount of the benefit reflects the costs of operating an automobile. <u>Do not forget that there is an additional benefit simply from having an employer-provided vehicle available for personal use which is called the automobile "standby charge". There is a special formula to calculate the benefit, which is reported on the T4 slip and included in the employee's income.</u> In order to compute this standby charge and operating cost benefit, it is important that total and business kilometers are tracked throughout the year.

Given the current used car market conditions, take note that you may realize a capital gain on the sale of a used car just as you would for real estate or marketable securities if your selling price exceeds your cost of the property. For income tax purposes, one-half of this gain is included in your income and subject to tax.

[continued...]

Remitting GST/HST on Taxable Benefits

Did you know that as an employer, you are responsible for remitting GST/HST on employee taxable benefits unless the benefit is tax exempt or zero-rated? A common example of a tax benefit that is not exempt includes the automobile standby charge and operating expense benefit.

The rate that needs to be remitted depends on the location your employee ordinarily worked in, or the location to which he or she ordinarily reported to.

You are considered to have collected an amount equal to a percentage of the value of the benefit for GST/HST purposes, based on one of the following rates:

Automobile operating expense benefit:

- 11% for Nova Scotia; Prince Edward Island (PEI), New Brunswick, Newfoundland and Labrador;
- 9% for Ontario;
- 3% for the rest of Canada.

Other Than Automobile Operating Expense Benefits:

- 14/114 for Nova Scotia, PEI, New Brunswick, Newfoundland and Labrador;
- 12/112 for Ontario;
- 4/104 for the rest of Canada.

The above rates may be reduced for large businesses.