



### This Month:

New Automobile Tax Rates and Limits for 2026  
Remittance Rates for GST/HST on Taxable benefits

#### New Automobile Tax Rates and Limits for 2026

The **Department of Finance Canada** has released the updated automobile income tax deduction limits and benefit rates for **2026**. While many limits remain unchanged, there are a few modest increases that business owners should be aware of when budgeting vehicle costs, reimbursements, and employee benefits this year.

All changes are effective **January 1, 2026**.

#### Key Automobile Tax Limits: 2025 vs. 2026 (Provinces Only)

Item	2025	2026	Change
CCA limit – Class 10.1 passenger vehicles (before tax)	\$38,000	<b>\$39,000</b>	▲ \$1,000
Tax-exempt mileage allowance – Provinces (first 5,000 km)	72¢ / km	<b>73¢ / km</b>	▲ 1¢
Tax-exempt mileage allowance – Provinces (additional km)	66¢ / km	<b>67¢ / km</b>	▲ 1¢
Maximum deductible lease cost (per month, before tax)	\$1,100	<b>\$1,100</b>	No change
Automobile taxable benefit rate	34¢ / km	<b>34¢ / km</b>	No change
Reduced taxable benefit rate (sales/leasing employees)	31¢ / km	<b>31¢ / km</b>	No change
CCA limit – Class 54 zero-emission vehicles (before tax)	\$61,000	<b>\$61,000</b>	No change
Maximum deductible interest (per month)	\$350	<b>\$350</b>	No change

#### Higher CCA limit for most passenger vehicles

The capital cost allowance (CCA) ceiling for **Class 10.1 passenger vehicles** has increased to **\$39,000 (before tax)** for vehicles acquired on or after January 1, 2026.

#### Increased tax-exempt mileage rates

The tax-exempt mileage allowance for employees using their personal vehicles for business purposes in the provinces has increased by **one cent per kilometre**.

[continued...]

## Automobile Taxable Benefits – What Employers and Employees Should Know

The **general prescribed rate** used to calculate the taxable benefit for the **personal portion of automobile operating expenses** paid by an employer is **34¢ per kilometre**. For employees who are **principally engaged in selling or leasing automobiles**, a **reduced prescribed rate of 31¢ per kilometre** applies. These rates are intended to approximate the average cost of operating a vehicle.

In addition to the operating cost benefit, employees may also be subject to a **separate taxable benefit** when an employer-provided vehicle is **available for personal use**. This benefit is known as the **automobile “standby charge.”** The standby charge is calculated using a prescribed formula and, together with any operating cost benefit, is **reported on the employee’s T4 slip and included in taxable income.**

To ensure these benefits are calculated accurately, it is essential that **both total kilometres driven and business-use kilometres are tracked throughout the year.** Proper mileage records support correct benefit reporting and can help avoid unnecessary tax exposure.

## Don’t overlook GST/HST on Employee Taxable Benefits

Did you know that **employers are generally required to remit GST/HST on employee taxable benefits**, unless the benefit is **tax-exempt or zero-rated**? One commonly overlooked example is the **automobile standby charge and operating expense benefit**, which are **taxable benefits for both income tax and GST/HST purposes.**

The **GST/HST rate that applies** depends on **where the employee ordinarily works or reports to**, not where the employer is located.

For GST/HST purposes, the employer is considered to have **collected tax equal to a percentage of the value of the taxable benefit**, based on the applicable provincial or federal rate. **Only the rates for Nova Scotia have changed due to a decrease in the HST rate to 14% on April 1, 2025.**

Province	Automobile operating cost benefit	Other taxable benefits (including stand-by charge on automobiles)
PEI, New Brunswick, Nfld	11%	14/114
Nova Scotia	<b>10%<sup>1</sup></b>	<b>13/113<sup>2</sup></b>
Ontario	9%	12/112
Rest of Canada	3%	4/104

1 – the remittance rate is 10.25% for 2025

2 – the remittance rate is 13.25/113.25 for 2025



Padgett Business Services is dedicated to meeting the tax, government compliance, profit & financial reporting and payroll needs of businesses with fewer than 20 employees in the retail and service sector of the economy. This publication suggests general business planning concepts that may be appropriate in certain situations. It is designed to provide complete and accurate information to the reader. However, because of the complexities of the tax law and the necessity of determining whether the material discussed herein is appropriate to your business, it is important you seek advice from your Padgett office before implementing any of the concepts suggested in this newsletter.