
FineAnswers

Answers to questions on tax, finance and management

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2003 Budget and Changes to Standby Charges on Personal use of a Company Car and Prescribe rate for Exempt Mileage.

The budget has changed the taxable benefit of an employee or shareholder who has a company car available for his or her personal use. Before the changes some relief was available if the car was used 90% or more for business. This threshold has fortunately been reduced to 50% or more. The reduced standby charge now is calculated by multiplying the standby charge by the fraction A/B . Where B is:

(Days of Available Use/30, Maximum 12) *1,667 Kms.

- and A is the lower of B and Kms driven for personal use. This is a favourable change from the previous formula, calculated B as:

(Days of Available Use/30, Maximum 12) *1000 Kms.

ALSO NOTE:

Please note that the prescribed rates have also changed as follows:

- 1) Limit of deduction of tax exempt allowance paid by employer's to employees' was increased to \$0.42 per kilometer for the first 5,000 kilometers and \$0.36 for each additional kilometer. For Yukon Territory, Northwest Territories and Nunavut the tax exempt allowance will rise to 46¢ for the first 5,000 kilometers driven and 40¢ 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.
- 2) 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 17¢ from 16¢ per kilometer. For taxpayers employed principally in selling or leasing automobiles, the prescribed rate will be increased to 14¢ from 13¢ per kilometer. The amount of the benefit reflects the costs of operating an automobile. The additional benefit of having an employer-provided vehicle available for personal use (i.e., the automobile standby charge) is calculated separately and is also included in the employee's income

Buy or Lease a Car Which is Better?

<http://www.calculleases.com>

Pay down Mortgage or Contribute to RRSP Which is Better? <http://www.tavana.ca>

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