

Government Announces the 2016 Automobile Deduction Limits and Expense Benefit Rates for Business

Finance Minister Bill Morneau today announced the income tax deduction limits and expense benefit rates that will apply in 2016 when using an automobile for business purposes.

Although most of the limits and rates that applied in 2015 will continue to apply in 2016, there are two changes taking effect as of 2016.

The first is that the limit on the deduction of tax-exempt allowances that are paid by employers to employees who use their personal vehicle for business purposes will be reduced by 1 cent to 54 cents per kilometre for the first 5,000 kilometres driven, and to 48 cents per kilometre for each additional kilometre.

For the Northwest Territories, Nunavut and Yukon, the tax-exempt allowance is 4 cents higher, and will be reduced by 1 cent to 58 cents per kilometre for the first 5,000 kilometres driven, and to 52 cents per kilometre for each additional kilometre.

These allowances are intended to reflect the main costs of owning and operating an automobile, such as depreciation, financing, insurance, maintenance and fuel.

The second change in 2016 is that the general prescribed rate that is used to determine the taxable benefit of employees relating to the personal portion of automobile operating expenses paid by their employers will be reduced by 1 cent to 26 cents per kilometre.

For taxpayers who are employed principally in selling or leasing automobiles, the prescribed rate used to determine the employee's taxable benefit will be reduced by 1 cent to 23 cents per kilometre. The amount of this benefit is intended to reflect 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 based on capital costs and is also included in the employee's income.

The following limits from 2015 will remain in place for 2016:

- The ceiling on the capital cost of passenger vehicles for capital cost allowance (CCA) purposes will remain at \$30,000 (plus applicable federal and provincial sales taxes) for purchases after 2015. This ceiling restricts the cost of a vehicle on which CCA may be claimed for business purposes.
- The maximum allowable interest deduction for amounts borrowed to purchase an automobile will remain at \$300 per month for loans related to vehicles acquired after 2015.
- The limit on deductible leasing costs will remain at \$800 per month (plus applicable federal and provincial sales taxes) for leases entered into after 2015. This limit 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.

Media Contacts

Daniel Lauzon
Director of Communications
Office of the Minister of Finance
613-286-4285

Jack Aubry
Media Relations
Department of Finance
613-369-4000

Stay Connected



[Email Alerts](#)



[Twitter: @financecanada](#)



[RSS](#)