

Government Announces 2015 Automobile Deduction Limits and Expense Benefit Rates for Business

December 23, 2014 – Ottawa, Ontario – Department of Finance

Finance Minister Joe Oliver today announced the automobile expense deduction limits and the prescribed rates for the automobile operating expense benefit for income tax purposes that will apply in 2015.

The only change for 2015 is an increase to the limit on the deduction of tax-exempt allowances paid by employers to employees that use their personal vehicle for business purposes. All other limits and rates will remain the same as in 2014.

Quick Facts

New for 2015:

- The limit on the deduction of tax-exempt allowances paid by employers to employees that use their personal vehicle for business purposes for 2015 will be increased by 1 cent to 55 cents per kilometre for the first 5,000 kilometres driven and to 49 cents for each additional kilometre. For the Northwest Territories, Nunavut and Yukon, the tax-exempt allowance is set 4 cents higher, and will also increase by 1 cent to 59 cents for the first 5,000 kilometres driven and to 53 cents for each additional kilometre. The allowance amounts reflect the key cost components of owning and operating an automobile, such as depreciation, financing, insurance, maintenance and fuel costs.

Same as in 2014:

- 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 2014. 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 2014.
- The limit on deductible leasing costs will remain at \$800 per month (plus applicable federal and provincial sales taxes) for leases entered into after 2014. 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.
- The general prescribed rate used to determine the taxable benefit relating to the personal portion of automobile operating expenses paid by employers will remain at 27 cents per kilometre for 2015. For taxpayers employed principally in selling or leasing automobiles, the prescribed rate will remain at 24 cents per kilometre. 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 based on capital costs and is also included in the employee's income.

The Government reviews these limits and rates annually, and announces any planned changes prior to the end of the calendar year. This practice ensures that businesses are aware of any changes to the limits and rates before the beginning of the year in which they apply.

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