

AUTO EXPENSES FOR UNINCORPORATED BUSINESSES- TAX REGULATION EXCERPT

Revenue Canada INCOME TAX INTERPRETATION BULLETIN SUBJECT: INCOME TAX ACT
Motor Vehicle Expenses Claimed by Self-Employed Individuals NUMBER: IT-521R DATE:
December 16, 1996

8. To be deductible, "motor vehicle" expenses must be reasonable in the circumstances and **supportable by vouchers.** (The vouchers need not be filed with the individual's income tax return; however, they must be retained for examination on request.)

A claim by an individual for "motor vehicle" expenses calculated on a cents-per-kilometre (mile) basis is not acceptable.

To support a claim where a "motor vehicle" is used in part for business purposes and in part for personal purposes, **a record should be kept** of total distance travelled and distance travelled for business purposes in a year. The record should contain at least the date, destination and distance travelled for each trip.

General Remarks 24.

Although expenses incurred in **travelling between different premises of the same business** are deductible by an individual who otherwise qualifies, expenses incurred by the individual for the purpose of **travelling between the individual's home and place of business are not**, unless it is **established that the home is the base of business operations.** If the individual has an office or other fixed place of business located elsewhere, the home is normally regarded as not being the base of business operations. The fact that all services are rendered at some other person's place of business does not necessarily make that place the individual's base of business operations. The individual's home may be the base of business operations even though a room therein is not set aside and used solely for the purpose of earning income. The following are examples of homes that may be regarded as the base of business operations: (a) the home of a specialist in anaesthesia who performs all office functions of the practice at home, takes emergency calls there, renders all services to patients at one or more hospitals and has no office or other accommodation at the hospital or at any other place other than the home; (b) the home of an independent real estate agent who has an office there, has no business accommodation elsewhere and renders services to clients at their homes or at the sites of real properties; and (c) the home of a plumber, electrician or painter whose office is at home where all supplies are kept, who has no other place of business and who renders all services to customers at whatever places are necessary to fulfill contractual obligations. 25. Travelling "in the course of" carrying on a business does not include travelling from a place where one business is carried on to another place where an entirely different business is carried on. For observations on "Travelling to Rental Properties," please see the current version of Rental Income, a supplementary income tax guide.

26. By virtue of section 67, "motor vehicle" expenses are not deductible to the extent they are unreasonable.

Recent Court Case: No Log , No Claim . Pedersen v. The Queen (2000) [1] CTC 2799, 2000 DTC 3566 (Tax Court of Canada). The taxpayer claimed travel expenses but failed to keep an "auto log". CCRA disallowed the expenses. The Court was convinced that the taxpayer had travel expenses but found against the taxpayer because of the failure to provide adequate evidence to establish those expenses.

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