



As of December 31, 2021 CRA Announced new 2022 Automobile deductions limits, starting January 1, 2022 as follows:

- The ceiling for capital cost allowances (CCA) for **zero-emission** passenger vehicles will be increased from \$55,000 to \$59,000, before tax, in respect of vehicles (new and used) acquired on or after January 1, 2022. *(In other words if the vehicle cost the company more than \$59K that portion will not be allowed depreciation expense)*
- The ceiling for CCA for passenger vehicles will be increased from \$30,000 to \$34,000, before tax, in respect of vehicles (new and used) acquired on or after January 1, 2022. *(In other words if the vehicle cost the company more than \$34K that portion will not be allowed depreciation expense)*
- *Depreciation expense is not allowed on a leased vehicle.*
- Deductible **leasing costs will be increased from \$800 to \$900 per month, before tax, for new leases entered into.** The following is a great online calculator that helps you determining the cost lease versus purchasing: <https://www.calculator.net/auto-lease-calculator.html>

NOTE: If the lease payment is over \$900 (before HST) the amount that is over is not deductible. Use this calculator to determine the lease amount. You may want negotiate a longer lease to get the full deduction or a lower priced vehicle.

Other issues to consider:

- Timing on the decision makes a difference - If a car is **purchased** on December 31st versus January 1st, the same YEARLY deduction is available on the purchase.
- Keep in mind the number of kilometers put on the car per year, leased cars often charge extra fees for anything over 24K / year

- Do you plan on getting a new car every 3 - 4 years (usually lower monthly payments, good warranty, avoid what to do with a trade-in) or using it for 10 (is the car in your name and just using it for business, over long term - no monthly payments, drive as many kilometers as you'd like)? The former would suggest a lease, the latter - purchase.
- On a leased car, ensure you understand “excessive wear and tear”, the little dings, and dents, you could be charged quite a bit at the end of the lease.
- Cashflow (keeping in mind kilometers used) - lease payments are usually less than car loans.
- Understand - you can only deduct as an expense the % of the car used for business purposes. A good mileage app is highly recommended!

**USE THE TABLE ON THE NEXT PAGE TO HELP IN THE
DECISION:**

Lease or Buy?

Lease Buy

Upfront Down Payment Cost

Finance Rate

Tax Deduction (Lease or Depreciation)

No of Years of Payment

Total Monthly Cost

Total Yearly Cost

Anticipated Kilometers / year

Value at End of Loan / Lease

Information on Employee Car Allowances:

- The limit on the deduction of tax-exempt allowances paid by employers to employees who use their personal vehicle for business purposes in the provinces will increase by two cents to 61 cents per kilometre for the first 5,000 kilometres driven, and 55 cents for each additional kilometre. For the territories, the limit will also increase by two cents to 65 cents per kilometre for the first 5,000 kilometres driven, and 59 cents for each additional kilometre.
- The general prescribed rate used to determine the taxable benefit of employees relating to the personal portion of automobile expenses paid by their employers will be increased by two cents to 29 cents per kilometre. For people who are employed principally in selling or leasing automobiles, the rate used to determine the employee's taxable benefit will be increased by two cents to 26 cents per kilometre.