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Government Announces the 2021 Automobile Deduction Limits and Expense Benefit Rates for Businesses and Temporary Adjustments to the Automobile Standby Charge due to COVID-19

From: [Department of Finance Canada](#)

News release

December 21, 2020 – Ottawa, Ontario – Department of Finance

Today, the Department of Finance Canada announced the automobile income tax deduction limits and expense benefit rates that will apply in 2021.

Most of the limits and rates that applied in 2020 will continue to apply in 2021, with one change taking effect as of January 1, 2021:

- 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 decreased by one cent to 27 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 decreased by one cent to 24 cents per kilometre.

The following limits from 2020 will remain in place for 2021:

- The limit on the deduction of tax-exempt allowances paid by employers to employees who use their personal vehicle for business purposes will remain at 59 cents per kilometre for the first 5,000 kilometres driven, and 53 cents per kilometre for each additional kilometre. For the Northwest Territories, Nunavut and Yukon the allowance is 4 cents higher, and will remain at 63 cents per kilometre for the first 5,000 kilometres driven, and 57 cents per kilometre for each additional kilometre.
- The ceiling for capital cost allowances (CCA) for passenger vehicles will remain at \$30,000, before tax, for non zero-emission passenger vehicles, and at \$55,000, before tax, for eligible zero-emission passenger vehicles. These ceilings restrict the cost of a vehicle on which CCA may be claimed for business purposes.
- The maximum allowable interest deduction for new automobile loans will remain at \$300 per month.
- The limit on deductible leasing costs will remain at \$800 per month, before tax for new leases entered into. For automobiles valued over \$30,000, a separate restriction will continue to prorate deductible lease costs.

In light of the impact COVID-19 lockdowns and public health measures have had on how employees use their employer-provided vehicles, the government is also proposing temporary adjustments to the automobile standby charge. For the 2020 and 2021 taxation year, it is

proposed that employees be allowed to use their 2019 automobile usage to determine eligibility for the reduced standby charge. Only employees with an automobile provided by the same employer as in 2019 would be eligible for this option. For more information, please refer to [the related backgrounder](#).

Quick facts

- Eligible zero-emission passenger vehicles include plug-in hybrids with a battery capacity of at least 7 kWh and vehicles that are fully electric or fully powered by hydrogen.

Related products

- [Legislative Proposals Relating to the Income Tax Act](#)
- [Temporary Adjustments to the Automobile Standby Charge for the 2020 and 2021 Taxation Years Due to COVID-19](#)


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