



# REPORT

To: Chair and Directors

Report Number: FN-BRD-165

From: Roxanne Shepherd, Chief Financial Officer

Date: July 14, 2022

**Subject: Allowance for Personal Vehicle Use**

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## **RECOMMENDATION: [Corporate Unweighted]**

That the Regional Board receive the report titled "Allowance for Personal Vehicle Use – FN-BRD-165", which provides information on reimbursement for personal vehicle use for Directors and Staff, for information.

## **BACKGROUND/RATIONALE:**

Directors and sometimes staff are required to use their personal vehicles for Regional District business and receive a non-taxable per-kilometer allowance. The rate for the allowance is Canada Revenue Agency's (CRA) set rate per Remuneration and Expense Bylaw No. 2354, 2019 for the Regional Board and The Employee Travel and Expense Reimbursement Policy for staff. At the beginning of each year, the CRA sets a reasonable per-kilometer allowance rate for mileage. For 2022, the rate is \$0.61 per kilometer on the first 5,000 kilometers driven and \$0.55 per kilometer after that. Since the rate was set in January, fuel prices have increased significantly.

An allowance for personal vehicle use can be paid in various ways. A per-kilometer allowance can be paid based on the CRA's prescribed rate or any other rate set by the organization. A flat-rate allowance can be paid instead, or a combination of a per-kilometer allowance and a flat-rate allowance. Depending on the type of allowance or allowance rate, there are different tax implications for the recipient.

A per-kilometer allowance is considered a non-taxable benefit if it is considered to be reasonable by the CRA. In order to be considered reasonable, all of the following conditions must apply:

- The allowance is based only on the number of business kilometers driven in a year
- The rate per-kilometer is reasonable
- You did not reimburse the employee for expenses related to the same use of the vehicle (except reimbursement of supplementary business insurance)

If the mileage rate is considered to be unreasonable, a rate that is higher or lower than the CRA's prescribed rate, then the allowance is a taxable benefit and would be included in the recipient's income. A flat-rate allowance, which is always a taxable benefit, can be paid instead of a per-kilometer allowance. A combination of a flat-rate allowance and a per-kilometer allowance can be paid; however, if the flat rate is for the same use, both the flat rate and per-kilometer allowances, if reasonable, become a taxable benefit. The allowances would be considered the same use if the flat-rate allowance was to offset expenses for the vehicle. Allowable motor vehicle expenses, such as repairs, fuel, and insurance, can be deducted from the recipient's income on their Personal Income Tax Return if the

allowance was a taxable benefit. Allowable expenses can be deducted from income when a reasonable per-kilometer allowance is received if it can be demonstrated that the employment related expenses are in excess of the allowance received, and the amount received is voluntarily included in income. In order to claim allowable motor vehicle expenses on a Personal Income Tax Return, the employer must complete and sign Form T2200 Declaration of Conditions of Employment.

**ALTERNATIVE OPTIONS:**

1. That the Regional Board provide further direction.

**STRATEGIC PLAN RELEVANCE:**

- ☒ Not Applicable to Strategic Plan

**FINANCIAL CONSIDERATION(S):**

In 2021, \$35,184 was paid to Directors for mileage and \$10,445 was paid to staff.

**COMMUNICATIONS CONSIDERATION(S):**

None at this time.

**OTHER CONSIDERATION(S):**

If the Regional Board chooses to change the way the allowance is paid or change the per-kilometer rate, Remuneration and Expense Bylaw No. 2354, 2019 will need to be amended.

## External Links:

1. [Remuneration and Expense Bylaw No. 2354, 2019](#)
2. [Employee Travel and Expense Reimbursement Policy](#)