



Pilgrim Accounting Inc.

PROFICENCY IN ACCOUNTING

# NEWSLETTER

## ARE YOU CLAIMING USE OF YOUR VEHICLE FOR WORK?

The key to avoiding problems with the Canada Revenue Agency is keeping good records that comply with their best practices.

Judging from my own client base and discussions with colleagues, the biggest problem area in accomplishing that is tracking business vehicle expenses.

The challenge is that if you want to claim any portion of your vehicle as a legitimate business expense, you need to have proof that it was used to get to and from business meetings or sales or service calls. And the only genuine way to do that is to keep a log book.



Let's face it, nobody really likes to keep a log book. We don't like to write down our mileage, we don't like to keep track of every nickel we spend, we don't like to record all our food intake or the kilometres we walk or run every day. In the great sea of humanity you see as you drive down a busy Canadian street, you will scarcely ever encounter someone who likes keeping track of things that closely, day after day.

It goes against our free-spirited, creative nature. Most of us are innovators and improvisers at heart, and when it comes to boring activities, we place keeping log books top of our list.

But you can't have it all ways. Logging your mileage complete with purpose of your trip, logging gas receipts with gas purchased, logging vehicle repairs with details, is what you have to do to make this deductible expense work for you and put your money back in your pocket.

The simplest way to accomplish it is to try to make it a habit. The minute you sit behind the wheel, as soon as you click your seatbelt into place and turn the vehicle on, grab your log book which you keep in the car and check your odometer. Record it along with the date, destination, intended location and purpose.

Whenever you arrive at a destination, as you unfasten your seatbelt, reach for that log book again and record the kilometres. When you get back in the car to head out again, again record the kilometres, your intended location and purpose. It is the same routine each time. If you engrain the habit with your seatbelt use, it goes easier. You need to do that for a full year without exception. You cannot take your agenda next December and try to recreate a log book. You can't possibly remember every day. This is a very stressful exercise and you will end up either cheating yourself, which is not a wise course of action, or the Canada Revenue Agency, which is also not smart.

The absolute safest route to take if you want to claim your vehicle expenses is to keep your logbook up to date and accurate all year. That is what you will use to establish your base year's business use of your vehicle.

After that, you can look at something the CRA introduced in 2010. It is a "simplified logbook."

Provided you have completed one full year of keeping a logbook and establishing a base year, you can then use a three-month sample logbook to foresee business use for the entire next year, as long as your usage for business falls within 10 percent of the same range (either more or less.)

Remember that even though records and supporting documents are only required to be kept for a period of six years from the end of the tax year to which they are relevant, your logbook for the full 12-month period must be kept for a period of six years from the end of the tax year for which it is last used to establish business use.

Small business owners in particular can benefit substantially by being able to claim a portion of their vehicle as an operating expense. The types of expenses you can deduct include fuel, maintenance and repairs, insurance, license and registration fees, capital cost allowance, eligible interest you paid on a loan used to buy the motor vehicle, and eligible leasing costs.

Contact us for advice!

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