Canada Revenue Agency | Agence du revenu du Canada

Employment Expenses

Includes forms T777, TL2, T2200, and GST370

2019

T4044(E) Rev. 19

Canada

Before you start

Is this guide for you?

If you are an **employee** and your employer requires you to pay expenses to earn your employment income, you can use this guide. It will help you calculate the expenses you can deduct. It also gives you all the information you need to claim the employee goods and services tax/harmonized sales tax (GST/HST) rebate. For details, see Chapter 10 which begins on page 26.

Note
You cannot deduct the cost of travel to and from work, or other expenses, such as most tools and clothing. These expenses are personal.

You deduct most of your allowable employment expenses on line 22900 of your income tax and benefit return. To find out how to get a tax package online, or to request a printed copy, go to **canada.ca/cra-forms**.

If you are **self-employed**, and you would like more information, see Guide T4002, Self-employed Business, Professional, Commission, Farming, and Fishing Income.

Forms included in this guide

Form T777, Statement of Employment Expenses
Use Form T777 to calculate your allowable employment expenses. Include Form T777 with your income tax and benefit return.

Form TL2, Claim for Meals and Lodging Expenses
Form TL2 is used by transport employees, such as employees of airline, railway, bus, or trucking companies, as well as other transport employees who satisfy the conditions listed in the section called "Travelling expenses" in Chapter 3 which begins on page 9. Your employer has to sign the form. Most transport employees will complete Form TL2. You do not have to include this form with your income tax and benefit return, but keep it in case the Canada Revenue Agency (CRA) asks to see it.

Form T2200, Declaration of Conditions of Employment
If you are deducting employment expenses, your employer will have to complete and sign Form T2200. If you have more than one employer, ask each employer to complete and sign a form. You do not have to include this form with your income tax and benefit return, but keep it in case the CRA asks to see it.

Form GST370, Employee and Partner GST/HST Rebate Application
If you are an employee of a GST/HST registrant and you are deducting expenses from your employment income on your income tax and benefit return, you may be able to claim a rebate of the GST/HST you paid on these expenses. To claim the rebate, you must complete Form GST370. Include Form GST370 with your return. For information on how to complete this form, see page 28.

What's new for 2019?

New capital cost allowance (CCA) – Two new CCA classes have been created for zero-emission vehicles acquired after March 18, 2019.

An enhanced first-year CCA is available for eligible zero-emission vehicles purchased after March 18, 2019 and that become available for use before 2028. For more information, see "Zero-Emission Vehicles" on page 23.

Our publications and personalized correspondence are available in braille, large print, e-text, or MP3 for those who have a visual impairment. For more information, go to **canada.ca /cra-multiple-formats** or call **1-800-959-8281**.

La version française de ce guide est intitulée Dépenses d'emploi.

Table of Contents

Chapter 1 – Keeping records

You have to keep records for each year you claim expenses. These records must include **all** of the following:

- a daily record of your expenses, together with your receipts and any cancelled cheques
- any ticket stubs for travel
- invoices
- any monthly credit card statements
- a record of each motor vehicle you used for employment. This record must show both the total kilometres you drove and the kilometres you drove for employment purposes in the year.

Your receipts for the purchase of merchandise or services have to show the following:

- the date you made the purchase
- the name and address of the seller or supplier
- your name and address
- a full description of the goods or services you bought
- information regarding the GST/HST you paid on your expenses, or the rate of tax if you are claiming the GST/HST rebate for employees

Keep a record of the motor vehicles or musical instruments you bought and sold because you may be able to claim capital cost allowance. This record has to show who sold you the motor vehicle or musical instrument, the cost, and the date you bought it.

If you sell or trade a motor vehicle or musical instrument, show the date you sold or traded it on your bill of sale. Also, show the amount you received from the sale or trade-in.

Do not send your records or receipts with your income tax and benefit return, but keep them in case the CRA asks to see them. If you do not keep the necessary information, the CRA may reduce your claim.

Generally, you have to keep your records (whether paper or electronic) for at least **6 years** from the end of the tax year to which they apply. If you want to destroy your records before the 6-year period is over, you must first get written permission from the director of your tax services office. To do this, either use Form T137, Request for Destruction of Records, or make your own written request.

For more information, see Information Circular IC78-10, Books and Records Retention/Destruction. You can find the address of your tax services office by going to **canada.ca/cra-offices** or by calling the CRA at **1-800-959-8281**.

Employees who are shareholders

When you are an employee and also a shareholder of a business, there are two conditions that must be satisfied before employment expenses can be claimed. They are:

- The expenses were incurred as part of your employment duties, and;
- You were required to pay for the expenses yourself as part of your employment duties.

When an employee is also a shareholder, these two conditions can be satisfied in the following way.

- The expenses were incurred as part of your employment duties, not in your capacity as a shareholder.

  If you are a shareholder, you must establish that the expenses were incurred in your capacity as an employee and not a shareholder. To do this, you must be able to establish that the expenses are comparable to expenses incurred by employees (who are not shareholders or related to a shareholder) with similar duties at your company, or at other businesses similar to your company in size, industry and services provided. You do not need to include this information on your income tax and benefit return or the Form T2200 Declaration of Conditions of Employment, however, the CRA could ask you to provide this later.

- You were required to pay for the expenses yourself as part of your employment duties.

  Usually, a written contract of employment specifies the expenses a non-shareholder employee must pay. Sometimes there is no written contract or the requirement to incur expenses is not clearly identified in the contract, but there is an implied requirement for the employee to pay the expenses. For example, an employee can demonstrate an implied requirement by showing they face possible disciplinary action if they do not meet the requirement.

  If you are a shareholder-employee however, an implied requirement may be more difficult to demonstrate and a written contract may not be adequate to establish that you were required to pay for the expenses as part of your employment duties.

  To satisfy this condition, you must be able to establish that the expenses are comparable to expenses incurred by employees (who are not shareholders or related to a shareholder) with similar duties at your company, or at other businesses similar to your company in size, industry and services provided. This will support that you were required to pay the expenses to fulfill your obligations in your capacity as an employee.

  You must satisfy both conditions to deduct the expense(s) on the income tax and benefit return. If both conditions are met, you may, as a shareholder, have the authority to certify Form T2200, Declaration of Conditions of Employment, for yourself or a related employee.

Chapter 2 – Employees earning commission income

This chapter describes the expenses you can deduct if you earn commission income. If you earn a salary, see Chapter 3 which begins on page 9.

Note
You cannot deduct the cost of travel to and from work, or other expenses, such as most tools and clothing.

Employees who sell goods or negotiate contracts for an employer can deduct some of the amounts they paid to earn commission income.

However, except for interest and capital cost allowance (CCA) on your vehicle, the total of the expenses you can deduct cannot be more than the commissions or similar amounts you received in the year.

If your total commission expenses (except interest and CCA on your vehicle) are more than the commissions or similar amounts you received, there is another method you can use to claim expenses. Using this method might be to your advantage because it allows you to claim your expenses as a salaried employee instead of as a commission employee. If you deduct expenses this way, your claim is not limited to the commissions you received in the year. If you choose this method, you would claim only travelling expenses (food and lodging), motor vehicle expenses (including interest and CCA on your vehicle), and certain other expenses if applicable, such as the cost of supplies or office rent. However, to do so, you have to meet the same conditions that a salaried employee must meet for claiming travelling expenses and motor vehicle expenses. For more information, see "Travelling expenses" on page 9.

Example
Andrew works for a company that sells video equipment and meets the employment conditions listed on this page. During 2019, he recorded the following information:

Salary received	$	25,000
Commissions received		5,000
Total employment income	$	30,000
Expenses:		
Advertising and promotion	$	1,000
Travelling expenses		6,000
Capital cost allowance		1,500
Interest on car loan		500
Total expenses	$	9,000

Andrew's total expenses of $9,000 are more than his commissions of $5,000. Therefore, his claim for expenses is limited to $5,000 plus the CCA of $1,500 and interest of $500, for a total claim of $7,000. However, he could choose to claim expenses as a salaried employee, in which case he could claim the travelling expenses of $6,000, but not the advertising and promotion expenses. Using this method, Andrew also claims the CCA of $1,500 and interest of $500, for a total claim of $8,000.

Employment conditions

To deduct the expenses you paid to earn commission income, you have to meet **all** of the following conditions:

1. Under your contract of employment, you had to pay your own expenses.

   Note
   You are not considered to have paid your own motor vehicle expenses if your employer reimburses you or you refuse a reimbursement or reasonable allowance from your employer.

2. You were normally required to work away from your employer's place of business.
3. You were paid in whole or in part by commissions or similar amounts. These payments were based on the volume of sales made or the contracts negotiated.
4. You did not receive a non-taxable allowance for travelling expenses. Generally, an allowance is non-taxable as long as it is a reasonable amount. For example, an allowance for the use of a motor vehicle is usually non-taxable when it is based solely on a reasonable per-kilometre rate.
5. You keep with your records a copy of Form T2200, Declaration of Conditions of Employment, which has been completed and signed by your employer.

For more information, see Interpretation Bulletin IT-522, Vehicle, Travel and Sales Expenses of Employees.

Deductible expenses

This guide includes Form T777, Statement of Employment Expenses. Use it to calculate your total employment expenses. Once you calculate the employment expenses you can deduct, enter the amount on line 22900 of your income tax and benefit return. Include Form T777 with your return.

Your employment expenses include any GST and provincial sales tax (PST), or HST, you paid on these expenses. You may be able to get a rebate of the GST/HST you paid. For more information, see Chapter 10 which begins on page 26.

The following describes the types of deductible expenses in the order they appear on Form T777.

Accounting and legal fees

You can deduct reasonable accounting fees you paid for help to prepare and file your income tax and benefit return. You can deduct legal fees you paid in the year to collect or establish a right to collect salary or wages.

You can also deduct legal fees you paid in the year to collect or establish a right to collect other amounts that must be reported in employment income even if they are not directly paid by your employer.

However, you must reduce your claim by any amount awarded to you for those fees or any reimbursement you received for your legal expenses. You do not have to meet the conditions listed in "Employment conditions" on the previous page, to deduct legal fees.

For more information, see Interpretation Bulletin IT-99, Legal and Accounting Fees.

Advertising and promotion

You can deduct expenses for advertising and promotion, including amounts you paid for business cards, promotional gifts, and advertisements.

Allowable motor vehicle expenses (including capital cost allowance)

Motor vehicle expenses are explained on page 18, and capital cost allowance on page 22.

If you have received a non-taxable motor vehicle allowance and can show that the employment-related motor vehicle expenses are in excess of the allowance and voluntarily include the amount of the allowance in income, you can deduct your motor vehicle expenses if employment conditions 1, 2, 3, and 5 are met.

Food, beverages, and entertainment expenses

Food and beverages – You can deduct food and beverage expenses as long as your employer requires you to be away for at least 12 consecutive hours. To qualify, you must be away from the municipality and the metropolitan area (if there is one) of your employer's location where you normally report for work. These amounts are subject to the **50% limit** discussed below in the section called "Entertainment expenses."

The 50% limit also applies to the cost of food, beverages, and entertainment you paid for when you travelled on an airplane, train, or bus, as long as the ticket price did not include such amounts.

For more information, see Interpretation Bulletin IT-518, Food, Beverages and Entertainment Expenses.

Entertainment expenses – You can deduct part of the cost of entertaining clients. Expenses you can deduct include those for food, beverages, tickets, and entrance fees to entertainment or sporting events. You can also deduct tips, cover charges, room rentals to provide entertainment, such as hospitality suites, and the cost of private boxes at sports facilities.

The most you can deduct is **50%** of the **lesser** of:

- the amount you paid
- an amount that is reasonable in the circumstances

For more information, see Interpretation Bulletin IT-518.

Lodging

You can deduct lodging expenses if your work conditions require you to travel away from your employer's place of business and you pay your own lodging expenses.

Parking

You can deduct parking costs related to earning your commission income. Generally, you cannot deduct the cost of parking at your employer's office, such as monthly or daily parking fees or the cost of traffic infractions such as speeding tickets. These are personal costs.

Do not include parking costs as part of your allowable motor vehicle expenses. Enter them on the "Parking" line on Form T777.

Supplies

You can deduct the cost of supplies that you paid for, or that were paid for you and included in your income. Supplies are only those materials you use directly in your work, and for no other purpose.

Supplies include items such as stationery items, stamps, toner, ink cartridges, street maps, and directories. Supplies do **not** include items such as briefcases or calculators.

You can deduct expenses you paid for long-distance telephone calls that reasonably relate to the earning of commission income. However, you cannot deduct the monthly basic rate for your home telephone.

Special clothing and tools – You cannot deduct the cost of special clothing you wear or have to wear for your work. You cannot deduct the cost of any tools that are considered to be equipment. However, if you are a tradesperson (including an apprentice mechanic) as described in Chapter 7 which begins on page 15, you may be able to deduct the cost of eligible tools you bought to earn employment income as a tradesperson.

For more information, see Interpretation Bulletin IT-352, Employee's Expenses, Including Work Space in Home Expenses.

Other expenses

Licences – Deduct annual licence fees if you must have a licence to do your work. For example, real estate and insurance salespeople can deduct the cost of their annual licences.

Bonding premiums – You can deduct payments for bonding and liability insurance premiums.

Medical underwriting fees – You can deduct expenses you paid for items such as X-rays and heart diagrams related to underwriting your customers' risks.

Computers, cell phones, and other equipment – If you **lease** computers, cell phones, fax machines, or other equipment, you can deduct the part of the lease cost that reasonably relates to earning your commission income.

You can also deduct the part of airtime expenses for a cell phone that reasonably relates to earning your commission income. However, you cannot deduct amounts you paid to connect or license the cell phone.

If you **buy** a computer, cell phone, fax machine, or other such equipment, you cannot deduct the cost. Also, you cannot deduct capital cost allowance or interest you paid on money you borrowed to buy this equipment.

Salaries – You can deduct the salary you paid (or that was paid for you and included in your income) to your substitute or assistant.

You may have to withhold income tax, Canada Pension Plan (CPP) or Quebec Pension Plan (QPP) contributions, and employment insurance (EI) and provincial parental insurance plan (PPIP) premiums from the salary you paid. Report on a T4 slip, the salary and amounts you withheld. For more information, see **canada.ca/taxes-slips**, or Guide RC4120, Employers' Guide – Filing the T4 Slip and Summary.

As the employer, you can also deduct as an expense your share of the CPP or QPP contributions and the EI and PPIP premiums.

Office rent – You can deduct office rent you paid, or that was paid for you and included in your income, to earn your commission income. Do not confuse office rent with work-space-in-the-home expenses, which is explained on this page.

Training costs – You can deduct the cost of a training course as an employment expense. The course has to maintain, upgrade, or update your existing skills or qualifications that relate to your employment.

You cannot deduct the cost of a training course as an employment expense if the course is for personal reasons, the cost is unreasonable, or you receive a lasting benefit from the course. For example, you receive a lasting benefit when you take a course to get a credit towards a degree, diploma, professional qualification, or similar certificate.

For more information and additional examples, see Interpretation Bulletin IT-357, Expenses of training.

If you cannot deduct the cost of a training course as an employment expense, you can claim it as a tuition amount as long as you meet the conditions described in Pamphlet P105, Students and Income Tax.

Travel fare – You can deduct the full amount you paid for travel fare, such as your airline, bus, or train ticket, as long as you paid it only to earn commission income.

Excess employees profit-sharing plan (EPSP) amounts – If an excess amount has been contributed to a specified employee's EPSP in 2019, the excess EPSP amount is subject to a special tax.

A specified employee is a person who deals with an employer in a non-arm's length relationship or who owns, directly or indirectly, at any time in the year, not less than 10% of the issued shares of any class of the capital stock of the employer corporation, or any other corporation that is related to the employer corporation.

Generally, an excess EPSP amount is the part of an employer's EPSP contribution, allocated by the trustee to a specified employee that exceeds 20% of that employee's income from employment received in the year from that employer.

To calculate the excess EPSP amount and the special tax that applies to it, get Form RC359, Tax on Excess Employees Profit-Sharing Plan Amounts, by going to **canada.ca/cra-forms** or by calling **1-800-959-8281**.

Work-space-in-the-home expenses

You can deduct expenses you paid in 2019 for the employment use of a work space in your home, as long as you meet **one** of the following conditions:

- The work space is where you mainly (more than 50% of the time) do your work.
- You use the work space only to earn your employment income. You also have to use it on a regular and continuous basis for meeting clients, customers, or other people in the course of your employment duties.

Keep with your records a copy of Form T2200, Declaration of Conditions of Employment that has been completed and signed by your employer.

You can deduct the part of your costs that relates to your work space, such as the cost of electricity, heating, maintenance, property taxes, and home insurance. However, you **cannot** deduct mortgage interest or capital cost allowance.

To calculate the percentage of work-space-in-the-home expenses you can deduct, use a reasonable basis, such as the area of the work space divided by the total finished area (including hallways, bathrooms, kitchens, etc.). For maintenance costs, it may not be appropriate to use a percentage of these costs. For example, if the expenses you paid (such as cleaning materials or paint) were to maintain a part of the house that was not used as a work space, then you cannot deduct any part of them. Alternatively, if the expenses you paid were to maintain the work space **only**, then you may be able to deduct all or most of them.

If your office space is in a rented house or apartment where you live, deduct the percentage of the rent and any maintenance costs you paid that relate to the work space.

The amount you can deduct for work-space-in-the-home expenses is limited to the amount of employment income remaining after all other employment expenses have been deducted. This means that you cannot use work space expenses to create or increase a loss from employment.

You can only deduct work space expenses from the income to which the expenses relate, and not from any other income.

If you cannot deduct all your work space expenses in the year, you can carry forward the expenses. You can deduct these expenses in the following year as long as you are reporting income from the same employer. However, you cannot increase or create a loss from employment by carrying forward work space expenses.

For more information, see Interpretation Bulletin IT-352, Employee's Expenses, Including Work Space in Home Expenses.

Chapter 3 – Employees earning a salary

This chapter describes the expenses you can deduct if you earn a salary. If you earn commission income, see Chapter 2 which begins on Page 6.

Note
You cannot deduct the cost of travel to and from work, or other expenses, such as most tools and clothing.

Deductible expenses

This guide includes Form T777, Statement of Employment Expenses. Use it to calculate your total employment expenses. Once you calculate the employment expenses you can deduct, enter the amount on line 22900 of your income tax and benefit return. Include Form T777 with your return.

Your employment expenses include any GST and provincial sales tax (PST), or HST, you paid on these expenses. You may be able to get a rebate of the GST/HST you paid. For more information, see Chapter 10 which begins on page 26.

The following describes the types of deductible expenses in the order they appear on Form T777.

Accounting and legal fees

You can deduct any legal fees you paid in the year to collect or establish a right to collect salary or wages.

You can also deduct legal fees you paid in the year to collect or establish a right to collect other amounts that must be reported in employment income even if they are not directly paid by your employer. However, you must reduce your claim by any amount awarded to you for those fees or any reimbursement you received for your legal expenses.

In some cases, you may also be able to deduct certain accounting fees. For more information, see Interpretation Bulletin IT-99, Legal and Accounting Fees.

Allowable motor vehicle expenses (including capital cost allowance)

You can deduct your motor vehicle expenses if you meet **all** of the following conditions:

1. You were normally required to work away from your employer's place of business or in different places.
2. Under your contract of employment, you had to pay your own motor vehicle expenses. You are not considered to have paid your own motor vehicle expenses if your employer reimburses you or you refuse a reimbursement or reasonable allowance from your employer.
3. You did not receive a non-taxable allowance for motor vehicle expenses. Generally, an allowance is non-taxable when it is based solely on a reasonable per-kilometre rate.
4. You keep with your records a copy of Form T2200, Declaration of Conditions of Employment, which has been completed and signed by your employer.

If you have received a non-taxable motor vehicle allowance and can show that the employment-related motor vehicle expenses are in excess of the allowance and voluntarily include the amount of the allowance in income, you can deduct your motor vehicle expenses if conditions 1, 2, and 4 are met.

For more information, see Interpretation Bulletin IT-522, Vehicle, Travel and Sales Expenses of Employees.

Motor vehicle expenses are explained on page 18, and capital cost allowance on page 22.

Travelling expenses

Travelling expenses include food, beverage, lodging and transportation (such as airplane, train, bus, etc.) expenses but not motor vehicle expenses. You can deduct travelling expenses as long as you meet **all** of the following conditions:

- You were normally required to work away from your employer's place of business or in different places.
- Under your contract of employment, you had to pay your own travelling expenses.
- You did not receive a non-taxable allowance for travelling expenses. Generally, an allowance is non-taxable as long as it is a reasonable amount.
- You keep with your records a copy of Form T2200, Declaration of Conditions of Employment, which has been completed and signed by your employer.

Enter your claim for deductible transportation expenses (such as airplane, train, bus, etc.) on the "Other expenses" line of Form T777, Statement of Employment Expenses.

You can deduct food and beverage expenses if your employer requires you to be away for at least 12 consecutive hours from the municipality and the metropolitan area (if there is one) of your employer's location where you normally report for work. The most you can deduct for food and beverage expenses is **50%** of the **lesser** of:

- the amount you actually paid
- an amount that is reasonable in the circumstances

The 50% limit also applies to the cost of food and beverages you paid for when you travelled on an airplane, train, or bus, as long as the ticket price did not include such amounts.

If you are a **transportation employee**, you may also be able to claim expenses for meals and lodging (including showers). See Chapter 4, which begins on page 11.

For more information about travelling expenses, see Interpretation Bulletin IT-522, Vehicle, Travel and Sales Expenses of Employees, and Interpretation Bulletin IT-518, Food, Beverages and Entertainment Expenses.

Parking

You **can** deduct parking costs related to earning your employment income as long as you meet all the conditions listed in the section called "Allowable motor vehicle expenses (including capital cost allowance)" on the previous page. Generally however, you cannot deduct the cost of parking at your employer's office, such as monthly or daily parking fees or the cost of traffic infractions such as speeding tickets. These are all personal costs.

Do **not** include parking costs as part of your allowable motor vehicle expenses. Enter them on the "Parking" line on Form T777.

Supplies

You can deduct the cost of supplies you paid for (or that were paid for you and included in your income) if you meet **all** of the following conditions:

- Under your contract of employment, you had to provide and pay for the supplies.
- You used the supplies directly in your work.
- Your employer has not repaid and will not repay you for these expenses.
- You keep with your records a copy of Form T2200, Declaration of Conditions of Employment, which has been completed and signed by your employer.

Supplies are only those materials you use directly in your work, and for no other purpose.

Supplies include items such as stationery items, stamps, toner, ink cartridges, street maps, and directories. Supplies do **not** include items such as briefcases or calculators.

You can deduct expenses you paid for long-distance telephone calls, as long as you paid them to earn employment income. However, you **cannot** deduct the monthly basic rate for a telephone.

Computers, cell phones, and other equipment – You cannot deduct the monthly access fees for home Internet service.

You can deduct the part of the airtime expenses for a cell phone that reasonably relates to earning your employment income.

You may also be able to deduct a portion of your basic cell phone service plan if all of the following conditions are met:

- the cost of the plan is reasonable
- you are able to substantiate the cellular minutes or data consumed directly in the performance of your employment duties (as well as the cost of the minutes or data)
- the cost of the plan has been apportioned between employment and personal use on a reasonable basis

However, you cannot deduct amounts you paid to connect or license the cell phone.

If you buy or lease a cell phone, fax machine, computer, or other such equipment, you cannot deduct the cost. Also, you cannot deduct capital cost allowance or interest you paid on money borrowed to buy this equipment.

Special clothing and tools – You **cannot** deduct the cost of special clothing you wear or have to wear for your work. Also, you cannot deduct the cost of any tools that are considered to be equipment. However, if you are a tradesperson (including an apprentice mechanic) as described in Chapter 7 which begins on page 15, you may be able to deduct the cost of eligible tools you bought to earn employment income as a tradesperson.

For more information, see Interpretation Bulletin IT-352, Employee's Expenses, Including Work Space in Home Expenses.

Other expenses

Salaries – You can deduct the salary you paid (or that was paid for you and included in your income) to your substitute or assistant (extra help) if you meet **all** of the following conditions:

- Under your contract of employment, you had to pay for extra help.
- The extra help is your employee. To determine whether an assistant or replacement is an employee, go to **canada.ca/cpp-ei-rulings**, or see Guide RC4110, Employee or Self-Employed?.
- Your employer has not repaid and will not repay you for these expenses.
- You keep with your records a copy of Form T2200, Declaration of Conditions of Employment, which has been completed and signed by your employer.

You may have to withhold income tax, Canada Pension Plan (CPP) or Quebec Pension Plan (QPP) contributions, employment insurance (EI), and provincial parental insurance plan (PPIP) premiums from the salary you paid. Report on a T4 slip, the salary and amounts you withheld. For more information, go to **canada.ca/taxes-slips** or see Guide RC4120, Employers' Guide – Filing the T4 Slip and Summary.

As the employer, you can also deduct as an expense your share of the CPP or QPP contributions and the EI and PPIP premiums.

Office rent – You can deduct office rent you paid (or that was paid for you and included in your income) if you paid it to earn your employment income. Also, you must meet **all** of the following conditions:

- Under your contract of employment, you had to rent an office and pay the expenses.
- Your employer has not repaid and will not repay you for these expenses.
- You keep with your records a copy of Form T2200, Declaration of Conditions of Employment, which has been completed and signed by your employer.

Do not confuse office rent with work-space-in-the-home expenses, which is explained in the next section.

Excess employees profit-sharing plan (EPSP) amounts – If an excess amount has been contributed to a specified employee's EPSP in 2019, the excess EPSP amount is subject to a special tax.

A specified employee is a person who deals with an employer in a non-arm's length relationship or who owns, directly or indirectly, at any time in the year, not less than 10% of the issued shares of any class of the capital stock of the employer corporation, or any other corporation that is related to the employer corporation.

Generally, an excess EPSP amount is the part of an employer's EPSP contribution, allocated by the trustee to a specified employee that exceeds 20% of that employee's income from employment received in the year from that employer.

To calculate the excess EPSP amount and the special tax that applies to it, get Form RC359, Tax on Excess Employees Profit-Sharing Plan Amounts, by going to **canada.ca/cra-forms-publications** or by calling **1-800-959-8281**.

Work-space-in-the-home expenses

You can deduct expenses you paid in 2019 for the employment use of a work space in your home, as long as you had to pay for them under your contract of employment. These expenses must be used directly in your work and your employer has not reimbursed and will not reimburse you. Also, you must meet **one** of the following conditions:

- The work space is where you mainly (more than 50% of the time) do your work.
- You use the work space only to earn your employment income. You also have to use it on a regular and continuous basis for meeting clients, customers, or other people in the course of your employment duties.

Keep with your records a copy of Form T2200, Declaration of Conditions of Employment, which has been completed and signed by your employer.

You can deduct the part of your costs that relates to your work space, such as the cost of electricity, heating, and maintenance. However, you **cannot** deduct mortgage interest, property taxes, home insurance, or capital cost allowance.

To calculate the percentage of work-space-in-the-home expenses you can deduct, use a reasonable basis, such as the area of the work space divided by the total finished area (including hallways, bathrooms, kitchens, etc.). For maintenance costs, it may not be appropriate to use a percentage of these costs. For example, if the expenses you paid (such as cleaning materials or paint) were to maintain a part of the house that was not used as a work space, then you cannot deduct any part of them. Alternatively, if the expenses you paid were to maintain the work space **only**, then you may be able to deduct all or most of them.

If your office space is in a rented house or apartment where you live, deduct the percentage of the rent as well as any maintenance costs you paid that relate to the work space.

The amount you can deduct for work-space-in-the-home expenses is limited to the amount of employment income remaining after all other employment expenses have been deducted. This means that you cannot use work space expenses to create or increase a loss from employment.

You can only deduct work space expenses from the income to which the expenses relate, and not from any other income.

If you cannot deduct all your work space expenses in the year, you can carry forward the expenses. You can deduct these expenses in the following year as long as you are reporting income from the same employer. However, you cannot increase or create a loss from employment by carrying forward work space expenses.

For more information, see Interpretation Bulletin IT-352, Employee's Expenses, Including Work Space in Home Expenses.

Chapter 4 – Transportation employees

In addition to the expenses listed in Chapter 3 beginning on page 9, you may also be able to claim the cost of meals and lodging (including showers) if you are an employee of a transport business, a railway employee, or other transport employee. This cost includes any GST and provincial sales tax (PST), or HST, you paid on these expenses. You may be able to get a rebate of the GST/HST you paid. For more information, see Chapter 10, which begins on page 26.

> **Note**
> You cannot deduct the cost of travel to and from work, or other expenses, such as most tools and clothing.

Employees of a transport business

You can claim the cost of meals and lodging if you meet **all** of the following conditions:

- You work for an airline, railway, bus, or trucking company, or for any other employer whose main business is transporting goods, passengers, or both.
- You travel in vehicles your employer uses to transport goods or passengers.
- You **regularly** have to travel away from the municipality and the metropolitan area (if there is one) where your employer's relevant establishment (home terminal) is located.
- You **regularly** incur meal and lodging expenses while away from the municipality and the metropolitan area (if there is one) where your employer's relevant establishment (home terminal) is located. This means that you must generally be away from home overnight to do your job.

You must reduce your claim for meal and lodging expenses by any non-taxable allowance or reimbursement you received or are entitled to receive from your employer.

For information on meal allowances and subsidized meals, see Information Circular IC73-21, Claims for Meals and Lodging Expenses of Transport Employees.

Railway employees

You can also claim the cost of meals and lodging when you meet **one** of the following conditions:

- You work away from home for a railway company as a telegrapher or station agent in a relief capacity, or carry out maintenance and repair work for the railway company.
- You are a railway employee who works away from the municipality and the metropolitan area (if there is one) where your employer's relevant establishment (home terminal) is located. You also work at such a distant location that it is unreasonable for you to return daily to your home, where you support a spouse or common-law partner, or a dependant related to you.

Other transport employees

Even if you do not meet all of the conditions listed in "Employees of a transport business" on the previous page, you may still be able to claim the cost of meals and lodging you incur in the year. For example, you may be an employee whose main duty of employment is transporting goods, but your employer's main business is not transporting goods or passengers.

If you meet the conditions listed under "Travelling expenses" on page 9, you will still qualify to use the simplified method of meal reporting described later on this page. For more information about both sets of conditions, see Information Circular IC73-21.

If your employer has paid or will pay you for any part of your meal and lodging expenses, subtract that amount from your claim.

How to claim your expenses

Complete Parts 1 and 2 of Form TL2, Claim for Meals and Lodging Expenses, and have your employer complete Part 3 and sign it. Trips that qualify as an eligible trip for long-haul truck drivers should be reported in Part 2B, and all other trips should be reported in Part 2A. Claim your meal and lodging expenses on line 22900 of your income tax and benefit return. You do not have to send Form TL2 with your return, but keep it in case the CRA asks to see it later.

In the rest of this chapter, you will find information on how to calculate your meal and lodging expenses. For more detailed information about meal and lodging expenses, see Information Circular IC73-21.

Meals

To calculate your meal expenses, you can use either the simplified or detailed method, or in certain situations, the batching method. These methods are explained in this section.

The most you can deduct for meal expenses is **50%** of your claim (unless you are a long-haul truck driver claiming meals for an eligible trip, as explained on the next page under "Meal expenses of long-haul truck drivers"). For example, if you use the simplified method, which is based on a daily meal rate of $17 (includes sales tax) per meal, the most you can deduct is $8.50 ($17 × 50%) for each meal.

Under either the simplified or detailed method, you can claim one meal after every 4 hours from the departure time, to a maximum of 3 meals per day. For the purposes of calculating the maximum number of meals allowed, a day is considered to be a 24-hour period that begins at the departure time.

The simplified method – This is the easiest way to calculate your meal expenses since you do not have to keep receipts for your meals, although you do have to keep a detailed list of the trips you take in a record or log book.

The simplified method is based on a meal rate of **$17** (includes sales tax) for each meal. Multiply the actual number of meals you ate by $17 (to a maximum of 3 meals per day) and report that amount in the "Meals bought" column of **Part 2 – Trip and expense summary** on Form TL2, Claim for Meals and Lodging Expenses.

Log book using the simplified method

Meals and lodging expenses – Simplified method

Date	Departure time	Destination	Date	Check-in time	Hrs away	Km driven	No. of meals
June 15	7:00	Montréal	June 17	16:00	57	900	7

The detailed method – If you choose to use the detailed method to calculate your meal expenses, you have to keep a log or record book itemizing each expense. You also have to keep receipts to support the amount you deduct.

Report the actual amount you spent on meals on Form TL2 in the "Meals bought" column of **Part 2 – Trip and expense summary**.

Log book using the detailed method

Meals and Lodging expenses – Detailed method					
Date	**Time in or Time out**	**Location**	**Restaurant**	**Type**	**Cost**
June 15	9:30	Oshawa			
June 15		Belleville	Paradise Restaurant	Lunch	$ 9.20
June 15		Montréal	Dunn's Restaurant	Dinner	$ 22.99
June 15		Montréal	Quebec Motel	Lodging	$ 64.50
June 16		Montréal	Dunn's Restaurant	Breakfast	$ 5.75
June 16		Belleville	Paradise Restaurant	Lunch	$ 17.45
June 16	16:00	Oshawa			

The batching method – When you are part of a work crew, such as on a train, your employer may provide you with cooking facilities. If you buy groceries and cook meals either by yourself or as a group, each person can claim up to **$34** for each day. As long as you do not claim more than this amount, you do not have to keep receipts. Report this amount on Form TL2 in the "Meals bought" column of **Part 2 – Trip and expense summary**.

Meal expenses of long-haul truck drivers

Meal and beverage expenses for long-haul truck drivers are deductible at a rate higher than the 50% permitted for other transportation employees. During eligible travel periods in 2019, meal and beverage expenses incurred are deductible at **80%**.

You are a **long-haul truck driver** if you are an employee whose main duty of employment is transporting goods by way of driving a long-haul truck, whether or not your employer's main business is transporting goods, passengers, or both.

A **long-haul truck** is a truck or tractor that is designed for hauling freight and has a gross vehicle weight rating of more than 11,788 kg.

An **eligible travel period** is a period during which you are away from your municipality or metropolitan area (if there is one) for at least 24 hours for the purpose of driving a long-haul truck that transports goods at least 160 kilometres from the employer's establishment to which you regularly report to work.

Lodging and showers

You can deduct your lodging expenses. The costs of showers are also considered to be deductible as part of lodging expenses for transportation employees who may have slept in the cab of their trucks rather than at hotels. You need to keep your receipts to support the amount you deduct.

Trips to the United States

You can claim the meal and lodging expenses you incur while performing your duties as a transport employee in the United States (U.S.). If you are using the simplified method of reporting meal expenses, you are entitled to **US$17** per meal while in the U.S. The most you can deduct for meal expenses is **50%** of your claim, just as it is for trips within Canada (unless you are a long-haul truck driver, as described in "Meal expenses of long-haul truck drivers" earlier on this page).

Calculate the total U.S. dollar amount of both the meal and lodging expenses incurred in the U.S. and convert these 2 totals to Canadian dollars by multiplying them by the Bank of Canada annual average U.S. exchange rate. You can get the exchange rate by going to **canada.ca/cra-exchange-rates** or by calling the CRA at 1-800-959-8281. Provide a summary of your trips to the U.S. in Part 2 – Trip and expense summary of Form TL2. Attach a more detailed list of these trips to the form.

Chapter 5 – Employees working in forestry operations

You can deduct expenses for buying and using a power saw (including a chain saw or tree trimmer) if you meet **all** of the following conditions:

- You work in forestry operations.
- You use a power saw to earn your employment income.
- You had to pay for the power saw under your contract of employment and your employer will not be reimbursing you.

You can deduct the cost of a power saw in the year you buy it. However, you have to subtract from the purchase price of the new power saw the value of any trade-in or any amount you received from the sale of any power saw during the year.

When you file your income tax and benefit return, attach a statement that breaks down the cost of running the power saw. Also, keep with your records a copy of Form T2200, Declaration of Conditions of Employment, which has been completed and signed by your employer.

Expenses to operate a power saw include any GST and provincial sales tax (PST), or HST, you paid. Enter your power saw expenses on line 22900 of your income tax and benefit return. You may be able to get a rebate of the GST/HST you paid. For more information, see Chapter 10 which begins on page 26.

You cannot deduct expenses for travelling from your home to a place where you have to report to work on a regular basis. These expenses are personal. For example, you cannot deduct expenses for travelling from your home to a forest camp or to a cutting site if you go to that place on a regular basis. However, the motor vehicle expenses for travelling from a forest camp set up by your employer to the cutting site are incurred in the course of employment. These expenses are therefore deductible if you meet the conditions described in "Allowable motor vehicle expenses (including capital cost allowance)" on page 9.

You **cannot** deduct expenses for board and lodging at a place where you have to report to work on a regular basis. For example, if your employer has a work camp and you report there on a regular basis, you cannot deduct expenses for board and lodging (for example, camp fees) at the work camp since it is considered your employer's place of business while you are working there.

You cannot deduct the cost of horses and harnesses, snowmobiles, or all-terrain vehicles because these are capital expenditures. Also, you cannot deduct capital cost allowance or interest you paid on money borrowed to buy these things.

Chapter 6 – Employed artists

This chapter has 2 parts. Part 1 deals with employed artists' expenses in general. Part 2 deals with musical instrument expenses.

Part 1 – Artists' employment expenses

You can deduct expenses you paid in 2019 to earn employment income from an artistic activity if you did **any** of the following:

- composed a dramatic, musical, or literary work
- performed as an actor, dancer, singer, or musician in a dramatic or musical work
- performed an artistic activity as a member of a professional artists' association that the Minister of Canadian Heritage has certified
- created a painting, print, etching, drawing, sculpture, or similar work of art. For income tax purposes, it is not an artistic activity when you reproduce these items.

These expenses include any GST and provincial sales tax (PST), or HST, you paid. You may be able to get a rebate of the GST/HST you paid. For more information, see Chapter 10 which begins on page 26.

The amount you can claim is limited to the **lesser** of:

a) the expenses you actually paid in 2019

b) the **lesser** of:

- $1,000
- 20% of your employment income from artistic activities

minus the following amounts you deducted from your income from an artistic activity:

- musical instrument expenses (see Part 2 on the next page)
- interest for your motor vehicle (see the section called "Interest expense" on page 19)
- capital cost allowance for your motor vehicle (see Chapter 9 which begins on page 22)

If you have expenses you cannot claim because of the 20% or $1,000 limit, you can deduct them from artistic income you earn in a future year. Also, you can deduct amounts you carry forward from previous years from your artistic income earned in 2019, as long as the total expenses are within the above-noted limits for 2019.

Enter the amount you can deduct on the "Artists' employment expenses" line of Form T777, Statement of Employment Expenses.

If you earn artistic income from more than one employer, total your income and expenses before you calculate your claim. In other words, you cannot make a separate claim for each employer.

Note
As an employed artist, you can deduct expenses described in Chapter 3, which begins on page 9, if you meet the required conditions of an employee earning a salary. If this is the case, you can choose to deduct these expenses separately from the other expenses you paid to earn artistic income. However, choose the option that gives you the greatest deduction in 2019, since you cannot carry forward any unused expenses that you can deduct in 2019.

Example
Barbara is a salaried employee whose employment income from artistic activities was $20,000 in 2019. During 2019, she paid $950 for advertising, $1,550 for travelling, and $350 for musical instrument expenses to earn this income. Since advertising and musical instrument expenses are not listed as deductible expenses of a salaried employee in Chapter 3, Barbara will choose the option to deduct these expenses separately as artists' employment expenses because it will allow a greater deduction for 2019. She meets the requirements for deducting her travelling expenses as explained in Chapter 3 and her musical instrument expenses as discussed in Part 2 of this chapter, and she can claim her advertising expenses as an artist's expense.

Barbara calculates her artists' employment expenses as follows:

The **lesser** of:

a) $950 (advertising expenses)

b) the **lesser** of:

- $1,000
- $4,000 (20% of $20,000)

minus $350 (musical instrument expenses).

Amount b) is $1,000 – $350 = $650.

The lesser of a) and b) is $650.

Barbara calculates the amount to enter on line 22900 of her income tax and benefit return as follows:

Travelling expenses	$	1,550
Artists' employment expenses		650
Musical instrument expenses		350
Total to enter on line 22900	$	2,550

Part 2 – Musical instrument expenses

If you are an employed musician, your employer may require you to provide your own musical instrument. If this is the case, you can deduct expenses you paid that relate to the musical instrument. Your musical instrument expenses include any GST and provincial sales tax (PST), or HST, you paid on these expenses. You may be able to get a rebate of the GST/HST you paid. For more information, see Chapter 10 which begins on page 26.

Deductible expenses

Although you cannot deduct the actual cost of your musical instrument, the amounts you **can** deduct for your musical instrument are:

- maintenance costs
- rental fees
- insurance costs
- capital cost allowance (if you own the instrument)

Enter the amount you can deduct on the "Musical instrument expenses" line and the "Capital cost allowance for musical instruments" line of Form T777 as appropriate.

However, the amount of musical instrument expenses you can deduct cannot be more than your income for the year from your employment as a musician after deducting all other employment expenses.

How to calculate your expenses

When you use your musical instrument for both employment and other purposes, divide the total instrument expenses among the different uses. For example, if you are using your instrument for employment, self-employment, and personal purposes, separate all 3 uses. You cannot deduct personal expenses.

Enter the total expenses for your employment income on line 22900 of your income tax and benefit return.

Use the self-employment part of your musical instrument expenses to calculate the net self-employment income you report on line 13700 of your income tax and benefit return. For more information, see Guide T4002, Self-employed Business, Professional, Commission, Farming, and Fishing Income.

Capital cost allowance

Use the back of Form T777 to calculate the amount of capital cost allowance you can claim for your musical instrument. For more information, see Chapter 9, which begins on page 22.

Change in use

There are special rules for calculating the capital cost of depreciable property. These rules can apply when there is a change in use of the musical instrument from an income-earning purpose to some other purpose, or vice versa. For more information, see Chapter 9, which begins on page 22.

For more information, see Interpretation Bulletin IT-525, Performing Artists.

Chapter 7 – Employed tradespersons

You may be able to deduct the cost of eligible tools you bought in 2019 to earn employment income as a tradesperson. This cost includes any GST and provincial sales tax (PST), or HST that you paid. You may be able to get a rebate of the GST/HST you paid. For more information, see Chapter 10 which begins on page 26. When completing Form GST370, Employee and Partner GST/HST Rebate Application, see if Situation 6 on page 30 applies to you.

An **eligible tool** is a tool (including associated equipment such as a toolbox) that:

- you bought to use in your job as a tradesperson and was not used for any purpose before you bought it
- your employer certified as being necessary for you to provide as a condition of, and for use in, your job as a tradesperson
- is not an electronic communication device (like a cell phone) or electronic data processing equipment (unless the device or equipment can be used only for the purpose of measuring, locating, or calculating)

Your employer has to complete and sign Form T2200, Declaration of Conditions of Employment. Have your employer complete question 11 of Part B of the form to certify that the tools being claimed were bought and provided by you as a condition of your employment as a tradesperson. Attach to Form T2200 a list of the tools you are claiming, as well as the related receipts. You do not have to include Form T2200, your receipts, or your list of tools with your income tax and benefit return, but keep them in case the CRA asks to see them.

Deduction for tools

If you were a tradesperson in 2019, use the following formula to calculate your maximum tradesperson's tools deduction for the cost of eligible tools you bought in 2019:

> **Maximum deduction for eligible tools** is the lesser of:
>
> a) $500
>
> b) the amount, if any, determined by the formula
>
> **A – $1,222**
>
> where
>
> **A** = the lesser of:
>
> 1. the total cost of eligible tools that you bought in 2019
> 2. your income from employment as a tradesperson for the year
>
>   **plus** the amount you received in 2019 under the Apprenticeship Incentive Grant and the Apprenticeship Completion Grant programs
>
>   **minus** the amount of any Apprenticeship Incentive Grant and Apprenticeship Completion Grant overpayments that you had to repay in 2019

Enter your claim on the "Tradesperson's tools expenses" line of Form T777, Statement of Employment Expenses.

Example

In 2019, Karsten is employed as an electrician with ABC Company, and he needs to purchase additional tools for his job. He paid $2,500 for the tools he needed, and he earned $45,000 in employment income in 2019 as an electrician.

He calculates his maximum deduction for eligible tools in 2019 as follows:

> **Maximum deduction for eligible tools** is the lesser of:
>
> a) $500
>
> b) the amount, if any, determined by the formula
>
> **A – $1,222**
>
> where
>
> **A** = the lesser of:
>
> 1. $2,500
> 2. $45,000

Karsten's maximum deduction for 2019 is the lesser of $500 and $1,278 ($2,500 – **$**1,222). Karsten claims a deduction of $500 on line 22900 of his 2019 income tax and benefit return.

Employed apprentice mechanics

You may also be able to deduct a part of the cost of eligible tools you bought in 2019 to earn employment income as an eligible apprentice mechanic.

You are an eligible apprentice mechanic if you meet all of the following conditions:

- you are registered in a program established under the laws of Canada or of a province or territory that leads to a designation under those laws as a mechanic **licensed to repair self-propelled motorized vehicles** (such as automobiles, aircraft, boats, or snowmobiles)
- you are employed as an apprentice mechanic

As an eligible apprentice mechanic, you must first calculate the tradesperson's tools deduction, if any, that you qualify for. You may qualify for this deduction if you bought eligible tools for your job in 2019. You can then complete the calculation described in the section called "Deduction for tools for an eligible apprentice mechanic," on the next page to determine if you can also make this claim in 2019.

An **eligible tool** is a tool (including associated equipment such as a toolbox) that meets all of the following conditions:

- you bought the tool to use in your job as an apprentice mechanic and it was not used for any purpose before you bought it
- the tool is certified by your employer as being necessary for you to provide as a condition of, and for use in, your job as an apprentice mechanic
- the tool is not an electronic communication device (like a cell phone) or electronic data processing equipment (unless the device or equipment can be used only for the purpose of measuring, locating or calculating)

Your employer has to complete and sign Form T2200, Declaration of Conditions of Employment. Have your employer complete question 12 of Part B of the form to certify that you bought and provided the tools you are claiming as a condition of your employment as an eligible apprentice mechanic. Attach to Form T2200 a list of the tools you are claiming, as well as the related receipts. You do not have to submit Form T2200 or your list of tools or receipts with your income tax and benefit return, but keep them in case the CRA asks to see them.

Deduction for tools for an eligible apprentice mechanic

Use the following formula to calculate your maximum deduction for the cost of eligible tools you bought in 2019 if you were an eligible apprentice mechanic at any time in 2019.

Maximum deduction for eligible tools* = (A – B) + C

where

A = the total cost of eligible tools that you bought in 2019**

B = the lesser of:

1. the total cost of eligible tools that you bought in 2019 as calculated in **A**
2. the greater of:
   - $500 + the Canada employment amount claimed on line 31260 of your income tax and benefit return (max. $1,222)
   - 5% of:
     - your employment income as an eligible apprentice mechanic
     - **plus** the amount you received in 2019 under the Apprenticeship Incentive Grant and the Apprenticeship Completion Grant programs
     - **minus** any claim you made for the tradesperson's deduction for tools, **and** the amount of any Apprenticeship Incentive Grant and Apprenticeship Completion Grant overpayments that you had to repay in 2019

C = the amount, if any, of the maximum deduction for eligible tools that you calculated for 2018 that you did **not** claim in 2018 (your carry forward amount from 2018, if any)

* This claim cannot be more than your net income for 2019 from all sources (the claim cannot create a non-capital loss).

If you become employed as an eligible apprentice mechanic for the first time during 2019, you will be able to increase the value of **A in the above calculation by the cost of eligible tools you bought during the last 3 months of 2018.

Enter your claim on the "Apprentice mechanic tools expenses" line of Form T777, Statement of Employment Expenses.

If you do not want to claim the maximum deduction, you can carry forward the unused amount for use against income earned in a future year. You can deduct the unused amount against any type of income in a future year even if you are no longer employed as an eligible apprentice mechanic at that time.

Example 1

The Motor Company hired Bill as a second-year eligible apprentice mechanic on November 1, 2018. Based on the tools he bought during 2018, Bill calculated his maximum deduction for eligible tools in 2018 to be $3,500. He only claimed $1,500 of this amount on his 2018 income tax and benefit return. In 2019, Bill received $18,000 in income from his job as an eligible apprentice mechanic. In 2019, he received $1,000 under the Apprenticeship Incentive Grant program, and he also received income of $4,000 from other sources.

During September of 2019, Bill bought 2 eligible tools for $4,500. He already calculated and claimed a tradesperson's tools deduction of $500 for 2019. He had also claimed a Canada employment amount of $1,222.

Bill calculated his maximum deduction for eligible tools in 2019 as follows:

Maximum deduction for eligible tools = (A – B) + C

where

A = $4,500

B = the lesser of:

1. $4,500
2. the greater of:
   - $1,722($500 + $1,222)
   - $925 (5% of [$18,000 + $1,000 – $500])

C = $2,000

Therefore, Bill's maximum deduction in 2019 is $4,778([$4,500 – $1,722] + $2,000) since it is less than his net income of $22,500 ({$18,000 + $1,000 – $500} + $4,000). Bill claims his deduction of $4,778 on line 22900 of his income tax and benefit return.

Disposition of tools

As a tradesperson (including an apprentice mechanic), you may decide to sell any or all of the eligible tools for which you claimed a deduction. If so, you must include, in your income in the year you sold the tool(s), the amount by which the proceeds of disposition of each tool is greater than the adjusted cost of the eligible tool sold. The proceeds of disposition of a tool is the amount of money you sold the tool for.

Adjust the original cost of each eligible tool you bought by using the following formula:

Adjusted cost of an eligible tool = D – (D × [E/A])

where

D = the original cost of each eligible tool that you bought in 2019

E = the total of the tradesperson's tools deduction and apprentice mechanic tools deduction that you claimed in 2019*

A = the total cost of all eligible tools that you bought in 2019**

* In the case of the apprentice mechanic tools deduction, always assume there is no carryover amount (C = 0) when calculating **E**. See the section called "Deduction for tools for an eligible apprentice mechanic," earlier on this page for the meaning of C.

If you made a claim for both the tradesperson's tools deduction **and the apprentice mechanic tools deduction, use the value of **A** that was **greater**.

Complete a separate calculation for each eligible tool you bought in 2019.

Example 2
In Example 1, Bill bought 2 eligible tools for $4,500. Tool A and Tool B cost $2,500 and $2,000, respectively. Bill must calculate the adjusted cost of these tools. He calculates the adjusted cost of Tool A as follows:

Adjusted cost of Tool A = D – (D × [E/A])

where

D	=	$2,500
E*	=	$500 + $2,778(from Example 1) = $3,278
A	=	$4,500

*The value of **E** is the total of the tradesperson's tools deduction of $500 and the apprentice mechanic tools deduction of $2,778, which is $4,778 minus the carryover amount of $2,000 from 2018 ($4,778– $2,000 = $2,778)

By applying this formula, the adjusted cost of Tool A is:

$2,500 – ($2,500 × [$3,278/$4,500])

= $2,500 – $1,821

= $679

Similarly, the adjusted cost of Tool B is $543:

($2,000 – ($2,000 × [$3,278/$4,500])).

Assume that Bill sells Tool A in 2020 for $1,500. The proceeds of disposition of Tool A ($1,500) is greater than its adjusted cost ($679). As a result, he would have to include the amount of $821 ($1,500 – $679) as income on line 13000 of his 2020 income tax and benefit return. If the proceeds of disposition had been less than the adjusted cost of the tool, Bill would not have been able to deduct the difference.

Chapter 8 – Motor vehicle expenses

You can deduct expenses you paid to run a motor vehicle you use to earn employment income. Your motor vehicle expenses include any GST and provincial sales tax (PST), or HST, you paid on these expenses.

You may be able to get a rebate of the GST/HST you paid. For more information, see Chapter 10 which begins on page 26.

If you are an employee earning **commission income**, you can deduct expenses for your vehicle as long as you meet the conditions outlined in the section called "Employment conditions" on page 6.

If you are an employee earning a **salary**, you can deduct expenses for your vehicle as long as you meet the conditions outlined in the section called "Allowable motor vehicle expenses (including capital cost allowance)" on page 7.

Keeping records

Since you can deduct motor vehicle expenses only when they are reasonable and you have receipts to support them, keep a record for each vehicle you used. The record should include the total kilometres you drove as well as the kilometres you drove to earn employment income. The record for each trip you took to earn employment income should list the date, destination, purpose, and number of kilometres. Record the odometer reading of each vehicle at the beginning and again at the end of the year.

If you change motor vehicles during the year, record the odometer reading of each vehicle when you buy, sell, or trade it. Write down the dates as well.

Deductible expenses

The types of expenses you can deduct include:

- fuel (gasoline, propane, oil)
- maintenance and repairs
- insurance
- licence and registration fees
- capital cost allowance (see Chapter 9 which begins on page 22)
- eligible interest you paid on a loan used to buy the motor vehicle (see the section called "Interest expense" on the next page)
- eligible leasing costs (see the section called "Leasing costs" on page 20)

Enter these amounts in the "Calculation of Allowable Motor Vehicle Expenses" area of Form T777.

What kind of vehicle do you own?

For tax purposes, there are 2 types of vehicles you should know about. They are **motor vehicles** and **passenger vehicles (or zero-emission passenger vehicles)**.

The kind of vehicle you use may affect the expenses you can deduct. If you own or lease a passenger vehicle or a zero-emission passenger vehicle, there may be a limit on the amounts you can deduct for capital cost allowance (CCA), interest, and leasing costs. Interest expense is explained on the next page, leasing costs on page 20, and the limits for CCA on page 19.

Motor vehicle

A motor vehicle is an automotive vehicle designed or adapted for use on highways and streets. It is not a trolley bus, or a vehicle designed or adapted to be operated exclusively on rails.

Passenger vehicle

A passenger vehicle is a **motor vehicle (other than a zero-emission vehicle)** designed or adapted primarily to carry people on highways and streets. It seats a driver and no more than 8 passengers. Most cars, station wagons, vans, and some pick-up trucks are passenger vehicles. They are subject to the limits for CCA, interest, and leasing costs.

A passenger vehicle does **not** include:

- an ambulance
- clearly marked police and fire emergency-response vehicles

- clearly marked emergency medical services vehicles used to carry paramedics and their emergency medical equipment
- a motor vehicle you bought to use mainly (more than 50%) as a taxi, a bus to transport passengers, or a hearse in a funeral business
- a motor vehicle you bought to sell, rent, or lease in a motor vehicle sales, rental, or leasing business
- a motor vehicle (except a hearse) you bought to use in a funeral business to transport passengers
- certain vans, pick-up trucks, or similar vehicles (for details, see the "Vehicle definitions chart" below)

The "Vehicle definitions chart" below should help you determine what type of vehicle you have. It does not cover every situation, but it should give you a better idea of how the CRA defines vehicles you bought or leased.

Zero-emission passenger vehicle (ZEPV)

A ZEPV means an automobile of a taxpayer that is included in Class 54. The following are special rules applicable to a ZEPV:

- The capital cost of the ZEPV will be restricted to a prescribed amount for the purpose of calculating the CCA. For 2019, the prescribed amount will be $55,000, plus the federal and provincial sales taxes that would have been paid if the ZEV was purchased for $55,000 (before the application of federal and provincial sales tax).
- When a ZEPV whose capital cost is subject to the above restriction, is disposed of, its proceeds of disposition will be adjusted. Specifically, the proceeds of disposition will be multiplied by a fraction equal to the ratio of the capital cost (i.e., the prescribed amount) of the vehicle divided by the actual cost* of the vehicle.

  (*For disposition made after July 29, 2019, based on the legislation proposed on July 30, 2019, the actual cost of the vehicle will be adjusted for payment or repayment of any government assistance.)
- Unlike passenger vehicles, ZEPVs are not subject to the leasing cost deduction rules

Joint ownership

If you and somebody else own or lease the same passenger vehicle, the limits on CCA, interest, and leasing costs still apply, and in case of zero-emission passenger vehicles, the limits on CCA and interest will apply. The total amount the joint owners can claim cannot be more than the amount that would be allowed if only one person had owned or leased the vehicle.

Employment use of a motor vehicle

If you use a motor vehicle for both employment and personal use, you can deduct only the percentage of expenses related to earning income. To support the amount you can deduct, keep a record of both the total kilometres you drove and the kilometres you drove to earn employment income. The CRA considers driving back and forth between home and work as personal use.

If you use **more than one motor vehicle** to earn employment income, calculate the expenses for each vehicle separately.

Interest expense

You can deduct interest you paid on money you borrowed to buy a motor vehicle, passenger vehicle or zero-emission passenger vehicle that you use to earn employment income. Include the interest you paid when you calculate your allowable motor vehicle expenses.

If you use a **passenger vehicle or a zero-emission passenger vehicle** to earn employment income, there is a **limit** on the amount of interest you can deduct. Use the "Available interest expense for passenger vehicles or zero-emission passenger vehicles chart" to calculate the amount you can deduct. Enter your available interest expense amount on line 10 of Form T777.

Available interest expense for passenger vehicles chart

Total interest paid in the year	$ ________	A
$10* × the number of days for which interest was paid	$ ________	B

The available interest expense is the **lower of** amount A and amount B.

***Note**

Use $8.33 for passenger vehicles bought **between** December 31, 1996, and January 1, 2001.

In **all** other cases, use $10.

Vehicle definitions chart			
Type of vehicle	**Seating (includes driver)**	**Business use in year bought or leased**	**Vehicle definition**
Coupe, sedan, station wagon, sports car, or luxury car	1 to 9	1% to 100%	passenger
Pick-up truck used to transport goods or equipment	1 to 3	more than 50%	motor
Pick-up truck (other than above)*	1 to 3	1% to 100%	passenger
Pick-up truck with extended cab used to transport goods, equipment, or passengers	4 to 9	90% or more	motor
Pick-up truck with extended cab (other than above)*	4 to 9	1% to 100%	passenger
Sport-utility used to transport goods, equipment, or passengers	4 to 9	90% or more	motor
Sport-utility (other than above)	4 to 9	1% to 100%	passenger
Van or minivan used to transport goods or equipment	1 to 3	more than 50%	motor
Van or minivan (other than above)	1 to 3	1% to 100%	passenger
Van or minivan used to transport goods, equipment, or passengers	4 to 9	90% or more	motor
Van or minivan (other than above)	4 to 9	1% to 100%	passenger

*A vehicle in this category is considered a **motor vehicle** if it is used mainly to transport goods, equipment, or passengers while earning or producing income at a remote work location or at a special worksite that is at least 30 kilometres from the nearest community with a population of at least 40,000.

Note
A passenger vehicle or a motor vehicle may also qualify as a zero-emission vehicle or a zero-emission passenger vehicle.

Leasing costs

You can deduct amounts you paid to lease a motor vehicle you used to earn employment income. Include the leasing costs you paid when you calculate your allowable motor vehicle expenses.

If you use a passenger vehicle to earn employment income, there is a limit on the amount of leasing costs you can deduct. If you leased a passenger vehicle before January 1, 2001, you will need to refer to the applicable chart in a 2008 version of this guide to assist you in calculating the eligible leasing costs.

Note
There is no restriction on the leasing cost deduction for a zero-emission passenger vehicle.

You can get this version of the guide by going to **canada.ca/en/revenue-agency/services/forms-publications/publications/t4044.html** and clicking on the "Previous year versions" link, or calling the CRA at **1-800-959-8281**.

Use the chart below to calculate your eligible leasing costs for a passenger vehicle leased after December 31, 2000. Enter your eligible leasing costs on line 11 of Form T777.

Note
Most leases do not include items such as insurance, maintenance, and taxes. You have to pay these amounts separately. Therefore, list these expenses separately on Form T777. Do not include them in your calculation of eligible leasing costs.

If the lease agreement for your passenger vehicle does include items such as insurance, maintenance, and taxes, include them as part of the lease charges in your calculation.

Repayments and imputed interest

When you lease a passenger vehicle, you may have either a repayment owing to you, or you may have **imputed interest**. If this is your situation, you cannot use the leasing chart below. Instead, contact the CRA.

Imputed interest is interest that would be owing to you if you were paid interest on money you deposited to lease a passenger vehicle. You can only consider imputed interest as leasing costs on a passenger vehicle if **all** the following apply:

- You made one or more deposits for the leased passenger vehicle.
- All deposits are refundable.
- The deposits total more than $1,000.

Eligible leasing costs for passenger vehicles leased after December 31, 2000

1.	Enter the total lease charges paid for the vehicle in 2019			$	1
2.	Enter the total lease payments deducted for the vehicle before 2019			$	2
3.	Enter the total number of days the vehicle was leased in 2019 and previous years				3
4.	Enter the manufacturer's list price			$	4
5.	$35,294 + GST and PST, or HST, on $35,294			$	5
6.	Enter the amount from line 4 or line 5, whichever is more	$ × 85%		▶ $	6
7.	($800 + GST and PST, or HST, on $800) × line 3 =	$ ÷ 30 =	$ – line 2	▶ $	7
8.	($30,000 + GST and PST, or HST, on $30,000) × line 1 =	$ ÷ line 6		▶ $	8

Your eligible leasing cost is the lower of the amounts on line 7 and line 8.

Example

On February 1, 2019, Tom, a resident of Nova Scotia, began leasing a car that meets the definition of a passenger vehicle. He used the car to earn employment income. Tom will complete the chart below using the following information for 2019:

- Monthly lease payment .... $ 500
- Lease payments made for 2019 .... $ 5,500
- Number of days the car was leased in 2019 334
- Manufacturer's suggested list price $28,000
- HST ($35,294 × 15% = $5,294) .... $ 5,294
- HST ($800 × 15% = $120) .... $ 120
- HST ($30,000 × 15% = $4,500) .... $ 4,500

1.	Total lease charges paid for the vehicle in 2019			$ 5,500	1
2.	Total lease payments deducted for the vehicle before 2019			$ 0	2
3.	Total number of days the vehicle was leased in 2019 and previous years			334	3
4.	The manufacturer's list price			$ 28,000	4
5.	$35,294 + $5,294			$ 40,588	5
6.	Enter the amount from line 4 or line 5, whichever is more	$ 40,588 × 85%		▶ $ 34,500	6
7.	($800 + $120 = $920) × 334 =	$ 307,280 ÷ 30 =	$ 10,243 – line 2	▶ $ 10,243	7
8.	($30,000 + $4,500 = $34,500) × $5,500 =	$ 189,750,000 ÷ 34,500		▶ $ 5,500	8

Tom would enter $5,500 (the lower of the amounts on line 7 and line 8) on line 11 of Form T777.

Chapter 9 – Capital cost allowance (depreciation)

You cannot deduct the cost of a property, such as a vehicle or musical instrument that you use to earn your income. However, you can deduct a percentage of the property's cost. The part of the cost you can deduct or claim is called **depreciation** or, for income tax purposes, **capital cost allowance (CCA)**.

Definitions

You may need to know the meaning of certain terms before you can determine your claim for CCA.

Accelerated investment incentive property (AIIP) is a property (other than property included in class 54 or 55) that meets the following conditions:

- you acquired it after November 20, 2018 and becomes available for use before 2028;
- *the property has never been used for any purpose before being acquired and no other person or partnership has claimed capital cost allowance (or a terminal loss) for the property.

(*Draft legislation was released on July 30, 2019, that proposes to remove the requirement, effective November 20, 2018, that the property has never been used for any purpose before being acquired, but continues to require that no person or partnership, including the taxpayer, can have claimed capital cost allowance (or a terminal loss) in a taxation year ending prior to the acquisition.)

Accelerated Investment Incentive will provide an enhanced first-year allowance for certain eligible property that is subject to the Capital Cost Allowance (CCA) rules. In general, the incentive will be made up of two elements:

- applying the prescribed CCA rate for a class to up to one-and-a-half times the net addition to the class for the year;
- suspending the existing CCA half-year rule (and equivalent rules for Canadian vessels and class 13 property).

Available for use – generally, the earlier of:

- the time the property is first used by the claimant to earn income
- the time the property is delivered or is made available to the claimant and is capable of producing a saleable product or service

Capital cost is the amount on which you first claim CCA. Generally, the capital cost of the property is what you pay for it. Capital cost also includes items such as delivery charges, the GST and provincial sales tax (PST), or the HST.

Depreciable property is any property on which you can claim CCA. Depreciable properties are usually grouped into classes. Your CCA claim is based on the class of your property.

Fair market value is usually the highest dollar value you can get for your property in an open and unrestricted market, between a willing buyer and a willing seller who are acting independently of each other.

Proceeds of disposition is usually the amount you received or will receive for your property. In most cases, it refers to the sale price of the property. When you trade in a property to buy a new one, your proceeds of disposition is the amount you receive for the trade-in.

Undepreciated capital cost (UCC) is the balance of the capital cost left for further depreciation at any given time. The amount of CCA you claim each year will lower the UCC of the property.

Can you claim CCA?

If you are an employee earning **commission income**, you can claim CCA on your vehicle if you meet the conditions outlined in the section called "Employment conditions" on page 6.

If you are an employee earning a **salary**, you can claim CCA on your vehicle if you meet the conditions outlined in the section called "Allowable motor vehicle expenses (including capital cost allowance)" on page 9.

If you are an **employed musician**, you can claim CCA on a musical instrument if you had to provide the musical instrument as a condition of employment.

You do not have to claim the maximum amount of CCA in any given year. You can claim any amount you want, from zero up to the maximum allowed for the year.

Use the back of Form T777, Statement of Employment Expenses, to calculate your CCA claim. You will find 2 copies of Form T777 in this guide.

For more information on CCA, see Interpretation Bulletin IT-522, Vehicle, Travel and Sales Expenses of Employees.

Classes of depreciable properties

Depreciable properties are usually grouped into classes. To claim CCA, you should know about the following classes.

Class 8

The maximum CCA rate for this class is 20%. Musical instruments are included in Class 8.

Class 10

The maximum CCA rate for this class is 30%.

You include motor vehicles and some passenger vehicles in Class 10. Motor vehicles and passenger vehicles are defined in the section called "What kind of vehicle do you own?" on page 18.

Your passenger vehicle can belong to either Class 10 or Class 10.1. You only include a passenger vehicle in Class 10.1 if it meets certain conditions. These conditions are explained in the following section.

Class 10.1

The maximum CCA rate for this class is 30%.

The maximum capital cost of each vehicle that may be included in Class 10.1 is now $30,000 plus GST and provincial sales tax (PST), or HST.

Include your passenger vehicle in Class 10.1 if it meets **one** of the following conditions:

- You acquired it after August 31, 1989, and before January 1, 1997, and it cost you more than $24,000.
- You acquired it in 1997, and it cost you more than $25,000.
- You acquired it in 1998 or 1999, and it cost you more than $26,000.
- You acquired it in 2000, and it cost you more than $27,000.
- You acquired it after December 31, 2000, and it cost you more than $30,000.

If your passenger vehicle does not meet **any** of these conditions, then it belongs in Class 10.

To determine what class your passenger vehicle belongs to, do **not** include the GST and PST, or HST, when calculating the cost of the vehicle.

The following compares the 2 CCA classes for vehicles:

	Class 10	Class 10.1
CCA rate	30%	30%
Group all vehicles in one class	yes	no
List each vehicle separately	no	yes
Maximum capital cost	no	yes
50% rule on acquisitions	yes	yes
Half-year rule on sale	no	yes
Recapture on sale or trade-in	yes	no
Terminal loss on sale or trade-in	no	no

Because of the differences between Class 10 and Class 10.1, the capital cost allowance schedule on the back of Form T777, Statement of Employment Expenses, is divided into 2 separate parts (Part A and Part B).

Use **Part A** to calculate CCA for both Class 8 and Class 10 property, since the rules for these 2 classes are similar.

Use **Part B** to calculate CCA on Class 10.1 property only. List each Class 10.1 vehicle on a separate line. Calculate CCA separately for each vehicle listed.

Zero-Emission Vehicles

Two new CCA classes have been created for zero-emission vehicles acquired after March 18, 2019, and become available for use before 2028.

Class 54 motor vehicles and passenger vehicles excluding taxicabs and automobiles used for lease and rent

The CCA rate for this class is 30% but a higher deduction (up to a maximum of 100%) may apply for certain eligible vehicles acquired after March 18, 2019 and before January 1, 2028 (phase out starting in 2024).

The capital costs will be deductible up to a limit of $55,000 plus sales tax for 2019 for zero-emission passenger vehicles. The limit will be reviewed annually and special rules will apply in the year of disposition for such vehicles where the capital costs exceed that limit (see page 19).

Class 55 for automobiles for lease or rent and taxicabs

The CCA rate for this class is 40%, but a higher deduction (up to a maximum of 100%) may apply for certain eligible vehicles acquired and available for use after March 18, 2019 and before January 1, 2028 (phase out starting in 2024).

To be eligible under Class 54 or Class 55, a zero-emission vehicle needs to meet all the following criteria:

- You acquired the zero-emission vehicle after March 18, 2019
- An assistance has not been paid by the Government of Canada under the federal purchasing incentive
- The vehicle has not been used, or acquired for use, for any purpose before you acquired it.
- Is essentially a motor vehicle for use on streets and highways (excluding a trolley bus or vehicle operated exclusively on rails)
- Is a plug-in hybrid with battery capacity of at least 7kWh or is fully:
  - electric; or
  - powered by hydrogen;

An enhanced first-year CCA with the following phase-out period is available:

- 100% after March 18, 2019 and before 2024
- 75% after 2023 and before 2026
- 55% after 2025 and before 2028

The enhanced first year allowance will be calculated by:

1. increasing the net capital cost addition, to the new class for property that becomes available for use before 2028, and applying the prescribed CCA rate for the class as described below:

- For Class 54, applying the prescribed CCA rate of 30% to:
  - 2 1/3 times the net addition to the class for property that becomes available for use before 2024;
  - 1 1/2 times the net addition to the class for property that becomes available for use in 2024 or 2025;
  - 5/6 times the net addition to the class for property that becomes available for use after 2025 and before 2028.
- For Class 55, applying the prescribed CCA rate of 40% to:
  - 1 1/2 times the net addition to the class for property that becomes available for use before 2024;
  - 7/8 times the net addition to the class for property that becomes available for use in 2024 or 2025;
  - 3/8 times the net addition to the class for property that becomes available for use after 2025 and before 2028; and

2. suspending the existing CCA half year rule

The CCA will be applicable on any remaining balance in the new classes using the specific rate for the new class.

How to calculate capital cost allowance

The following information will help you complete Part A and Part B of the capital cost allowance schedule on the back of Form T777. If this is the first year you are claiming CCA, skip column 2, and start with column 3. If this is not the first year you are claiming CCA, start with column 2. Then complete the rest of the columns as they apply.

The Government of Canada's 2018 Fall Economic Statement was tabled on November 21, 2018 and contains measures regarding the accelerated investment incentive. For more information on how these proposed measures could affect your capital cost allowance (CCA) calculations, go to **canada.ca/taxes accelerated-investment-income**.

Part A – Classes 8,10,54 and 55 property

Column 2 – Undepreciated capital cost at the start of the year
If you claimed CCA in any previous year, record in this column the undepreciated capital cost (UCC) of the property at the end of last year. For instance, if you completed Part A of form T777 in 2018, you would have recorded this amount in column 13. However, if you received a GST/HST rebate for a vehicle or musical instrument in 2019, you have to reduce your opening UCC by the amount of the rebate.

Column 3 – Cost of additions in the year
If you acquired depreciable property in 2019, enter the total capital cost of the property on the appropriate line.

If you owned property for personal use and then started using it for employment in 2019, there is a change in use. In most cases when this happens, the amount you will enter in column 3 is the fair market value of the property at the time you start using the property for employment.

For example, John bought a car in 2017 for $19,000. In 2019, he started using it for employment. By checking car dealerships and the newspapers, John determines its fair market value is $11,000. Therefore, he enters $11,000 in column 3.

To determine what class your passenger vehicle belongs to, use the price of the car before you add GST and any PST, or HST. However, once you have determined in which class your vehicle belongs to, add the GST and PST, or HST that you paid to the vehicle's capital cost.

For example, in 2019, you bought a passenger vehicle for $28,000 plus HST of $3,640. Your vehicle belongs in Class 10 even though its capital cost is $31,640 ($28,000 + $3,640), since your cost before the HST was $28,000. You would enter $31,640 in column 3 for Class 10 property.

For information on Class 10.1 property, see the section called "Part B – Class 10.1 property" on the next page.

Column 4 – Cost of additions which are accelerated investment incentive properties (AIIP) or zero-emission vehicles (ZEV)
Enter in column 4 the cost of additions that are accelerated investment incentive property (AIIP) or zero-emission vehicles (ZEV) from Class 54 or 55. These properties must be acquired and available for use after November 20, 2018 for AIIP and acquired after March 18, 2019 for ZEVs. This cost is a part of the total cost of additions in column 3 and cannot be higher than the number in column 3.

If no ZEV property is acquired after March 18, 2019 and no AIIP is acquired after November 20, 2018, enter zero in this column.

To be eligible for the accelerated investment incentive, or the enhanced CCA deduction for ZEVs, the property must become available for use in the year.

Column 5 – Proceeds of disposition in the year
For depreciable property you disposed of in 2019, enter the lesser of:

- the proceeds of disposition of the property, minus the related outlays and expenses
- the capital cost of the property

> **Note**
> The proceeds of disposition of a zero emission passenger vehicle that has been included in Class 54 and that is subject to the $55,000 capital cost limit will be adjusted based on a factor equal to the capital cost limit of $55,000 as a proportion of the actual cost of the vehicle
>
> For dispositions after July 29, 2019, the government proposes that the actual cost of the vehicle be adjusted for any payments or repayments of government assistance that you may have received or repaid in respect of the vehicle.

Column 6 – Undepreciated capital cost after additions and dispositions
Enter the amount you get after you add column 2 to column 3 and subtract column 5.

You cannot claim CCA when the amount in column 6 is one of the following:

- negative (recapture)
- positive and you do not have any property in the class at the end of the year (terminal loss).

Recapture of capital cost allowance – If the amount in column 6 is negative, you have a recapture of CCA. Include the amount as income on line 10400 of your income tax and benefit return for 2019.
Terminal loss – If the amount in column 6 is positive and you no longer own any property in that class, you have a terminal loss. You cannot deduct the terminal loss from employement income.

Column 7 – Proceeds of dispositions available to reduce additions of AIIP or ZEVs
This column calculates the adjustments under certain circumstances to the additions for the year where there is also a disposition in the year.

In case of AIIP, if the UCC of a class increases in a year by an investment in both AIIP, and non-AIIP, and an amount (e.g., a disposition) reduces the UCC of the class, you must first reduce the cost of non-AIIP additions before reducing the cost of AIIP additions.

To determine which portion of your proceeds of dispositions, if any, will reduce the cost of your AIIP or ZEV additions, take proceeds of disposition in column 5 **minus** the cost of additions in the year in column 3 **plus** the cost of additions for AIIP properties in column 4. If the result is negative enter "0."

If no AIIP or ZEV were acquired, you do not need to use this column.

Column 8 – Undepreciated capital cost (UCC) adjustment for current-year additions of AIIP and ZEV

This column calculates the enhanced UCC amount used to determine the additional CCA for AIIP or ZEV.

For this column, reduce the cost of AIIP or ZEV additions in column 4 by proceeds of disposition available to reduce the AIIP or ZEV additions as calculated in column 7. Multiply the result by the following factor:

- 2 1/3 for property in Classes 54;
- 1 1/2 for property in Class 55;
- 0.5 for all other property that is AIIP

These factors will change for properties that become available for use after 2023 and the incentive is completely phased out for properties available for use after 2027.

If no AIIP or no ZEV were acquired, enter zero in this column.

Column 9 – Adjustments for current year additions

You can only claim CCA on 50% of your net additions (additions minus dispositions) of Class 8 or Class 10 properties in 2019. This is known as the 50% rule. The 50% rule does not apply to AIIP or ZEV. Calculate the net first year additions that are subject to the 50% rule by entering 50% of the amount you get when you subtract column 5 and column 4 from column 3. If the result is negative, enter zero in column 9.

Column 10 – Base amount for capital cost allowance

Enter the amount you get when you subtract column 9 from column 6 plus column 8. Base your CCA claim, if any, on the amount in this column. You can only claim CCA on the balance remaining in column 10 when the amount is positive and you still have property in the class at the end of the year.

Column 12 – Capital cost allowance for the year

You can only claim CCA if you were still using the property for employment at the end of 2019. If you started using a property for employment part way thriough the year, you can claim CCA on the property for the full year. You do not have to limit your CCA claim to the part of the year you used the property for employment, the 50% rule is there for that. If you stopped using the property for employment during the year and there is no property left in the class, you cannot claim any CCA on the property for the year.

Enter the CCA you want to claim for 2019. For example, the most you can claim for a Class 10 property is 30% of the amount in column 10. The most you can claim for a Class 8 property is 20% of the amount in column 10.

Column 13 – Undepreciated capital cost at the end of the year

Enter the amount you get when you subtract column 12 from column 6. This is your undepreciated capital cost at the end of 2019.

Part B – Class 10.1 property

List each Class 10.1 vehicle on a separate line.

Column 2 – Undepreciated capital cost at the start of the year

If you claimed CCA in any previous year for a Class 10.1 vehicle, record in this column the undepreciated capital cost (UCC) of that vehicle at the end of last year. For instance, if you completed Part B of Form T777 in 2018, you would have recorded this amount in column 8. However, if you received a GST/HST rebate for that vehicle in 2019, you have to reduce your opening UCC by the amount of the rebate.

Column 3 – Cost of additions in the year

To determine what class your passenger vehicle belongs to, use the price of the car before you add the GST and any PST, or HST. However, include the GST and PST, or HST, in the vehicle's capital cost.

If you owned a passenger vehicle for personal use and then started using it for employment in 2019, there is a change in use. In most cases when this happens, the amount you will enter in column 3 is the fair market value of the property at the time you start using the property for employment..

For a passenger vehicle you acquired in 2019 that cost you more than $30,000 before GST and PST, or HST, no matter how much more than $30,000 it cost, the amount you record is $30,000 plus the GST and PST, or HST, that you would have paid on $30,000.

For example, if you bought a passenger vehicle in 2019 that cost $31,000 before the GST and PST, or HST, your vehicle belongs in Class 10.1. Assume the HST on $30,000 is $3,900. Your capital cost is $33,900 ($30,000 + $3,900). You enter $33,900 in column 3.

There is a limit on the capital cost of a Class 10.1 vehicle you buy from a person with whom you have a non-arm's-length relationship. Generally, such a relationship happens when the person from whom you acquire the vehicle is a relative. A non-arm's-length relationship can also happen in certain business relationships.

In this case, the capital cost is the least of the following 3 amounts:

- the fair market value of the vehicle when you acquired it
- $30,000 plus the GST and PST, or HST, that you would have paid on $30,000 if you had acquired the vehicle in 2019

- the seller's cost of the vehicle just before you acquired it. The cost can vary depending on what the seller used the vehicle for before you acquired it. If the seller used the vehicle to earn income, the cost will be the undepreciated capital cost of the vehicle just before you acquired it. When the seller was not using the vehicle to earn income, the cost will usually be the original cost of the vehicle.

Column 4 – Proceeds of disposition in the year

For a Class 10.1 vehicle you disposed of in 2019, record the lesser of:

- the proceeds of disposition of the property minus the related outlays and expenses
- the capital cost of the vehicle

Column 5 – Base amount for capital cost allowance

Base your CCA claim, if any, on the amount in this column.

If you owned the vehicle in 2019 and still owned it at the end of 2019, enter in column 5 the same amount you entered in column 2.

If you acquire a class 10.1 vehicle in 2019 that is **not** accelerated investment incentive property (AIIP), you can only claim CCA on 50% of the capital cost. This is known as the 50% rule. If you acquired a class 10.1 vehicle in 2019 that is not AIIP and you still owned the vehicle at the end of 2019, enter 50% of the amount in column 3 in column 5.

The 50% rule does not apply to AIIP. If you acquired a class 10.1 vehicle in 2019 that is AIIP and you still owned the vehicle at the end of 2019, enter 1.5 times the amount in column 3 in column 5.

If you acquired and disposed of the same Class 10.1 vehicle in 2019, enter "nil" in column 5.

For a Class 10.1 vehicle you disposed of in 2019, you may be able to claim 50% of the CCA that would be allowed if you had still owned the vehicle at the end of the year. This is known as the **half-year rule on sale**.

You can use the half year rule if you owned, at the end of 2018, the class 10.1 vehicle you sold in 2019. If you meet this condition, enter 50% of the amount from column 2 in column 5.

Column 7 – Capital cost allowance for the year

Claim CCA if you were still using the vehicle for employment at the end of 2019. If you started using a vehicle for employment part way through the year, you can claim CCA on the vehicle for the full year. You do not have to limit your CCA claim to the part of the year that you used the vehicle for employment.

Record the CCA you want to claim for 2019. The most you can claim is 30% of the amount in column 5.

Column 8 – Undepreciated capital cost at the end of the year

Calculate the undepreciated capital cost at the end of 2019 as follows:

- For a Class 10.1 vehicle you owned in 2018 and still owned at the end of 2019, enter the amount you get after you subtract the amount in column 7 from the amount in column 2.
- For a Class 10.1 vehicle you acquired during 2019 and still owned at the end of 2019, enter the amount you get after you subtract the amount in column 7 from the amount in column 3.
- For a Class 10.1 vehicle you disposed of during 2019, enter "nil" in column 8. The recapture and terminal loss rules do not apply to a Class 10.1 vehicle.

Chapter 10 – Employee goods and services tax/harmonized sales tax (GST/HST) rebate

New Brunswick, Nova Scotia, Newfoundland and Labrador, Ontario, and Prince Edward Island (PEI) have harmonized their respective provincial sales taxes with the GST to create the harmonized sales tax (HST) in each of these provinces. For the rest of this chapter, the CRA refers to these provinces as the participating provinces.

As an employee, you may have incurred expenses in the course of your employment duties. Some of these expenses you paid may have included GST or HST. If you deducted these expenses from your employment income, you may be able to get a rebate of the GST or HST you paid on these expenses. Complete Form GST370, Employee and Partner GST/HST Rebate Application, and claim the rebate on line 45700 of your income tax and benefit return. For more information, see the section called "How to complete Form GST370, Employee and Partner GST/HST Rebate Application" on page 28.

It is important for you to keep proper records to support your claim for a GST/HST rebate. For information on keeping records, see Chapter 1 on page 5, or go to **canada.ca/taxes-records**.

How a rebate affects your income tax

When you receive a GST/HST rebate for your expenses, you have to include it in your income for the year you received it. Report the amount on line 10400 of your income tax and benefit return. For example, if in 2019 you received a GST/HST rebate that you claimed for the 2018 tax year, you have to include it on line 10400 of your 2019 income tax and benefit return.

If any part of the GST/HST rebate is for a vehicle, aircraft, or musical instrument you bought, it will affect your claim for capital cost allowance (CCA) in the year you receive the rebate. If this applies to you, reduce the undepreciated capital cost (UCC) of your vehicle, aircraft or musical instrument by the amount of the rebate at the beginning of the year in which you receive the rebate and do not include that part of the rebate on line 10400 of your income tax and benefit return. See the example which begins on page 31.

Do you qualify for the rebate?

As an employee, you may qualify for a GST/HST rebate if all of the following conditions apply:

- you paid GST or HST on certain employment-related expenses and deducted those expenses on your income tax and benefit return
- your employer is a GST/HST registrant

You **do not** qualify for a GST/HST rebate in either of the following situations:

- your employer is not a GST/HST registrant
- your employer is a listed financial institution as defined in the Excise Tax Act (for example, an entity that was at any time during the year a bank, an investment dealer, a trust company, an insurance company, a credit union, or a corporation whose principal business was lending money)

Expenses that qualify for the rebate

You can only apply for a rebate of the GST or HST you paid on expenses that you can deduct on your income tax and benefit return. You must have paid the GST or HST before claiming the rebate. Common examples of eligible expenses are described in chapters 2 to 8 of this guide.

Non-eligible expenses

Non-eligible expenses include the following:

- expenses on which you did not pay GST or HST, such as:
  - goods and services acquired from non-registrants (for example, small suppliers)
  - most expenses you incurred outside Canada (for example, gasoline, accommodation, meals, and entertainment)
  - certain expenses that you do not pay GST or HST on, such as basic groceries
  - expenses that are not subject to GST or HST, including insurance premiums, mortgage interest, residential rents, interest, motor vehicle licence and registration fees, and salaries
- expenses you incurred when your employer was not a GST/HST registrant
- expenses that relate to an allowance you received from your employer that is not reported in Part C of the GST/HST rebate application—for example, an allowance that was not included in your income as a taxable benefit because it was a reasonable allowance
- any personal-use part of an eligible expense
- 50% of the GST/HST paid on eligible expenses for food, beverages, and entertainment (for long-haul truck drivers, 20% of the GST/HST paid on these expenses that were incurred during eligible travel periods)
- an expense or part of an expense for which you were reimbursed or are entitled to be reimbursed by your employer

Capital cost allowance (CCA)

You can claim a GST/HST rebate based on the amount of CCA you claimed on motor vehicles, aircraft and musical instruments on which you paid GST or HST. If you claim CCA on more than one property of the same class, you have to separate the part of the CCA for the property that qualifies for the rebate from the CCA for the other property.

In most cases, you cannot claim a GST/HST rebate based on the CCA claimed on motor vehicles, aircraft and musical instruments that relates to any allowance your employer paid you on those properties. However, you **can** claim a rebate if it relates to an allowance your employer reports in Part C of Form GST370. You **cannot** claim a rebate based on the CCA claimed on property for which you received a non-taxable allowance.

If you paid GST when you bought your motor vehicle, aircraft or musical instrument, you can claim a rebate of 5/105 of the CCA you claimed on your income tax and benefit return. If you paid HST, you can claim a rebate of 13/113, 14/114, or 15/115 of the CCA you claimed on your income tax and benefit return, depending on which HST rate applied to the purchase.

In certain cases, you may have to do an additional calculation if you bought your motor vehicle, aircraft or musical instrument in one province and brought the property into a participating province. For more information, see the section called "Situation 5 – Property and services brought into a participating province" on page 29.

Filing deadline

You should file your Form GST370, Employee and Partner GST/HST Rebate Application, with your income tax and benefit return for the year in which you deduct the expenses.

If you do not file your rebate application with your income tax and benefit return, send it along with a letter to your tax centre. Include details such as your social insurance number and the tax year to which the application relates. To find your tax centre address, go to **canada.ca/en/revenue-agency/corporate/contact-information/where-mail-your-paper-t1-return**. You can also call the CRA at **1-800-959-828.**

If you do not file your rebate application when you file your income tax and benefit return, you have up to 4 years from the end of the year to which the expenses relate to file an application.

Rebate restriction

You can only file **one** Form GST370, Employee and Partner GST/HST Rebate Application, for each calendar year.

You cannot get a rebate of an amount if any of the following apply:

- the CRA previously refunded, remitted, or credited the tax to you
- you received or are entitled to receive a rebate, refund, or remission under any other section of the Excise Tax Act or any other act of Parliament for the same expense
- you received a credit note, or you issued a debit note, for an adjustment, refund, or credit that includes the amount
- the deadline for filing the rebate has passed

Overpayment of a rebate

If you receive an overpayment of a GST/HST rebate, you have to repay the excess. The CRA charges interest on any balance you owe.

How to complete Form GST370, Employee and Partner GST/HST Rebate Application

You must complete parts A, B, and D of Form GST370. If applicable, your employer has to complete Part C (see "Part C – Declaration by claimant's employer" on page 30 for more information). Use a separate form for each tax year.

Part A – Identification

The tax year of claim should be the same year as the income tax and benefit return for which you are claiming the rebate.

Part B – Rebate calculation

Calculate your rebate based on the expenses you deducted on your income tax and benefit return. These expenses include GST and PST, or HST, and tips (if the supplier included the tip in your bill).

For eligible expenses on which you paid GST, you can claim a rebate of 5/105 of those expenses. For eligible expenses on which you paid HST, you can claim a rebate of 13/113, 14/114, or 15/115 of those expenses, depending on which HST rate applied to the purchase.

In certain cases, you may have to do an additional calculation if you bought property and services in one province and brought them into a participating province. For more information, see the section called "Situation 5 – Property and services brought into a participating province" on page 29.

Refer to the following situations to determine how to calculate your rebate based on your particular case. When you calculate your rebate, use only the expenses deducted on your income tax and benefit return.

Situation 1 – The only expenses you deducted are union, professional, or similar dues

Not all union, professional, or similar dues that you claimed on line 21200 of your income tax and benefit return are subject to GST/HST. Your receipt for these dues should show whether GST/HST was charged. If these dues are the only expense you deducted, do not complete the charts on pages 4 and 5 of the form.

If you paid GST, enter on lines 1 and 3 of Part B the amount of the expense including the GST minus any amount you were reimbursed. Multiply the amount on line 3 by 5/105 and enter the result on line 4.

If you paid HST, enter in column 3B, 3C, and/or 3D of lines 5 and 7 of Part B the amount of the expense including the HST minus any amount you were directly reimbursed. Add the amounts from columns 3B, 3C, and 3D of line 7, and enter the total on line 8. Multiply the amounts from columns 3B, 3C, and 3D of line 7 by the corresponding HST rate and enter the results on lines 9, 10, and 11 respectively. Finally, add the amounts from lines 9, 10, and 11 and enter the result on line 12

> **Note**
> Columns 3B, 3C, and 3D represent the HST rates for the participating provinces applicable to your situation.

Add lines 4 and 12, and enter the result on line 15. The amount on line 15 is your total rebate claim. Enter this amount on line 45700 of your income tax and benefit return. Do not forget to complete Part D.

Situation 2 – You deducted only GST expenses

Before completing Part B, complete Chart 1 and Chart 2 (if applicable) on pages 4 and 5 of the form to determine your total expenses that are eligible for the GST rebate.

Enter in column 1A of Chart 1 the employment expenses you deducted on your income tax and benefit return. You calculated these amounts on Form T777, Statement of Employment Expenses, or on Form TL2, Claim for Meals and Lodging Expenses.

Also, if applicable, enter in column 1A of Chart 1 the union, professional, or similar dues you claimed on line 21200 of your income tax and benefit return and on which you paid GST. Your receipt for these dues should show whether GST was charged.

Do not enter any amount in the black areas of Chart 1, since these expenses are not eligible for the rebate.

Enter in column 2A of Chart 1 the amount of any expenses included in column 1A that is not eligible for the rebate. You will find a list of non-eligible expenses on page 27. For each expense, subtract the amount in column 2A from the amount in column 1A. Enter the result in column 3A. Total the expenses in column 3A, and enter the result in the "Total eligible expenses" box of column 3A.

If you deducted CCA for a motor vehicle, aircraft or musical instrument on which you paid GST, enter the total amount of this CCA in column 1A of Chart 2. If you claimed CCA for a motor vehicle, aircraft, or musical instrument, subtract any non-eligible CCA in column 2A from your total CCA in column 1A. Enter the result in column 3A.

Copy the "Total eligible expenses" amount from column 3A of Chart 1 and column 3A of Chart 2 to lines 1 and 2 respectively of Part B on the front of the form. Add line 1 and line 2 in Part B, and enter the result on line 3. Multiply line 3 by 5/105, and enter the result on line 4.

Copy the amount from line 4 to line 15. This is your total rebate claim. Enter this amount on line 45700 of your income tax and benefit return. Do not forget to complete Part D.

Situation 3 – You deducted only HST expenses

Before completing Part B, complete Chart 1 and Chart 2 (if applicable) on pages 4 and 5 of the form to determine your total expenses that are eligible for the HST rebate.

Enter in column 1B, 1C, and/or 1D of Chart 1 (depending on the HST rate(s) applicable to you) the employment expenses you deducted on your income tax and benefit return. You calculated these amounts on Form T777, Statement of Employment Expenses, or on Form TL2, Claim for Meals and Lodging Expenses.

Also, if applicable, enter in column 1B, 1C, and/or 1D of Chart 1 the union, professional, or similar dues you claimed on line 21200 of your income tax and benefit return, and for which you paid HST. Your receipt for these dues should show whether HST was charged.

Do not enter any amount in the black areas of Chart 1, since these expenses are not eligible for the rebate.

Enter in column 2B, 2C, and/or 2D of Chart 1 the part of any expenses included in the applicable box of column 1 of Chart 1 that is not eligible for the rebate. You will find a list of non eligible expenses on page 27. For each expense, subtract the amount in column 2 from the corresponding amount in column 1. Enter the result in column 3B, 3C, and/or 3D of Chart 1, as applicable. Total the expenses in column 3B, 3C, and/or 3D, and enter the result(s) in the appropriate "Total eligible expenses" box(es) of column 3 of Chart 1.

If you deducted CCA for a motor vehicle, aircraft or musical instrument on which you paid HST, enter the total amount of this CCA in column 1B, 1C, and/or 1D of Chart 2. If you claimed CCA for a motor vehicle, aircraft, or musical instrument, subtract any non eligible CCA in column 2B, 2C, and/or 2D as applicable from your total CCA in the corresponding row of column 1. Enter the result in column 3B, 3C, and/or 3D of Chart 2, as applicable.

Copy the "Total eligible expenses" amount from column 3B, 3C, and/or 3D of Chart 1 to column 3B, 3C, and/or 3D of line 5 (depending on the HST rates applicable to your situation) of Part B on page 1 of the form. Copy the amount from column 3B, 3C, and/or 3D of Chart 2 to column 3B, 3C, and/or 3D of line 6 (depending on the HST rates that apply to your situation) of Part B on page 1 of the form. Add columns 3B, 3C, and/or 3D of line 5 and line 6 of Part B, and enter the results on the corresponding columns of line 7. Add the totals from the applicable columns on line 7, and enter the result on line 8.

Multiply column 3B of line 7 by 13/113, and enter the result on line 9. Multiply column 3C of line 7 by 14/114, and enter the result on line 10. Multiply column 3D of line 7 by 15/115, and enter the result on line 11. Total lines 9, 10, and 11, and enter the result on line 12.

If Situation 5 described at the end of this page does not apply to you, copy the amount from line 12 to line 15. This is your total rebate claim. Enter this amount on line 45700 of your income tax and benefit return. Do not forget to complete Part D.

Situation 4 – You deducted both GST and HST expenses

Before completing Part B, complete Chart 1 and Chart 2 (if applicable) on pages 4 and 5 of the form to determine the total expenses that are eligible for the GST and HST rebate.

You calculated your employment expenses using Form T777, Statement of Employment Expenses, or Form TL2, Claim for Meals and Lodging Expenses. Separate the expenses on which you paid GST from those expenses on which you paid HST. Enter the GST expenses in column 1A of Chart 1, and the HST expenses in column 1B, 1C, and/or 1D (depending on the HST rate(s) applicable to you) of Chart 1.

Also, if applicable, enter in column 1A, 1B, 1C, and/or 1D of Chart 1 the union, professional, or similar dues that you claimed on line 21200 of your income tax and benefit return and on which you paid the GST or HST. Your receipt for these dues should show whether GST or HST was charged.

Do not enter any amount in the black areas, since these expenses are not eligible for the rebate.

Enter in column 2A, 2B, 2C, and/or 2D of Chart 1 the part of any expenses included in the applicable box of column 1 that is not eligible for the rebate. You will find a list of non-eligible expenses on page 27. For each expense, subtract the amount in column 2 from the corresponding amount in column 1. Enter the result in column 3A, 3B, 3C, and/or 3D of Chart 1, as applicable. Total the expenses in column 3A, 3B, 3C, and/or 3D, and enter the result(s) in the appropriate "Total eligible expenses" box(es) of column 3 of Chart 1.

If you deducted CCA for a motor vehicle, aircraft or musical instrument on which you paid the GST/HST, enter the total amount of the CCA in column 1A, 1B, 1C, and/or 1D of Chart 2. If you claimed CCA for a motor vehicle, aircraft, or musical instrument, subtract any non-eligible CCA in column 2A, 2B, 2C, and/or 2D as applicable from your total CCA in the corresponding row of column 1 (see example on page 31). Enter the result in column 3A, 3B, 3C, and/or 3D of Chart 2, as applicable.

Copy the "Total eligible expense" amount from column 3A of Chart 1 and column 3A of Chart 2 to lines 1 and 2 respectively of Part B on page 1 of the form. Add line 1 and line 2 in Part B, and enter the result on line 3. Multiply line 3 by 5/105, and enter the result on line 4.

Copy the "Total eligible expenses" amount from column 3B, 3C, and/or 3D of Chart 1 to column 3B, 3C, and/or 3D of line 5 (depending on the HST rates applicable to your situation) of Part B on page 1 of the form. Copy the amount from column 3B, 3C, and/or 3D of Chart 2 to column 3B, 3C, and/or 3D of line 6 (depending on the HST rates that apply to your situation) of Part B on page 1 of the form. Add columns 3B, 3C, and 3D of line 5 and line 6 of Part B, and enter the results on the corresponding columns of line 7. Add the totals from the applicable columns on line 7, and enter the result on line 8.

Multiply column 3B of line 7 by 13/113, and enter the result on line 9. Multiply column 3C of line 7 by 14/114, and enter the result on line 10. Multiply column 3D of line 7 by 15/115, and enter the result on line 11. Total lines 9, 10, and 11 and enter the result on line 12.

If Situation 5 described below does not apply to you, add lines 4 and 12, and enter the result on line 15. This is your total rebate claim. Enter this amount on line 45700 of your income tax and benefit return. Do not forget to complete Part D.

Situation 5 – Property and services brought into a participating province

You may be eligible to claim a rebate of 1/101, 2/102, 3/103, 8/108, 9/109, or 10/110 for eligible expenses deducted on your income tax and benefit return for which you paid all or part of the applicable provincial part of HST separately. You may have paid all or part of the applicable provincial part of HST separately in the following situations:

- you purchased goods in a non-participating province and brought them into a participating province
- you purchased goods in a participating province and brought them into another participating province for which the rate of HST is higher
- you imported commercial goods from outside Canada into a participating province
- you had goods delivered or made available to you in a participating province, or sent by mail or courier to you at an address in a participating province from a non-registered non-resident of Canada

If Situation 5 applies to you fill Chart 3. If you need help, call CRA's business enquiries line at **1-800-959-5525**.

Situation 6 – The only expenses you deducted are tradesperson's tools expenses and/or apprentice mechanic tools expenses

If the only expenses you claimed on line 22900 of your income tax and benefit return were for the cost of tools bought as a tradesperson and/or an apprentice mechanic (see Chapter 7, which begins on page 15), and **neither** Situation 4 nor Situation 5 applies to you, **do not** complete the charts on pages 4 and 5 of Form GST370.

If you paid GST, enter on lines 1 and 3 of Part B the amount of the expense you claimed on line 22900 of your tax return, including the GST minus any amount you were reimbursed. Multiply the amount on line 3 by 5/105, and enter the result on line 4.

If you paid HST, enter in column 3B, 3C, and/or 3D of lines 5 and 7 of Part B the amount of the expense minus any amount you were directly reimbursed. Add the amounts from columns 3B, 3C, and/or 3D of line 7, and enter the total on line 8. Multiply the amounts from columns 3B, 3C, and 3D of line 7 by the corresponding HST rate, and enter the results on lines 9, 10, and 11 respectively. Finally, add the amounts from lines 9, 10, and 11, and enter the result on line 12.

Note
Columns 3B, 3C, and 3D represent the HST rates for the participating provinces applicable to your situation.

Add lines 4 and 12, and enter the result on line 15. The amount on line 15 is your total rebate claim. Enter this amount on line 45700 of your income tax and benefit return. Do not forget to complete Part D.

Part C – Declaration by claimant's employer

You may want to claim a rebate for expenses that relate to a taxable allowance. A taxable allowance will be included in box 40 of your T4 slip. If so, your employer or an authorized officer has to complete Part C. An authorized officer includes an immediate supervisor, controller, or office manager.

You cannot claim a rebate for expenses for which you received a non-taxable allowance. A non-taxable allowance is an allowance that was considered reasonable when it was paid.

Note
Since you can only file one Form GST370 per calendar year, in the event that your claim relates to expenses incurred from more than one employer, you will need to attach a letter to the form from any additional employers certifying the expenses relating to them.

Part D – Certification

Sign the certification area. If you don't, it may delay or invalidate your GST/HST rebate claim.

After completing your rebate application

After completing Form GST370, attach a copy to your income tax and benefit return, and enter the amount of your claim on line 45700 of your income tax and benefit return. Keep a copy of the completed form for your records.

Quebec sales tax rebate

Some of the expenses you paid to earn your employment income may have included Quebec sales tax (QST). If you deducted these expenses from your employment income, you may be able to receive a rebate of the QST you paid. This rebate also applies to the QST you paid on a musical instrument that you use to earn employment income. Claim the QST rebate on line 459 of your Quebec provincial income tax return.

If the QST rebate is for your employment expenses, include the rebate in your income for the year you received it. Report the amount on line 10400 of your federal income tax and benefit return.

If the QST rebate is for a vehicle or musical instrument you bought, it will affect your claim for capital cost allowance in the year you receive the rebate. If this applies to you, reduce the undepreciated capital cost of your vehicle or musical instrument at the beginning of the year by the amount of the rebate. Do not include the rebate on line 10400 of your federal income tax and benefit return.

For more information about the QST rebate and Form VD-358-V, Québec Sales Tax Rebate for Employees and Partners, contact Revenu Québec.

Example

Sam is a commissioned salesperson who negotiates contracts for his employer in Ontario which has an HST rate of 13%. Under his contract of employment, he has to pay his own expenses and is normally required to work away from his employer's place of business. His employer is a GST/HST registrant. Sam received a taxable allowance for the use of his motor vehicle (purchased in December of 2018) that is included on his T4 slip for 2019. Since the allowance is taxable, he can claim a rebate on certain expenses related to that allowance. His travel for work is restricted to Ontario and all of his expenses are incurred within the province.

To calculate his employment expenses, he completed Form T777, Statement of Employment Expenses, as shown below and on the top of the following page. Because of space limitations, the entire form is not reproduced.

Canada Revenue Agency / Agence du revenu du Canada

Protected B when completed

Statement of Employment Expenses

Guide T4044, Employment Expenses, has information to help you complete this statement and the schedule on page 3. The chapters we refer to below are chapters in the guide. Include a copy of this form with your return.

Expenses

Accounting and legal fees	8862		
Advertising and promotion	8520		
Allowable motor vehicle expenses (from line 16 below)	9281	11,803 06	1
Food, beverages, and entertainment expenses (see Chapter 2 or 3, as applicable) 1,559.68 × 50% =	8523	779 84	
Lodging	9200		
Parking	8910		
Supplies (for example, postage, stationery, other office supplies)	8810	178 25	
Other expenses (please specify)	9270	623 13	
Tradesperson's tools expenses, up to a maximum of $500 (see Chapter 7)	1770		
Apprentice mechanic tools expenses (see Chapter 7)	9131		
Musical instrument expenses (see "Part 2" in Chapter 6)	1776		
Capital cost allowance (CCA) for musical instruments (see "Part A" on the back of this form)	1777		
Artists' employment expenses (see "Part 1" in Chapter 6)	9973		
Subtotal		13,384 28	2
Add work-space-in-the-home expenses (enter the lower amount of line 24 or 25 below)	9945		
Total expenses (enter this amount on line 22900 of your return)	9368	13,384 28	

Calculation of allowable motor vehicle expenses

Enter the make, model and year of motor vehicle used to earn employment income				
Enter the kilometres you drove in the tax year to earn employment income			22,500	3
Enter the total kilometres you drove in the tax year			30,000	4
Enter the motor vehicle expenses you paid for:				
Fuel (gasoline, propane, oil)	3,230 55	5		
Maintenance and repairs	467 67	6		
Insurance	1,200 00	7		
Licence and registration	260 00	8		
Capital cost allowance (see schedule on the back)	8,644 50	9		
Interest (see "Interest expense" in Chapter 8)	1,850 19	10		
Leasing (see "Leasing costs" in Chapter 8)		11		
Other expenses (please specify)	84 50	12		
Add lines 5 to 12	15,737 41	13		
Employment-use portion (line 3 22,500 / line 4 30,000) × line 13 =	11,803 06	►	11,803 06	14
Enter the total of all rebates, motor vehicle allowances, and reimbursements for motor vehicle expenses you received that are not included in income. Do not include any repayments you used to calculate your leasing costs on line 11. (see "Allowable Motor Vehicle Expenses" in Chapters 2 and 3)				15
Allowable motor vehicle expenses (line 14 **minus** line 15)			11,803 06	16

Enter the amount from line 16 on line 1 in the "Expenses" area above.

Part B – Class 10.1 (list each passenger vehicle on a separate line)

Date acquired (yyyy-mm-dd)	Cost of vehicle	1 Class number	2 Undepreciated capital cost (UCC) at the start of the year *	3 Cost of additions in the year	4 Proceeds of dispositions in the year	5 Base amount for CCA **	6 CCA Rate %	7 CCA for the year (col. 5 **multiplied by** col. 6 or a lower amount)	8 UCC at the end of the year (col. 2 **minus** col. 7 or col. 3 **minus** col. 7) ***
2018-12-31	32,000.00	10.1	28,815.00			28,815.00	30%	8,644.50	20,170.50
		10.1					30%		
		10.1					30%		
							TOTAL	8,644.50	

Sam is now ready to calculate his GST/HST rebate. To claim the rebate, he has to complete Form GST370, Employee and Partner GST/HST Rebate Application. Sam completes Part A. Before he can complete Part B, he has to complete Chart 1 of Form GST370 to calculate his HST eligible expenses. He also must complete Chart 2 because he is claiming CCA on his motor vehicle. Using the information in this guide, he calculates and reports the expenses not eligible for the rebate in column 2B of Chart 1. To calculate the **personal-use portion** of his motor vehicle expenses, Sam uses the fraction 7,500/30,000. This is the personal kilometres driven (30,000 – 22,500) over the total kilometres driven. He enters this non-eligible portion of CCA in column 2B of Chart 2. He completes Chart 1 and Chart 2 on his Form GST370 as follows:

Chart 1 – Eligible expenses (other than CCA) on which you paid GST/HST

Type of expenses	(1) Total expenses				(2) Non-eligible portion of expenses				(3) Eligible expenses **(col. 1 minus col. 2)**			
	5% GST	13% HST	14% HST	15% HST	5% GST	13% HST	14% HST	15% HST	5% GST	13% HST	14% HST	15% HST
	A	B	C	D	A	B	C	D	A	B	C	D
Accounting and legal fees												
Advertising and promotion												
Food, beverages, and entertainment		779.84								779.84		
Lodging												
Parking												
Supplies		178.25								178.25		
Tradesperson's tools expenses (for employees)												
Apprentice mechanic tools expenses (for employees)												
Musical instrument expenses other than CCA												
Artists' employment expenses												
Union, professional, or similar dues												
Other expenses (please specify)		623.13								623.13		
Motor vehicle expenses:												
Fuel		3,230.55				807.64 *				2,422.91		
Maintenance and repairs		467.67				116.92**				350.75		
Insurance, licence, registration, and interest												
Leasing												
Other expenses (car washes)		84.50				21.13***				63.37		
Work space in home:												
Electricity, heat, and water												
Maintenance												
Insurance and property taxes												
Other expenses (please specify)												
Total eligible expenses (other than CCA) in each of columns 3A, 3B, 3C, and 3D										4,418.25		

Chart 2 – GST/HST paid on expenses on which you claimed Capital Cost Allowance (CCA)

	(1) Total expenses				**(2)** Non-eligible portion of expenses				**(3)** Eligible expenses **(col. 1 minus col. 2)**			
	5% GST	13% HST	14% HST	15% HST	5% GST	13% HST	14% HST	15% HST	5% GST	13% HST	14% HST	15% HST
	A	B	C	D	A	B	C	D	A	B	C	D
Capital cost allowance (CCA) on motor vehicles, musical instruments, and aircraft		8,644.50				2,161.13 ****				6,483.37		

* $3,230.55 × (7,500/30,000) = $807.64

** $467.67 × (7,500/30,000) = $116.92

*** $84.50 × (7,500/30,000) = $21.13

**** $8,644.50 × (7,500/30,000) = $2,161.13

Sam did not enter any amounts in the black areas, since these expenses are not eligible for the rebate.

Sam copies the amounts from the "Total eligible expenses" lines of column 3B of Chart 1 to column 3B of line 5 in Part B of Form GST370, and column 3B of Chart 2 to column 3B of line 6 in Part B, and completes it as follows:

Part B – Rebate calculation (to be completed by claimant)

GST rebate for eligible expenses on which you paid the GST

Eligible expenses, **other than capital cost allowance (CCA),** on which you paid the GST (total of column 3A of Chart 1 on page 4 of this form)			1
Eligible CCA on motor vehicles, musical instruments, and aircraft for which you paid the GST (from column 3A of Chart 2 on page 5 of this form)		+	2
Total eligible expenses for the GST rebate (line 1 plus line 2)	64850	=	3
Eligible GST – multiply line 3 by 5/105			4

Part B – Rebate calculation (continued)

HST rebate for eligible expenses on which you paid the HST		**3B** – 13% HST	**3C** – 14% HST	**3D** – 15% HST	
Eligible expenses, **other than CCA**, on which you paid the HST (totals of each of columns **3B**, **3C**, and **3D** of Chart 1 on page 4 of this form)		4,418.25			5
Eligible CCA on motor vehicles, musical instruments, and aircraft for which you paid the HST (columns **3B**, **3C**,and **3D** of Chart 2 on page 5 of this form)	+	6,483.37			6
Total (add lines 5 and 6 in each of columns **3B**, **3C**, and **3D**)	=	10,901.62			7

Total eligible expenses for the HST rebate (add the totals of column **3B**, **3C**, and **3D** together from line 7)	64857	10,901.62	8
Multiply Column **3B** line 7 by 13/113		1,254.17	9
Multiply Column **3C** line 7 by 14/114			10
Multiply Column **3D** line 7 by 15/115			11
Total (add lines 9, 10, and 11). **For more information to complete this section, see Guide T4044 or go to our webpage "GST/HST rebate for employees and partners".**		1,254.14	12
Total expenses eligible for the HST rebate (from line 4 in Chart 3 on page 5).	64860		13
Rebate for property and services brought into a participating province. Enter the result from line 10 in Chart 3 on page 5 of this form.			14
Employee and partner GST/HST rebate (add lines 4, 12, and 14). Enter the result on line 15, and enter that amount on line 45700 of your income tax and benefit return.		1,254.17	15

Since Sam is claiming a rebate for his motor vehicle expenses for which he received a taxable allowance, an authorized officer of Sam's employer has to complete and sign Part C.

Sam enters $1,254.17 on line 45700 of his 2019 income tax and benefit return. He also attaches Form GST370 to his tax return.

On his 2020 income tax and benefit return, Sam will include $508.29 ($4,418.25 × [13/113]) on line 10400. This amount is the part of the rebate he will receive in 2020 that relates to eligible expenses other than CCA. He will then reduce his UCC at the beginning of 2020 by $745.87 ($6,483.37 × [13/113]).

References

To get the following publications go to **canada.ca/cra-forms-publications** or call **1-800-959-8281**.

Forms

T137	Request for Destruction of Records
T777	Statement of Employment Expenses
T2200	Declaration of Conditions of Employment
TL2	Claim for Meals and Lodging Expenses
GST370	Employee and Partner GST/HST Rebate Application
RC359	Tax on Excess Employees Profit Sharing Plan Amounts

Guides

P105	Students and Income Tax
RC4110	Employee or Self-employed?
RC4120	Employers' Guide – Filing the T4 Slip and Summary
T4002	Self-employed Business, Professional, Commission, Farming, and Fishing Income

Information circulars

IC73-21	Claims for Meals and Lodging Expenses of Transport Employees
IC78-10	Books and Records Retention/Destruction

Interpretation bulletins

IT-99	Legal and Accounting Fees
IT-352	Employee's Expenses, Including Work Space in Home Expenses
IT-357	Expenses of Training
IT-518	Food, Beverages and Entertainment Expenses
IT-522	Vehicle, Travel and Sales Expenses of Employees
IT-525	Performing Artists

For more information

What if you need help?

If you need more information after reading this guide, go to **canada.ca/taxes** or call **1-800-959-8281**.

Forms and publications

To get CRA forms and publications, go to **canada.ca/cra-forms-publications** or call **1-800-959-8281**.

My Account

The CRA's My Account service is fast, easy, and secure. Find out how to register at **canada.ca/my-cra-account**.

Use My Account to:

- view your benefit and credit information
- view your notice of assessment
- change your address, direct deposit information, and marital status
- register to receive email notifications when you have mail to view in My Account and when important changes are made on your account
- check your TFSA contribution room and RRSP deduction limit
- check the status of your tax return
- view and print your proof of income statement (option 'C' print)
- send documents to the CRA
- send an enquiry about your audit
- link between your CRA My Account and My Service Canada Account

Receiving your CRA mail online

Sign up for email notifications to get most of your CRA mail, like your notice of assessment, online.

For more information, go to **canada.ca/cra-email-notifications**.

Tax Information Phone Service (TIPS)

For personal and general tax information by telephone, use CRA's automated service, TIPS, by calling **1-800-267-6999**.

Teletypewriter (TTY) users

If you have a hearing or speech impairment and use a TTY call **1-800-665-0354**.

If you use an **operator-assisted relay service**, call CRA's regular telephone numbers instead of the TTY number.

Service-related complaints

You can expect to be treated fairly under clear and established rules, and get a high level of service each time you deal with the Canada Revenue Agency (CRA); see the Taxpayer Bill of Rights.

If you are not satisfied with the service you received, try to resolve the matter with the CRA employee you have been dealing with or call the telephone number provided in the CRA's correspondence. If you do not have contact information, go to **canada.ca/cra-contact**.

If you still disagree with the way your concerns were addressed, you can ask to discuss the matter with the employee's supervisor.

If you are still not satisfied, you can file a service complaint by filling out Form RC193, Service-Related Complaint. For more information and how to file a complaint, go to **canada.ca/cra-service-complaints**.

If the CRA has still not resolved your service-related complaint, you can submit a complaint with the Office of the Taxpayers' Ombudsman.

Formal disputes (objections and appeals)

If you disagree with an assessment, determination, or decision, you have the right to register a formal dispute.

Reprisal complaint

If you have previously submitted a service-related complaint or requested a formal review of a CRA decision and feel that, as a result, you were treated unfairly by a CRA employee, you can submit a reprisal complaint by filling out Form RC459, Reprisal Complaint.

For more information about complaints and disputes, go to **canada.ca/cra-complaints-dispute**