

# Employment Expenses



This guide is provided for information purposes only. The information it contains does not constitute a legal interpretation of the *Taxation Act* or any other legislation.

This guide pertains to **2006** and to **subsequent years**, and applies until such time as legislative or administrative changes make a new version necessary.

For more information, contact the Revenu Québec office in your area.

# Contents

---

|          |  |    |
|----------|--|----|
| <b>1</b> | <b>Principal changes</b> .....   | 7  |
| 1.1      | Revamping of documents relating to employment expenses.....  | 7  |
| 1.2      | Change concerning employees who earn commissions .....   | 8  |
| 1.3      | New deduction for salaried tradespeople.....   | 8  |
| 1.4      | Calculation of capital cost allowance (CCA) for a motor vehicle .....  | 8  |
| 1.5      | Change concerning transport employees .....  | 8  |
| <b>2</b> | <b>Introduction</b> .....  | 9  |
| 2.1      | Is this guide intended for you? .....  | 9  |
| 2.2      | How to use the guide .....   | 9  |
| 2.3      | List of abbreviations used .....   | 9  |
| <b>3</b> | <b>General information</b> .....   | 10 |
| 3.1      | Records, receipts and vouchers.....  | 10 |
| 3.2      | Expense allowances, advances and reimbursements.....   | 10 |
| 3.2.1    | General principles .....   | 10 |
| 3.2.2    | If you received such an amount, are you still entitled to claim a deduction for your employment expenses?..... | 10 |
| <b>4</b> | <b>Salaried employees</b> .....  | 12 |
| 4.1      | General conditions.....  | 12 |
| 4.2      | Documents to be enclosed with your income tax return .....   | 12 |
| 4.3      | Deductible expenses .....  | 12 |
| 4.3.1    | Motor-vehicle expenses, including capital cost allowance (CCA) .....   | 12 |
| 4.3.2    | Travel expenses .....  | 12 |
| 4.3.3    | Parking fees .....   | 13 |
| 4.3.4    | Cost of supplies .....   | 13 |
| 4.3.5    | Other expenses .....   | 13 |
| 4.3.6    | Expenses related to an office in your home .....   | 14 |
| <b>5</b> | <b>Employees who earn commissions</b> .....  | 15 |
| 5.1      | General conditions.....  | 15 |
| 5.2      | Documents to be enclosed with your income tax return .....   | 15 |
| 5.3      | Two ways to deduct your employment expenses .....  | 15 |
| 5.4      | Deductible expenses .....  | 16 |
| 5.4.1    | Accounting fees .....  | 16 |
| 5.4.2    | Advertising and promotion expenses .....   | 16 |
| 5.4.3    | Entertainment expenses .....   | 16 |
| 5.4.4    | Motor-vehicle expenses, including capital cost allowance (CCA) .....   | 17 |
| 5.4.5    | Travel expenses .....  | 17 |
| 5.4.6    | Parking fees .....   | 17 |
| 5.4.7    | Cost of supplies .....   | 17 |
| 5.4.8    | Other expenses .....   | 18 |
| 5.4.9    | Expenses related to an office in your home .....   | 19 |
| <b>6</b> | <b>Transport employees</b> .....   | 20 |
| 6.1      | General conditions.....  | 20 |
| 6.2      | Conditions and deductible expenses according to the type of employee .....                                     | 20 |
| 6.3      | Documents to be enclosed with your income tax return .....   | 21 |

|           |  |           |
|-----------|--|-----------|
| 6.4       | Deductible expenses .....  | 21        |
| 6.4.1     | Meal expenses .....  | 21        |
| 6.4.2     | Accommodation expenses .....   | 23        |
| 6.5       | How to complete the "Trip and expense summary" on form TP-66-V ..... | 23        |
| <b>7</b>  | <b>Forestry workers</b> .....  | <b>25</b> |
| 7.1       | General conditions.....  | 25        |
| 7.2       | Documents to be enclosed with your income tax return .....           | 25        |
| 7.3       | Deductible expenses .....  | 25        |
| 7.3.1     | Chain-saw or brush-cutter expenses .....                             | 25        |
| 7.3.2     | Snowmobile or all-terrain-vehicle (ATV) expenses.....                | 25        |
| 7.3.3     | Motor-vehicle expenses, including capital cost allowance (CCA) ..... | 25        |
| 7.4       | Rules relating to travel.....  | 26        |
| <b>8</b>  | <b>Salaried tradespeople</b> .....                                   | <b>27</b> |
| 8.1       | General conditions.....  | 27        |
| 8.2       | Documents to be enclosed with your income tax return .....           | 27        |
| 8.3       | Deductible expenses .....  | 27        |
| 8.3.1     | Eligible tool expenses for salaried tradespeople.....                | 27        |
| 8.3.2     | Eligible tool expenses for eligible apprentice mechanics .....       | 27        |
| 8.4       | Disposition of an eligible tool during the year .....                | 28        |
| <b>9</b>  | <b>Salaried musicians</b> .....                                      | <b>29</b> |
| 9.1       | Documents to be enclosed with your income tax return .....           | 29        |
| 9.2       | Musical-instrument expenses .....                                    | 29        |
| <b>10</b> | <b>Motor-vehicle expenses</b> .....                                  | <b>30</b> |
| 10.1      | Are you entitled to deduct your motor-vehicle expenses? .....        | 30        |
| 10.2      | Keeping records.....   | 30        |
| 10.3      | Two types of vehicles .....  | 30        |
| 10.4      | Expenses related to the use of a motor vehicle .....                 | 30        |
| 10.4.1    | Interest paid on a loan .....  | 31        |
| 10.4.2    | Leasing expenses .....   | 31        |
| 10.5      | Do you co-own or jointly lease an automobile? .....                  | 32        |
| 10.6      | Vehicle used for employment and other purposes .....                 | 32        |
| <b>11</b> | <b>Capital cost allowance (CCA)</b> .....                            | <b>33</b> |
| 11.1      | Are you entitled to claim CCA? .....                                 | 33        |
| 11.2      | Rules regarding CCA.....   | 33        |
| 11.3      | Classes of depreciable property.....                                 | 34        |
| 11.3.1    | Class 8.....   | 34        |
| 11.3.2    | Class 10.....  | 34        |
| 11.3.3    | Class 10.1.....  | 34        |
| 11.3.4    | Does your automobile belong to class 10 or class 10.1? .....         | 34        |
| 11.4      | Calculation of the CCA that may be claimed.....                      | 34        |
| 11.5      | How to complete the work chart in the CCA section of the forms.....  | 34        |
| <b>12</b> | <b>QST rebate</b> .....  | <b>37</b> |
| 12.1      | Are you entitled to a QST rebate? .....                              | 37        |
| 12.2      | Expenses giving entitlement to a rebate .....                        | 37        |
| 12.3      | How to claim a rebate .....  | 38        |
| 12.4      | Rebate application deadline.....                                     | 38        |
| 12.5      | After you receive your QST rebate .....                              | 38        |
| 12.6      | Are you also entitled to a GST rebate? .....                         | 38        |

# 1 Principal changes

## 1.1 Revamping of documents relating to employment expenses

To facilitate your consultation of this guide and assist you in completing the various forms relating to employment expenses, we have restructured these documents.

### Changes made to the guide

- **Update of the contents:** We have added some relevant information and particulars, such as the chapter dealing with the Québec sales tax (QST) rebate.
- **Reorganization of the information:** We have created a separate chapter for each type of employee, so that all the information that concerns a particular employee is in one place. In addition, we have created separate chapters for certain subjects, such as motor-vehicle expenses and capital cost allowance (CCA), which affect a number of types of employees.

### Changes made to the forms

- **Customization of the forms:** We have custom-designed a form for each type of employee. Thus, in addition to improving the forms that already existed, we have created some new forms. See the table below.
- **Improvement of form VD-358-V**, which is now entitled *Québec Sales Tax Rebate for Employees and Partners*: We have added a work chart to this form to be used to determine the portion of expenses eligible for a QST rebate.
- **Elimination of form TP-421.6-V**, *Motor-Vehicle Leasing Expenses*: This form has been eliminated because we have included a work chart in section 10.4.2 of this guide to be used to determine the leasing expenses that may be deducted.

### Forms based on the type of employee

| Types of employees   | Forms to be completed (2006-10 versions)   |
|--|--|
| Salaried employees<br>Employees who earn commissions                                       | Form TP-59-V, <i>Employment Expenses of Salaried Employees or Employees Who Earn Commissions</i><br>Form TP-64.3-V, <i>General Employment Conditions</i>   |
| Transport employees  | Form TP-66-V, <i>Employment Expenses of Transport Employees</i>  |
| Forestry workers   | Form TP-78-V, <i>Employment Expenses of Forestry Workers</i><br><br><u>Note</u><br>A forestry worker can now use this form to claim a deduction for motor-vehicle expenses.  |
| Salaried tradespeople<br>(hairdressers, cooks,<br>plumbers, apprentice<br>mechanics, etc.) | Form TP-75.2-V, <i>Employment Expenses of Salaried Tradespeople</i>  |
| Salaried musicians   | Form TP-78.4-V, <i>Employment Expenses of Salaried Musicians</i><br><br>To claim a deduction for expenses that are not related to a musical instrument: <ul style="list-style-type: none"> <li>• Form TP-59-V, <i>Employment Expenses of Salaried Employees or Employees Who Earn Commissions</i></li> <li>• Form TP-64.3-V, <i>General Employment Conditions</i></li> </ul> |

## 1.2 Change concerning employees who earn commissions

Beginning in 2006, employees who earn commissions are no longer required to reduce their deductible expenses by the **lowest** of

- the amount of expenses that may be deducted by employees who earn commissions;
- 6% of the amount of commissions or similar amounts; or
- \$750.

## 1.3 New deduction for salaried tradespeople

Salaried tradespeople, such as hairdressers, cooks, plumbers and apprentice mechanics, may now be entitled to a deduction of up to \$500 for eligible tools that they purchased after May 1, 2006, to earn employment income. For more information, read Chapter 8.

## 1.4 Calculation of capital cost allowance (CCA) for a motor vehicle

Beginning in 2006, you must use the capital cost of a vehicle as the base amount to calculate CCA, instead of only the portion of the capital cost related to the use of the vehicle for employment purposes. Therefore, where the percentage of use for employment purposes varies from year to year, you are no longer required to do the calculations relating to the deemed acquisition or deemed disposition of the vehicle, as the case may be.

For information about the impact of this change on the calculation of CCA for a vehicle, see sections 11.4 and 11.5 of this guide, and the "Capital cost allowance" section of form TP-59-V, *Employment Expenses of Salaried Employees or Employees Who Earn Commissions*, and of form TP-78-V, *Employment Expenses of Forestry Workers*.

## 1.5 Change concerning transport employees

Transport employees who use the simplified method or the batching method to calculate their deductible meal expenses must respect certain applicable limits, which have been increased for 2006.

The applicable limits for the simplified method have gone from \$15 to \$17 per meal and from \$15 U.S. to \$17 U.S. per meal (before conversion to Canadian funds).

The applicable limits for the batching method have gone from \$30 to \$34 per person per day and from \$30 U.S. to \$34 U.S. per person per day (before conversion to Canadian funds).

## 2 Introduction

### 2.1 Is this guide intended for you?

This guide is intended for you if you are an employee, and your duties and employment conditions require you to incur various expenses to earn employment income.

Note that the majority of employees cannot deduct employment expenses. For example, expenses incurred for travel between an employee's home and the employer's place of business, and fees paid to park at the employer's place of business, are not deductible.

You may also consult this guide if you hold an office and are required to incur expenses to earn income.

#### Office

A position that is held by an individual and entitles the individual to remuneration, such as

- the office of a person elected by popular vote, or selected or appointed in a representative capacity;
- the position of member of the board of directors of a body or corporation, even where the person who holds the position performs no administrative functions within the corporation.

### 2.2 How to use the guide

If you have not already done so, we suggest that you begin by reading Chapter 1, which provides information about the **principal changes** made to documents relating to employment expenses. Then read Chapter 3, which provides **general information** concerning subjects relating to employment expenses, such as expense allowances.

Next, consult one of Chapters 4 through 9, depending on the type of employee you are. Those chapters provide information concerning the **expenses** you may deduct on line 207 of your income tax return, the **conditions** you must meet to be entitled to deduct expenses and the **forms** you must complete to claim the deductions.

Finally, Chapter 12 provides information about the **Québec sales tax (QST) rebate**. You may be entitled to such a rebate if you paid QST on certain employment expenses.

This guide does not cover all possible cases. Therefore, if you require further information, you may visit our Web site at [www.revenu.gouv.qc.ca](http://www.revenu.gouv.qc.ca) or contact us (see the list of our offices at the end of the guide). Note that you can go to our Web site and complete online, print out or order the forms relating to employment expenses.

### 2.3 List of abbreviations used

|     |                            |
|-----|----------------------------|
| ATV | All-terrain vehicle        |
| CCA | Capital cost allowance     |
| FMV | Fair market value          |
| GST | Goods and services tax     |
| HST | Harmonized sales tax       |
| QPP | Québec Pension Plan        |
| QST | Québec sales tax           |
| RPP | Registered pension plan    |
| UCC | Undepreciated capital cost |

For the sake of conciseness, GST/HST is referred to in this guide as simply GST.

## 3 General information

### 3.1 Records, receipts and vouchers

For each year for which you claim a deduction for employment expenses, you must keep records that contain

- a daily summary of your expenses, along with your receipts and cancelled cheques;
- ticket stubs (bus, train, airplane, etc.);
- invoices and monthly credit-card statements; and
- the purchase date and price of each motor vehicle or musical instrument you use, along with the date of the sale or trade-in thereof and the amount received.

If you use your motor vehicle to earn employment income, your records must include additional information. See section 10.2.

Unless you are asked to do so, you are not required to enclose your records, receipts and vouchers with your income tax return. However, generally speaking, you must keep these documents for at least six years after the end of the taxation year to which they relate, because you could be asked to provide them.

### 3.2 Expense allowances, advances and reimbursements

#### 3.2.1 General principles

To compensate employees who incur expenses in the performance of their duties, employers generally use

- expense allowances;
- accountable advances; and
- reimbursements of expenses.

#### Expense allowance

A predetermined amount paid by an employer to an employee, in addition to salary or wages, to cover all or only certain specific expenses provided for under the employment contract. The employee is not required to account for his or her use of an expense allowance.

#### Note

The amount of the allowance may not correspond to the amount of expenses incurred by the employee. Also, the type of expenses for which the allowance is intended may differ from the type of expenses actually incurred.

#### Accountable advance

An amount paid by an employer to an employee to cover expenses that the latter will be required to incur in the performance of his or her duties. The employee is required to account for his or her use of the advance by submitting receipts and vouchers.

#### Note

The employee must return any unspent balance to the employer.

#### Reimbursement of expenses

An amount paid by an employer to an employee upon receipt of proof of the expenses incurred.

#### Note

The amount reimbursed always corresponds exactly to the amount of expenses incurred, since the reimbursement is made after the expenses are incurred.

#### 3.2.2 If you received such an amount, are you still entitled to claim a deduction for your employment expenses?

If the amount paid to you by your employer is **included** in box A of your RL-1 slip, you may claim a deduction for the employment expenses that relate to the amount paid.

If the amount paid to you by your employer is **not included** in that box, you must comply with the following rules:

- If you decide that the amount you received is **sufficient and reasonable**, you are not required to include it in your income and you cannot claim a deduction for the employment expenses that relate to the amount.
- If you decide that the amount you received is **insufficient**, you are not required to include it in your income and you may claim a deduction for the employment expenses that relate to the amount. However, you must subtract the amount received from the amount of the deduction claimed.



### Is the amount received reasonable?

An **allowance respecting the use of a motor vehicle** is typically considered reasonable if

- the allowance is calculated solely on the basis of the number of kilometres actually travelled in the performance of your duties;
- the per-kilometre rate is reasonable; and
- you do not also receive a full or partial reimbursement of the expenses you incurred for the use of the vehicle.

#### Exception

If you receive a reimbursement of supplementary commercial automobile insurance, tolls or ferry charges that were not covered by the allowance you received, the allowance is considered reasonable.

An **allowance for travel expenses** is typically considered reasonable if it is calculated on the basis of the actual travel expenses that you are required to incur when travelling in the performance of your duties. However, if, for example, you are an employee who earns commissions and you receive an allowance for travel expenses for a period during which you do not travel to carry out your duties, the allowance is not considered reasonable.

#### **Travel expenses**

Expenses incurred for meals and beverages, accommodation and transportation.

#### Note

Travel expenses do not include motor-vehicle expenses.

## 4 Salaried employees

If you are a salaried employee, you may be entitled to claim a deduction for certain expenses you incurred to earn employment income.

### 4.1 General conditions

You may deduct the expenses you incurred to earn employment income, if

- your employment contract stipulates that you are required to pay your own expenses; and
- the expenses were not reimbursed to you and do not entitle you to a reimbursement.

#### Note

If your employer reimbursed a portion of your expenses, you may claim a deduction only for the portion that was not reimbursed.

### 4.2 Documents to be enclosed with your income tax return

To claim a deduction for your employment expenses, you must enclose with your income tax return

- form TP-64.3-V, *General Employment Conditions*, **duly completed by your employer**;
- form TP-59-V, *Employment Expenses of Salaried Employees or Employees Who Earn Commissions*, or a detailed statement of your expenses; and
- form VD-358-V, *Québec Sales Tax Rebate for Employees and Partners*, if applicable.

### 4.3 Deductible expenses

This section provides information about deductible expenses and the specific conditions, in addition to the general conditions set out in section 4.1, that you must meet to be entitled to deduct such expenses. **Personal or unreasonable expenses are not deductible.**

#### GST and QST

The amount of deductible expenses includes any GST and QST that you paid on these expenses.

If you deduct such expenses from your employment income, you may be entitled to a QST rebate. See Chapter 12.

#### 4.3.1 Motor-vehicle expenses, including capital cost allowance (CCA)

Generally speaking, if you received a **reasonable allowance** respecting the use of a motor vehicle that you are not required to include in your income, you cannot deduct the expenses covered by the allowance. See section 3.2 for information about expense allowances.

To be entitled to deduct the motor-vehicle expenses you incurred to earn employment income, you must perform some or all of your employment duties away from your employer's place of business, or at various locations. See Chapter 10 for information about the motor-vehicle expenses that you may deduct.

#### 4.3.2 Travel expenses

Generally speaking, if you received a **reasonable allowance** for travel expenses that you are not required to include in your income, you cannot deduct the expenses covered by the allowance. However, if, for example, you incurred meal and accommodation expenses, and you received a reasonable allowance that covers only your meal expenses, you may deduct your accommodation expenses. See section 3.2 for information about expense allowances.

To be entitled to deduct the travel expenses you incurred to earn employment income, you must perform some or all of your employment duties away from your employer's place of business, or at various locations.

#### Travel expenses

Expenses incurred for meals and beverages, accommodation and transportation.

#### Note

Travel expenses do not include motor-vehicle expenses.

#### Meals and beverages

If your duties required you to spend at least 12 hours away from the municipality or metropolitan area where your employer's place of business (to which you ordinarily report for work) is located, you may claim a deduction for the cost of the meals that you had during that period of time.

However, the amount that you may deduct is **limited to 50%** of the lower of

- the amount of expenses actually incurred (that is, the expenses paid minus any reimbursement received from your employer); or
- a reasonable amount in the circumstances.

If you are required to travel by airplane, train or bus to perform your duties, and the meals served on board are included in the ticket price, you may claim a deduction for the total cost.

#### Accommodation

If your duties required you to incur accommodation expenses, such as the cost of a hotel or motel room, you may deduct these expenses, provided they are reasonable.

## Transportation

If your duties required you to incur expenses for transportation (for example, by bus, airplane, ferry, train or taxi), you may deduct these expenses. However, you cannot deduct expenses incurred for travel between your home and your employer's place of business.

### 4.3.3 Parking fees

You may deduct parking fees that relate to your employment income. However, fees you pay to park at your employer's place of business, such as daily or monthly parking fees, are generally considered personal expenses and, consequently, are not deductible.

### 4.3.4 Cost of supplies

You may deduct the purchase price or replacement cost of supplies that you use directly in the performance of your duties and that cannot be re-used. You may also deduct an amount for supplies paid for by your employer on your behalf, provided that amount is reported on your RL-1 slip.

The following are examples of supplies.

#### Office supplies

You **may deduct** the cost of office supplies, such as paper, pencils, pens, staples, paper clips and envelopes; you may also deduct postage.

However, you **cannot deduct**

- the cost of books, briefcases or calculators;
- the cost of subscriptions to periodicals;
- the rental cost for computers or fax machines;
- the purchase price of computers or fax machines;
- CCA or the interest charged on a loan contracted to purchase various items, such as computers or fax machines.

#### Special items

If, in the performance of your duties, you are required to use certain special items, such as road maps, dynamite used by miners, or compresses, bandages and medicines used by people dispensing medical or paramedical services, you **may deduct** the cost of such items.

However, you **cannot deduct** the cost of work tools generally considered to be equipment, the cost of footwear or uniforms, or the cost of having such clothing cleaned.

#### Telecommunications expenses

You **may deduct** the following telecommunications expenses, **provided they are directly related to the performance of your duties**:

- charges for long-distance calls;
- charges for cellular calls (including costs incurred to acquire a package or prepaid air time, provided you calculate these costs in proportion to your use of the telephone in the performance of your duties);

- the cost of sending telegrams;
- Internet charges that are billed on a per-usage basis.

However, you **cannot deduct**

- the basic monthly charge for telephone service;
- the monthly charge for Internet access;
- the charges for an Internet connection;
- the cost of leasing a paging device;
- the purchase price of a cellular phone;
- the cost of having a cellular phone licensed or connected.

### 4.3.5 Other expenses

You may deduct certain other expenses related to your employment income. You may also deduct an amount for such expenses paid by your employer on your behalf, provided that amount is reported on your RL-1 slip.

The following are examples of other expenses.

#### Salary or wages paid to an assistant or substitute

You may deduct the salary or wages you paid to an assistant or substitute (who may be your spouse or de facto spouse). Note that you must file an RL-1 slip to report the salary or wages.

As the employer of an assistant or substitute, you may also deduct the employer contributions you paid during the year, such as employment insurance premiums, Québec Pension Plan (QPP) contributions, the health services fund contribution and the Québec parental insurance plan premium.

#### Leased office space

If your office is located in a leased space that is not part of your principal residence, you may deduct certain amounts paid with respect to that space. To find out whether the expenses related to your leased office space are deductible, see the following table.

| Types of expenses   | Are these expenses deductible? |
|---|--------------------------------|
| Maintenance costs, such as the cost of utilities (heating, electricity and water), lighting accessories (bulbs, fluorescent tubes, etc.), cleaning products and minor repairs | Yes                            |
| Insurance premiums, property taxes and other taxes relating to your office space  | No                             |
| Rent for your office space  | Yes                            |
| CCA for the furniture and equipment in your office space  | No                             |
| Storage costs for goods   | No                             |

If you use your office space for purposes other than those related to your employment (for example, for personal purposes, business purposes or the purposes of other employment), you must calculate your deductible office expenses on the basis of your use of the office space for the purposes of your employment.

### 4.3.6 Expenses related to an office in your home

If your office is located in your principal residence, you may claim office expenses whether you rent or own the residence, provided you

- performed more than 50% of your employment duties in the office space; **or**
- used the office space exclusively to earn income from your employment and to meet clients or other people on a regular and ongoing basis in the normal course of your duties.

To find out whether the expenses related to the office in your home are deductible, see the following table.

| Types of expenses   | Are these expenses deductible? |
|---|--------------------------------|
| Maintenance costs, such as the cost of utilities (heating, electricity and water), lighting accessories (bulbs, fluorescent tubes, etc.), cleaning products and minor repairs | Yes                            |
| Insurance premiums, property taxes and other taxes relating to your office space  | No                             |
| Rent for your office space, if you are the lessee of the place (apartment, condominium or residential home) where your office space is located                                | Yes                            |
| Rental value of your office space, if you are the owner or co-owner of the place (condominium or residential home) where your office space is located                         | No                             |
| CCA for the furniture and equipment in your office space  | No                             |
| Mortgage interest and CCA relating to your office space   | No                             |
| Storage costs for goods   | No                             |

#### Percentage of use of the residence

The expenses related to an office in your home must be calculated on a reasonable basis (for example, according to the ratio between the surface area of your office space and the overall surface area of your residence). You must also take into account your use of this

space for purposes other than those related to your employment (for example, for personal purposes, business purposes or the purposes of other employment).

#### Limit on the deduction

The amount of the deduction that you may claim for expenses related to an office in your home must not exceed the result of the following calculation:

- the employment income you earned in the year, **minus**
- your other employment expenses and related deductions (including your contributions to a registered pension plan (RPP) and any reimbursement of salary or wages).

#### Example

Your work space occupies 25% of the overall surface area of your residence, and you use the work space for the purposes of your employment in a proportion of 80%.

You may deduct the following amounts, up to a maximum determined by subtracting your other employment expenses and related deductions from your income for the year from the employment concerned.

**If you rent your residence**, you may deduct

- 20% (that is, 25% x 80%) of the rent; and
- 20% of the cost of maintenance and minor repairs not included in the rent.

**If you own your residence**, you may deduct 20% (that is, 25% of 80%) of the cost of maintenance and minor repairs.

#### Carry-forward of office expenses

Since the deduction for expenses related to an office in the home is limited, it cannot be used to create or increase a loss resulting from your employment. However, the following year, you will be able to deduct any office expenses that you cannot deduct in the current year because of the limit, provided they relate to the same employment.

Therefore, the following year you will be able to deduct from your employment income the expenses carried forward from the previous year plus the expenses for the current year, provided they all relate to the same employment. If these expenses total more than the limit, the expenses that you cannot deduct because of the limit may be deducted the following year, provided they relate to the same employment.

## 5 Employees who earn commissions

If your duties consist in selling property or negotiating contracts for your employer, you may be entitled to claim a deduction for certain expenses you incurred to earn employment income.

### 5.1 General conditions

You may deduct the expenses you incurred to earn employment income, if

- your employment contract stipulates that you are required to pay your own expenses;
- you must perform some or all of your duties away from your employer's place of business, or at various locations;
- you are paid in whole or in part by commissions or similar amounts based on the sales you make or the contracts you negotiate for your employer; and
- the expenses were not reimbursed to you and do not entitle you to a reimbursement.

#### Note

If your employer reimbursed a portion of your expenses, you may claim a deduction only for the portion that was not reimbursed.

### 5.2 Documents to be enclosed with your income tax return

To claim a deduction for your employment expenses, you must enclose with your income tax return

- form TP-64.3-V, *General Employment Conditions*, **duly completed by your employer**;
- form TP-59-V, *Employment Expenses of Salaried Employees or Employees Who Earn Commissions*, or a detailed statement of your expenses; and
- form VD-358-V, *Québec Sales Tax Rebate for Employees and Partners*, if applicable.

### 5.3 Two ways to deduct your employment expenses

You may claim a deduction for your employment expenses either

- as an employee who earns commissions (this chapter provides all the information in that regard); or
- as a salaried employee (Chapter 4 provides all the information in that regard).

#### Which is more advantageous?

You may deduct more expenses as an employee who earns commissions than as a salaried employee. However, as an employee who earns commissions, the deduction you may claim for certain expenses **is limited** to the amount of commissions or similar amounts that you received in the year for your employment.

Note that the deduction of the following expenses, which may also be deducted by salaried employees, **is not limited** to the amount of your commissions:

- office rent;
- expenses paid to maintain an office in your home, although the deduction of property taxes, other taxes and insurance premiums relating to your office is limited to the amount of your commissions;
- the cost of the supplies used in the performance of your duties;
- the salary or wages paid to an assistant;
- CCA for your automobile and the interest paid on a loan contracted to purchase the automobile;
- travel expenses (meal, accommodation and transportation expenses), although the amount of such expenses is limited to the amount of your commissions if you deduct expenses other than those mentioned in the previous points.

If your total expenses exceed the commissions or similar amounts that you received, it may be more advantageous for you to deduct your employment expenses as a salaried employee.

#### Example

You are a representative for a pharmaceutical company. The information contained in your records for 2006 is as follows:

#### Employment income

|                          |                 |
|--------------------------|-----------------|
| Salary or wages received | \$25,000        |
| Commissions received     | \$5,000         |
|                          | <b>\$30,000</b> |

#### Employment expenses

|   |                |
|---|----------------|
| Advertising and promotion expenses<br>(only employees who earn commissions) | \$1,000        |
| Entertainment expenses<br>(only employees who earn commissions)             | \$500          |
| Travel expenses   | \$6,000        |
| CCA   | \$1,500        |
| Interest  | \$500          |
|   | <b>\$9,500</b> |

After verifying whether you may deduct all these expenses, you must determine whether it is more advantageous for you to calculate your deductible expenses as an employee who earns commissions or as a salaried employee.

### Example (continued)

#### Expenses that may be deducted as an employee who earns commissions

The following expenses are limited to the amount of your commissions (\$5,000):

|                                    |         |
|------------------------------------|---------|
| Advertising and promotion expenses | \$1,000 |
| Entertainment expenses             | \$500   |
| Travel expenses                    | \$6,000 |

The following expenses are not limited:

|          |         |
|----------|---------|
| CCA      | \$1,500 |
| Interest | \$500   |

Therefore, as an employee who earns commissions, you may deduct **\$7,000** (\$5,000 + \$1,500 + \$500).

#### Expenses that may be deducted as a salaried employee

A salaried employee may deduct the following expenses:

|                 |         |
|-----------------|---------|
| Travel expenses | \$6,000 |
| CCA             | \$1,500 |
| Interest        | \$500   |

Therefore, as a salaried employee, you may deduct **\$8,000** (\$6,000 + \$1,500 + \$500).

Thus, it is more advantageous for you to deduct your expenses as a salaried employee.

## 5.4 Deductible expenses

This section provides information about deductible expenses and the specific conditions, in addition to the general conditions set out in section 5.1, that you must meet to be entitled to deduct such expenses. **Personal or unreasonable expenses are not deductible.**

### GST and QST

The amount of deductible expenses includes any GST and QST that you paid on these expenses.

If you deduct such expenses from your employment income, you may be entitled to a QST rebate. See Chapter 12.

### 5.4.1 Accounting fees

You may deduct reasonable accounting fees that you paid for the preparation of your income tax return.

### 5.4.2 Advertising and promotion expenses

You may deduct expenses incurred for advertising and promotion, such as the cost of

- radio and television commercials;
- newspaper ads;
- business cards; and
- promotional gifts.

### 5.4.3 Entertainment expenses

You may deduct certain expenses that you incurred in entertaining your clients, such as the cost of food and beverages, tickets to a show or sports event, and rentals of hospitality suites for entertainment purposes.

The cost of a meal you were required to have with a client may be deducted, provided you had the meal at a time when your duties required you to spend at least 12 hours away from the municipality or metropolitan area where your employer's place of business (to which you ordinarily report for work) is located.

#### Limit on the deduction

Generally speaking, the amount of the deduction that you may claim for entertainment expenses is **limited to 50%** of the lower of

- the amount of expenses actually incurred (that is, the expenses paid minus any reimbursement received from your employer); or
- a reasonable amount in the circumstances.

#### Special rules for cultural events

There is no limit on the deduction of

- the cost of a subscription to at least three different presentations of cultural events that take place in Québec; or
- the cost of all or substantially all (90% or more) of the tickets for a presentation of a cultural event that takes place in Québec.

The 50% limit does apply, however, to any portion of the cost of a ticket or subscription that relates to food or beverages.

#### Subscription

An agreement between a performing arts presenter and a client under which the latter acquires a package that is put together by the presenter and includes a determined number of tickets.

#### Performing arts presenter

- A person or an organization whose mission is to present the performing arts and who is responsible for programming professional performances generating box office or subscription income.
- A manager or lessee of a venue for cultural events.

### Cultural event

Any of the following events:

- a concert of a symphony orchestra or a classical music or jazz ensemble;
- an opera;
- a dance performance;
- a vocal performance by a vocal artist, provided the performance is not held in a venue normally used for sports events;
- a theatre performance;
- a performing arts variety show (for example, a comedy show or a musical theatre production); or
- a museum exhibit.

#### 5.4.4 Motor-vehicle expenses, including capital cost allowance (CCA)

Generally speaking, if you received a **reasonable allowance** respecting the use of a motor vehicle that you are not required to include in your income, you cannot deduct the expenses covered by the allowance.

See section 3.2 for information about expense allowances.

See Chapter 10 for information about the motor-vehicle expenses that you may deduct.

#### 5.4.5 Travel expenses

Generally speaking, if you received a **reasonable allowance** for travel expenses that you are not required to include in your income, you cannot deduct the expenses covered by the allowance. However, if, for example, you incurred meal and accommodation expenses, and you received a reasonable allowance that covers only your meal expenses, you may deduct your accommodation expenses.

See section 3.2 for information about expense allowances.

### Travel expenses

Expenses incurred for meals and beverages, accommodation and transportation.

#### Note

Travel expenses do not include motor-vehicle expenses.

#### Meals and beverages

If your duties required you to spend at least 12 hours away from the municipality or metropolitan area where your employer's place of business (to which you ordinarily report for work) is located, you may claim a deduction for the cost of the meals that you had during that period of time.

However, the amount that you may deduct is **limited to 50%** of the lower of

- the amount of expenses actually incurred (that is, the expenses paid minus any reimbursement received from your employer); or
- a reasonable amount in the circumstances.

If you are required to travel by airplane, train or bus to perform your duties, and the meals served on board are included in the ticket price, you may claim a deduction for the total cost.

#### Accommodation

If your duties required you to incur accommodation expenses, such as the cost of a hotel or motel room, you may deduct these expenses, provided they are reasonable.

#### Transportation

If your duties required you to incur expenses for transportation (for example, by bus, airplane, ferry, train or taxi), you may deduct these expenses. However, you cannot deduct expenses incurred for travel between your home and your employer's place of business.

#### 5.4.6 Parking fees

You may deduct parking fees that relate to your employment income. However, fees you pay to park at your employer's place of business, such as daily or monthly parking fees, are generally considered personal expenses and, consequently, are not deductible.

#### 5.4.7 Cost of supplies

You may deduct the purchase price or replacement cost of supplies that you use directly in the performance of your duties and that cannot be re-used. You may also deduct an amount for supplies paid for by your employer on your behalf, provided that amount is reported on your RL-1 slip.

The following are examples of supplies.

#### Office supplies

You **may deduct** the cost of office supplies, such as paper, pencils, pens, staples, paper clips and envelopes; you may also deduct postage.

However, you **cannot deduct**

- the cost of books, briefcases or calculators;
- the cost of subscriptions to periodicals;
- the purchase price of computers or fax machines;
- CCA or the interest charged on a loan contracted to purchase various items, such as computers or fax machines.

#### Special items

If, in the performance of your duties, you are required to use certain special items, such as road maps, you **may deduct** the cost of such items.



However, you **cannot deduct** the cost of work tools generally considered to be equipment, the cost of footwear or uniforms, or the cost of having such clothing cleaned.

### Telecommunications expenses

You **may deduct** the following telecommunications expenses, **provided they are directly related to the performance of your duties**:

- charges for long-distance calls;
- charges for cellular calls (including costs incurred to acquire a package or prepaid air time, provided you calculate these costs in proportion to your use of the telephone in the performance of your duties);
- the cost of sending telegrams;
- Internet charges that are billed on a per-usage basis.

However, you **cannot deduct**

- the purchase price of a cellular phone;
- the cost of having a cellular phone licensed or connected;
- the charges for an Internet connection.

### 5.4.8 Other expenses

You may deduct certain other expenses related to your employment income. You may also deduct an amount for such expenses paid by your employer on your behalf, provided that amount is reported on your RL-1 slip.

The following are examples of other expenses.

#### Surety bond fees

You may deduct the surety bond fees or civil liability insurance premiums you paid.

#### Commissions for leads

You may deduct commissions paid to a person for information leading to a sale, if you provide the person's name and address.

#### Permits and licences

You may deduct annual permit or licence fees if the nature of your employment requires you to hold a permit or licence. For example, real estate and insurance agents may claim the cost of their annual licences.

#### Training costs

You **may deduct** the cost of training courses taken solely to update or upgrade your skills or to maintain the level of competence required for your employment or a title acquired for the purposes of your employment.

Motor-vehicle expenses and travel expenses (meals, accommodation and transportation) incurred to take training courses may be deducted, to the extent that the conditions set out in sections 5.1, 5.4.4 and 5.4.5 are met.

You **cannot deduct** the cost of courses that may provide you with long-term benefits, such as a diploma, certificate or title.

In calculating the tax credit for tuition and examination fees on your income tax return, you may be entitled to include training costs that are not deductible as employment expenses.

#### Equipment rental cost

You may deduct the basic monthly charge for telephone service or an Internet connection, **provided these means of telecommunications are used exclusively for your employment**.

If you rent a computer, cellular phone, fax machine, paging device or similar equipment, you may deduct the portion of the rental cost that relates to your commission income. However, you cannot deduct the purchase price of such equipment or the interest charged on a loan contracted for the purchase thereof.

#### Salary or wages paid to an assistant or substitute

You may deduct the salary or wages you paid to an assistant or substitute (who may be your spouse or de facto spouse). Note that you must file an RL-1 slip to report the salary or wages.

As the employer of an assistant or substitute, you may also deduct the employer contributions you paid during the year, such as employment insurance premiums, Québec Pension Plan (QPP) contributions, the health services fund contribution and the Québec parental insurance plan premium.

#### Leased office space

If your office is located in a leased space that is not part of your principal residence, you may deduct certain amounts paid with respect to that space. To find out whether the expenses related to your leased office space are deductible, see the following table.

| Types of expenses   | Are these expenses deductible? |
|---|--------------------------------|
| Maintenance costs, such as the cost of utilities (heating, electricity and water), lighting accessories (bulbs, fluorescent tubes, etc.), cleaning products and minor repairs | Yes                            |
| Insurance premiums, property taxes and other taxes relating to your office space  | Yes                            |
| Rent for your office space  | Yes                            |
| CCA for the furniture and equipment in your office space  | No                             |
| Storage costs for goods   | No                             |

If you use your office space for purposes other than those related to your employment (for example, for personal purposes, business



purposes or the purposes of other employment), you must calculate your deductible office expenses on the basis of your use of the office space for the purposes of your employment.

### 5.4.9 Expenses related to an office in your home

If your office is located in your principal residence, you may claim office expenses whether you rent or own the residence, provided you

- performed more than 50% of your employment duties in the office space; **or**
- used the office space exclusively to earn income from your employment and to meet clients or other people on a regular and ongoing basis in the normal course of your duties.

To find out whether the expenses related to the office in your home are deductible, see the following table.

| Types of expenses   | Are these expenses deductible? |
|---|--------------------------------|
| Maintenance costs, such as the cost of utilities (heating, electricity and water), lighting accessories (bulbs, fluorescent tubes, etc.), cleaning products and minor repairs | Yes                            |
| Insurance premiums, property taxes and other taxes relating to your office space  | Yes                            |
| Rent for your office space, if you are the lessee of the place (apartment, condominium or residential home) where your office space is located                                | Yes                            |
| Rental value of your office space, if you are the owner or co-owner of the place (condominium or residential home) where your office space is located                         | No                             |
| CCA for the furniture and equipment in your office space  | No                             |
| Mortgage interest and CCA relating to your office space   | No                             |
| Storage costs for goods   | No                             |

#### Percentage of use of the residence

The expenses related to an office in your home must be calculated on a reasonable basis (for example, according to the ratio between the surface area of your office space and the overall surface area of your residence). You must also take into account your use of this space for purposes other than those related to your employment (for example, for personal purposes, business purposes or the purposes of other employment).

#### Limit on the deduction

The amount of the deduction that you may claim for expenses related to an office in your home must not exceed the result of the following calculation:

- the employment income you earned in the year, **minus**
- your other employment expenses and related deductions (including your contributions to a registered pension plan (RPP) and any reimbursement of salary or wages).

#### Example

Your work space occupies 25% of the overall surface area of your residence, and you use the work space for the purposes of your employment in a proportion of 80%.

You may deduct the following amounts, up to a maximum determined by subtracting your other employment expenses and related deductions from your income for the year from the employment concerned.

**If you rent your residence**, you may deduct

- 20% (that is, 25% x 80%) of the rent;
- 20% of the cost of maintenance and minor repairs not included in the rent;
- 20% of the property taxes; and
- 20% of the other taxes and insurance premiums, if they relate to your residence, or 80%, if they relate solely to the office space.

**If you own your residence**, you may deduct

- 20% (that is, 25% x 80%) of the cost of maintenance and minor repairs;
- 20% of the property taxes; and
- 20% of the other taxes and insurance premiums, if they relate to your residence, or 80%, if they relate solely to the office space.

#### Carry-forward of office expenses

Since the deduction for expenses related to an office in the home is limited, it cannot be used to create or increase a loss resulting from your employment. However, the following year, you will be able to deduct any office expenses that you cannot deduct in the current year because of the limit, provided they relate to the same employment.

Therefore, the following year you will be able to deduct from your employment income the expenses carried forward from the previous year plus the expenses for the current year, provided they all relate to the same employment. If these expenses total more than the limit, the expenses that you cannot deduct because of the limit may be deducted the following year, provided they relate to the same employment.

## 6 Transport employees

If you are an employee of a business whose principal activity is transportation, an employee of a railway company or an employee who collects or delivers property on a regular basis, you may be entitled to claim a deduction for certain expenses you incurred to earn employment income.

### 6.1 General conditions

You may deduct the expenses you incurred to earn employment income, if the expenses were not reimbursed to you and do not entitle you to a reimbursement.

#### Note

If your employer reimbursed a portion of your expenses, you may claim a deduction only for the portion that was not reimbursed.

### 6.2 Conditions and deductible expenses according to the type of employee

To be entitled to deduct employment expenses, you must meet certain other conditions, according to the type of employee you are. The following table sets out these conditions and the expenses that each type of employee may deduct.

#### Conditions and deductible expenses according to the type of employee

| Types of employees  | Conditions  | Deductible expenses   |
|---|---|---|
| Employee of a business whose principal activity is transportation | <ul style="list-style-type: none"> <li>You work for a business whose principal activity is the transportation of goods, passengers or both.</li> <li>Your duties require you to travel on a regular basis, in vehicles used by your employer for transportation, outside the municipality or metropolitan area where your employer's place of business (to which you ordinarily report for work) is located.</li> </ul>   | Meal and accommodation expenses that you paid while you were away from that municipality or metropolitan area |
| Employee of a railway company <sup>1</sup>                        | <ul style="list-style-type: none"> <li>You are employed by a railway company as a relief station agent or as a maintenance and repair worker.</li> <li>You work elsewhere than at your ordinary place of residence.</li> </ul>  | Meal and accommodation expenses   |
|   | <ul style="list-style-type: none"> <li>You are employed by a railway company in a capacity other than a relief station agent or a maintenance and repair worker.</li> <li>You work at a place that is                             <ul style="list-style-type: none"> <li>– outside the municipality or metropolitan area where the station (to which you ordinarily report for work) is located; and</li> <li>– sufficiently distant from the place where you maintain a dwelling that you could not reasonably be expected to return to that dwelling each day (the dwelling being the place where you reside and support your spouse, de facto spouse or a dependant related to you by blood, marriage or adoption).</li> </ul> </li> </ul> | Meal and accommodation expenses that you paid while working at such a place                                   |

| Types of employees  | Conditions  | Deductible expenses             |
|---|---|---------------------------------|
| Employee who collects or delivers property  | <ul style="list-style-type: none"> <li>• You work for a business whose principal activity is not the transportation of goods, passengers or both.</li> <li>• On a regular basis, you collect or deliver property for your employer, with vehicles used by the latter for the transportation of property, outside the municipality or metropolitan area where your employer's place of business (to which you ordinarily report for work) is located.</li> <li>• Your duties require you               <ul style="list-style-type: none"> <li>– to spend at least 12 consecutive hours away from the municipality or metropolitan region where your employer's place of business (to which you ordinarily report for work) is located; or</li> <li>– to travel to a place at least 80 kilometres from that municipality or metropolitan area.</li> </ul> </li> </ul> | Meal and accommodation expenses |
| <p>1. If you cannot deduct your expenses as an employee of a railway company, you may be entitled to deduct them as an employee of a business whose principal activity is transportation or as an employee who collects or delivers property.</p> |   |                                 |

### 6.3 Documents to be enclosed with your income tax return

To claim a deduction for your employment expenses, you must enclose with your income tax return

- form TP-66-V, *Employment Expenses of Transport Employees, duly completed by you and your employer* (see section 6.5 for information about how to complete the "Trip and expense summary" on this form); and
- form VD-358-V, *Québec Sales Tax Rebate for Employees and Partners*, if applicable.

### 6.4 Deductible expenses

This section provides information about deductible expenses, that is, meal and accommodation expenses. **Personal or unreasonable expenses are not deductible.**

#### GST and QST

The amount of deductible expenses includes any GST and QST that you paid on these expenses.

If you deduct such expenses from your employment income, you may be entitled to a QST rebate. See Chapter 12.

#### Trips to the United States

To convert your costs to Canadian funds, use the annual average exchange rate determined by the Bank of Canada.

#### 6.4.1 Meal expenses

You may use the detailed method, the simplified method or the batching method to calculate your deductible meal expenses. Once you choose a method, you are expected to use it for the entire taxation year.

For each method, you have obligations to fulfil. Also, the expenses that may be deducted and the number of meals that are eligible vary according to the method used. The following table provides further information.

## Methods that may be used to calculate your meal expenses

| Method  | Your obligations   | Deductible expenses  | Number of eligible meals <sup>1</sup>   |
|---|--|--|---|
| Detailed method   | <p>You must keep records that include</p> <ul style="list-style-type: none"> <li>• the date the amount was paid;</li> <li>• the travel departure or arrival time;</li> <li>• the travel destination (for example, the name of the city);</li> <li>• the name of the restaurant to which the amount was paid;</li> <li>• the type of expense (for example, breakfast, lunch); and</li> <li>• the amount paid.</li> </ul> <p>You must also keep your receipts.</p> | Total of the expenses on your receipts   | <ul style="list-style-type: none"> <li>• 4- to 10-hour trip: one meal</li> <li>• Trip of more than 10 hours but less than 12 hours: two meals</li> <li>• 12- to 24-hour trip: three meals</li> <li>• Trip of more than 24 hours: one meal every four hours, to a maximum of three meals per 24-hour period</li> </ul> |
| Simplified method   | <p>You must keep records that include</p> <ul style="list-style-type: none"> <li>• the travel departure date and time;</li> <li>• the destination;</li> <li>• the travel arrival date and time;</li> <li>• the number of hours spent away;</li> <li>• the number of kilometres travelled; and</li> <li>• the number of eligible meals (see the column with that heading).</li> </ul> <p>You are not required to keep your receipts.</p>                          | <p><b>Trips within Canada:</b> \$17 per meal, unless your employer asks you to pay less for a subsidized meal</p> <p><b>Trips to the United States:</b> \$17 U.S. per meal (before conversion to Canadian funds)</p> |   |
| Batching method<br>(to be used if you are part of a work crew that has access to cooking facilities and buys groceries to prepare meals for the crew) | You must keep records of your travel during the taxation year. You must also keep your receipts if more than \$34 per person per day is spent.   | <p><b>Trips within Canada:</b> a maximum of \$34 per person per day</p> <p><b>Trips to the United States:</b> a maximum of \$34 U.S. per person per day (before conversion to Canadian funds)</p>                    | N/A <sup>2</sup>  |
| <p>1. Depending on your departure or arrival time, you may have certain meals at home. Such meals are not eligible.</p> <p>2. Not applicable.</p>     |  |  |   |

## Limit on the deduction

The amount that you may deduct is **limited to 50%** of the lower of

- the amount of expenses actually incurred (that is, the amount of expenses paid during trips, other than the cost of meals brought from home, minus any reimbursement or allowance not subject to tax that you received from your employer for these expenses); or
- a reasonable amount in the circumstances.

This limit applies regardless of the method you used throughout the year to calculate your deductible meal expenses.

### Example

You left home at 7 a.m. and returned two days later at 4 p.m., for an absence of 57 consecutive hours. You may therefore claim expenses in respect of seven meals, as follows:

- two meals for the first 24 hours because, given your departure time, you could have had breakfast at home;
- three meals for the second 24 hours;
- two meals for the last nine hours (that is, one meal every four hours).

Under the **detailed method**, you must keep receipts for the meals. If your expenses for seven meals were \$120, you could claim \$60 as a deduction ( $\$120 \times 50\%$ ).

Under the **simplified method**, you could claim a maximum of \$59.50 ( $\$17 \times 7 \text{ meals} \times 50\%$ ).

## 6.4.2 Accommodation expenses

The amount of the deduction that you may claim for accommodation expenses corresponds to the result of the following calculation:

- the reasonable accommodation expenses that you paid in the performance of your duties (for example, the cost of a hotel or motel room), **minus**
- any reimbursement or allowance not subject to tax that you received from your employer for these expenses.

Note that you must keep your accommodation expense receipts, because you could be asked to provide them.

If you paid to take a shower, you may include the cost in your accommodation expenses. You are entitled to claim the cost of one shower for each 24-hour period. Without receipts for the **shower costs**, the deduction is limited to \$5 per shower, or \$5 U.S. per shower (before conversion to Canadian funds).

## 6.5 How to complete the “Trip and expense summary” on form TP-66-V

This section provides instructions to help you complete the “Trip and expense summary” on form TP-66-V.

### General instruction

You must include on the same line of the summary all trips made to the same workplace outside the municipality or metropolitan area where your employer’s place of business (to which you ordinarily report for work) is located.

### Detailed instructions

#### Column A

Enter the number of days in the year that you spent away from the municipality or metropolitan area referred to in column D, during trips to the same workplace outside that municipality or area.

#### Column B

Enter the number of trips that you made in the year to the same workplace outside the municipality or metropolitan area referred to in column D.

#### Column C

Enter the average number of hours that you spent away from the municipality or metropolitan area referred to in column D.

#### Column D

Enter the name of the municipality or metropolitan area where your employer’s place of business (to which you ordinarily reported for work) is located.

#### Column E

Enter the name of the municipality or metropolitan area that is the location of the workplace outside the municipality or metropolitan area referred to in column D.

## Column F

If you use the **detailed method** or the **simplified method**, you must first determine the maximum number of meals eligible for the deduction, based on the average number of hours per trip entered in column C.

| Average number of hours per trip                  | Maximum number of eligible meals <sup>1</sup>                             |
|---|---|
| 4- to 10-hour trip                                | One meal  |
| Trip of more than 10 hours but less than 12 hours | Two meals   |
| 12- to 24-hour trip                               | Three meals   |
| Trip of more than 24 hours                        | One meal every four hours, to a maximum of three meals per 24-hour period |

1. You must not take into account any meals that you ordinarily could have had at home, depending on your departure or arrival time.

Then enter the result of one of the following calculations, as applicable:

- If the number of days (column A) is **lower** than the number of trips (column B), multiply the number of meals eligible for the deduction by the number of days (column A).
- If the number of days (column A) is **higher** than the number of trips (column B), multiply the number of meals eligible for the deduction by the number of trips (column B).

If you use the **batching method**, enter the number of days from column A.

## Column G

If you use the **detailed method**, enter the total of the expenses on your receipts.

You must respect the applicable limit of

- \$17 per meal or \$17 U.S. per meal (before conversion to Canadian funds), for the **simplified method**; or
- \$34 per person per day or \$34 U.S. per person per day (before conversion to Canadian funds), for the **batching method**.

### Note

To convert your costs to Canadian funds, use the annual average exchange rate determined by the Bank of Canada and available on its Web site ([www.bankofcanada.ca](http://www.bankofcanada.ca)).

## Column H

Enter the number of overnight stays for which you entered accommodation expenses.

## Column I

Enter the costs you paid for your accommodation, according to your receipts. Include any costs you paid to take a shower. If you do not have receipts for your shower costs, the deduction is limited to \$5 per shower or \$5 U.S. per shower (before conversion to Canadian funds). Note that you are entitled to deduct the cost of one shower per 24-hour period.

### Note

To convert your costs to Canadian funds, use the annual average exchange rate determined by the Bank of Canada and available on its Web site ([www.bankofcanada.ca](http://www.bankofcanada.ca)).

# 7 Forestry workers

If you are employed as a forestry worker, you may be entitled to claim a deduction for certain expenses you incurred to earn employment income.

## 7.1 General conditions

You may deduct the expenses you incurred to earn employment income, if the expenses were not reimbursed to you and do not entitle you to a reimbursement.

### Note

If your employer reimbursed a portion of your expenses, you may claim a deduction only for the portion that was not reimbursed.

## 7.2 Documents to be enclosed with your income tax return

To claim a deduction for your employment expenses, you must enclose with your income tax return

- form TP-78-V, *Employment Expenses of Forestry Workers*, **duly completed by you and your employer**; and
- form VD-358-V, *Québec Sales Tax Rebate for Employees and Partners*, if applicable.

## 7.3 Deductible expenses

This section provides information about deductible expenses and the specific conditions that you must meet to be entitled to deduct such expenses. **Personal or unreasonable expenses are not deductible.**

### GST and QST

The amount of deductible expenses includes any GST and QST that you paid on these expenses.

If you deduct such expenses from your employment income, you may be entitled to a QST rebate. See Chapter 12.

### 7.3.1 Chain-saw or brush-cutter expenses

You may deduct the expenses relating to the use of a chain saw, or to the regular and prolonged use of a brush cutter, which you incurred to earn employment income, if your employment contract stipulates that, in the performance of your duties, you are required to supply a chain saw or brush cutter, and to pay the expenses incurred for the use of that equipment.

Such expenses include

- the cost of fuel used, such as gasoline, oil, etc.;
- the cost of repairs (parts and labour, other than the value of unpaid labour);

- insurance premiums;
- the interest on a loan contracted to purchase a chain saw or brush cutter;
- the rental cost of a chain saw or brush cutter, where applicable; and
- the net cost of a chain saw or brush cutter, that is, its purchase price minus any amount you received upon the sale or trade-in thereof, as applicable. This expense is deductible only for the year of purchase.

### 7.3.2 Snowmobile or all-terrain-vehicle (ATV) expenses

You may deduct the expenses relating to the use of a snowmobile or an ATV which you incurred to earn employment income, if

- your employment contract stipulates that, in the performance of your duties, you are required to supply a snowmobile or an ATV, and to pay the expenses incurred for the use of that type of vehicle; and
- you are required to perform some or all of your employment duties away from your employer's place of business, or at various locations.

Such expenses include

- the cost of fuel used, such as gasoline, oil, etc.;
- the cost of repairs; and
- insurance premiums.

Note that you cannot deduct such expenses for all the trips you make. See section 7.4.

### 7.3.3 Motor-vehicle expenses, including capital cost allowance (CCA)

Generally speaking, if you received a **reasonable allowance** respecting the use of a motor vehicle that you are not required to include in your income, you cannot deduct the expenses covered by the allowance. See section 3.2 for information about expense allowances.

You may deduct the motor-vehicle expenses that you incurred to earn employment income, if

- your employment contract stipulates that you are required to pay the motor-vehicle expenses incurred in the performance of your duties; and
- you are required to perform some or all of your employment duties away from your employer's place of business, or at various locations.

See Chapter 10 for information about the motor-vehicle expenses that you may deduct.

Note that you cannot deduct such expenses for all the trips you make. See section 7.4.

## 7.4 Rules relating to travel

You may deduct expenses related to the use of a snowmobile, an all-terrain vehicle (ATV) or a motor vehicle for certain trips that you made to earn employment income. The following table provides further information.

| Types of travel  | Are you entitled to deduct expenses for these types of travel?  |
|--|---|
| Between your home and the logging camp (or an office of your employer) | No, because this camp (or office) is considered your employer's place of business.  |
| Between your home and a cutting site                                   | No, if you were required to report to the same site a number of times or on a regular basis during the same season. In such a case, the site is considered your employer's place of business.<br><br>Yes, if, during the same season, you were required to change sites every week or couple of weeks, and you did not return to the same site. |
| Between the logging camp and a cutting site                            | Yes   |
| Between various cutting sites  | Yes   |
| At a cutting site  | Yes   |



## 8 Salaried tradespeople

If you are a salaried tradesperson, such as a hairdresser, cook, plumber or apprentice mechanic, you may be entitled to claim a deduction for **eligible tools** you purchased after May 1, 2006, to earn employment income.

If you are employed as an eligible apprentice mechanic, you may be entitled to an additional deduction for eligible tools you purchased in the year to earn employment income. Note that if this is the first time you have held such employment, you may also claim this deduction in respect of eligible tools purchased in the last three months of the previous year.

### Eligible apprentice mechanic

An apprentice mechanic who

- is registered in a program established in accordance with the laws of a province that leads to designation under those laws as a mechanic, automotive painter or auto body repairer licensed to repair self-propelled motorized vehicles (automobiles, trucks, aircraft, motorcycles, etc.); or
- holds an apprenticeship card issued by a parity committee of the automobile industry to obtain designation as a mechanic, automotive painter or auto body repairer licensed to repair self-propelled motorized vehicles.

### Eligible tool

A new tool (including ancillary equipment) acquired for use by a salaried tradesperson in the course of his or her employment.

### Note

Electronic communication devices and electronic data processing devices are not considered eligible tools, unless they are used solely to measure, locate or calculate.

### 8.1 General conditions

You may deduct the cost of an eligible tool, if

- your employment contract stipulates that you are required to supply an eligible tool in the course of your employment; and
- the cost of the tool was not reimbursed to you and does not entitle you to a reimbursement.

### Note

If your employer reimbursed a portion of the cost, you may claim a deduction only for the portion that was not reimbursed. However, if the amount of the reimbursement is included in your income, you may deduct the total cost.

### 8.2 Documents to be enclosed with your income tax return

To claim a deduction for your employment expenses, you must enclose with your income tax return

- form TP-75.2-V, *Employment Expenses of Salaried Tradespeople*, **duly completed by you and your employer**;
- a list of your eligible tools, **signed and dated by your employer**; and
- form VD-358-V, *Québec Sales Tax Rebate for Employees and Partners*, if applicable.

### 8.3 Deductible expenses

This section provides information about deductible expenses and the specific conditions that you must meet to be entitled to deduct such expenses. **Personal or unreasonable expenses are not deductible.**

#### GST and QST

The amount of deductible expenses includes any GST and QST that you paid on these expenses.

If you deduct such expenses from your employment income, you may be entitled to a QST rebate. See Chapter 12.

#### 8.3.1 Eligible tool expenses for salaried tradespeople

If the cost of eligible tools you purchased during the period from May 2, 2006, to December 31, 2006, exceeds \$1,000, you may deduct the **lowest** of

- \$500;
- the cost of the eligible tools acquired in the year, minus \$1,000; or
- your total employment income for the year as a salaried tradesperson, minus \$1,000.

#### 8.3.2 Eligible tool expenses for eligible apprentice mechanics

If you are an eligible apprentice mechanic, you may claim a deduction for the eligible tools you purchased in the year in addition to the deduction referred to in section 8.3.1.

This additional deduction is limited to the income that would be entered on line 275 of your income tax return (Net income) if you did not claim this deduction.

### **Carry-forward of the amount not deducted**

Any amount that you cannot deduct for the year because of the limit may be carried forward to subsequent years, even if you are no longer employed as an eligible apprentice mechanic at that time.

### **8.4 Disposition of an eligible tool during the year**

If you disposed of an eligible tool during the year (for example, by selling it), you may be required to include an amount in your income. Form TP-75.2-V, *Employment Expenses for Salaried Tradespeople*, will help you calculate this amount.

## 9 Salaried musicians

If you are a salaried musician, you may be entitled to claim a deduction for expenses related to the use of a **musical instrument**, which you incurred to earn employment income and which you have not already deducted (for example, as a self-employed musician).

If your conditions of employment entitle you to claim a deduction for other employment expenses, see Chapter 4.

### Note

You must determine whether your status is that of salaried musician or self-employed musician, because these two groups are entitled to different deductions. For help in determining your status, you may consult the brochure *Employee or Self-Employed Person?* (IN-301-V) or contact us.

### 9.1 Documents to be enclosed with your income tax return

To claim a deduction for your employment expenses, you must enclose with your income tax return

- form TP-78.4-V, *Employment Expenses of Salaried Musicians*;
- form TP-59-V, *Employment Expenses of Salaried Employees or Employees Who Earn Commissions*, or a detailed statement of your expenses, along with form TP-64.3-V, *General Employment Conditions*, **duly completed by your employer**, if you are deducting employment expenses other than those discussed in this chapter; and
- form VD-358-V, *Québec Sales Tax Rebate for Employees and Partners*, if applicable.

### 9.2 Musical-instrument expenses

You may deduct expenses related to the use of your musical instrument, if

- your employment contract stipulates that, in the performance of your duties, you are required to supply a musical instrument and to pay the expenses incurred for its use; and
- the expenses were not reimbursed to you and do not entitle you to a reimbursement.

### Note

If your employer reimbursed a portion of your expenses, you may claim a deduction only for the portion that was not reimbursed.

Such expenses include

- maintenance costs;
- rental cost, where applicable;
- insurance premiums; and
- CCA, if you own the instrument. See Chapter 11 for more information about CCA.

### Personal or unreasonable expenses are not deductible.

### GST and QST

The amount of deductible expenses includes any GST and QST that you paid on these expenses.

If you deduct such expenses from your employment income, you may be entitled to a QST rebate. See Chapter 12.

### Limit on the deduction

The deduction you may claim must not exceed the result of the following calculation: the income earned from your employment as a musician in the year, **minus** the other deductions related to this employment.

### Instrument used for employment and other purposes

If you used your musical instrument for the purposes of your employment, for self-employment as a musician and for personal purposes, you may only deduct the portion of expenses relating to your employment. You must separate the expenses relating to your employment from those relating to your self-employment to determine the portion of expenses you may claim.

As a self-employed musician, you may be entitled to deduct the portion of expenses relating to your self-employment. For more information about the expenses that a self-employed worker may deduct, consult the brochure *Business and Professional Income* (IN-155-V).

However, you cannot deduct the portion of expenses relating to your personal use.

# 10 Motor-vehicle expenses

## 10.1 Are you entitled to deduct your motor-vehicle expenses?

You may deduct expenses related to a motor vehicle that you use to earn employment income, if

- you are a **salaried employee** and you meet the conditions set out in sections 4.1 and 4.3.1;
- you are an **employee who earns commissions** and you meet the conditions set out in section 5.1; or
- you are a **forestry worker** and you meet the conditions set out in sections 7.1 and 7.3.3.

## 10.2 Keeping records

You must keep records for each motor vehicle that you use to earn employment income. These records must include the total number of kilometres travelled during the year and the total number of kilometres travelled during the year exclusively for your employment. They must also include the vehicle's odometer reading (in kilometres) at the beginning and at the end of the year, or at the time of acquisition, sale or trade-in.

You must also create a summary for each trip you made to earn employment income, indicating the date, destination, purpose of the trip and the number of kilometres travelled.

## 10.3 Two types of vehicles

It is important to determine the type of vehicle for which you are claiming a deduction. If your vehicle is classified as an **automobile**, the amounts that you may deduct as interest, leasing expenses or CCA are limited.

### Motor vehicle

An automotive vehicle designed or adapted to be used on highways and streets, other than a trolleybus or a vehicle designed or adapted to be operated exclusively on rails.

### Automobile

A motor vehicle that is designed or adapted primarily to carry individuals on highways and streets, and has a maximum seating capacity of nine, including the driver, other than

- an ambulance;
- a clearly marked emergency medical response vehicle that is used to carry paramedics and their emergency medical equipment;
- a motor vehicle acquired or leased primarily (more than 50%) for use as a taxi;
- a bus used to carry on a business of transporting passengers;

### Automobile (continued)

- a hearse used to carry on a funeral business;
- a motor vehicle acquired or leased to be sold or leased in the course of carrying on a business of selling or leasing motor vehicles;
- a motor vehicle used by a funeral business to transport passengers;
- a pick-up truck, van or similar vehicle that, during the taxation year in which it is acquired or leased,
  - is used primarily (more than 50%) to transport goods or equipment to earn income, and has a maximum seating capacity of three, including the driver, or
  - is used entirely or substantially (90% or more) to transport goods, equipment or passengers to earn income, regardless of the seating capacity;
- a pick-up truck, if
  - during the year in which the pick-up truck is acquired or leased, it is used primarily to transport goods, equipment or passengers to earn income at a location in Canada;
  - any of the occupants of the vehicle works at a special work site where that individual performs temporary duties or at a location that is so remote from any established community that the individual could not establish or maintain a dwelling there; and
  - the special work site or remote location is 30 kilometres or more from an urban area with a population of at least 40,000 inhabitants.

## 10.4 Expenses related to the use of a motor vehicle

You may deduct from your income

- the cost of fuel (gasoline, oil, propane);
- maintenance costs (for example, costs incurred for washing, lubrication and tune-up, and costs in respect of an extended warranty, rust-proofing treatment, and treatments to protect the paint and upholstery);
- repair costs (other than accident repairs);
- accident repair costs, provided the vehicle was being used in the performance of your employment duties at the time of the accident. In such a case, you may deduct an amount equal to the repair costs incurred minus the insurance proceeds;
- insurance premiums;
- charges for vehicle registration and a driver's licence;
- CCA (see Chapter 11);
- interest paid on a loan contracted to purchase the vehicle (see section 10.4.1); and
- the cost of leasing the vehicle (see section 10.4.2).

### 10.4.1 Interest paid on a loan

You may deduct the interest you paid in the year on a loan contracted to purchase a motor vehicle that you use to earn employment income.

However, if the vehicle you purchased is an **automobile** (see the definition in section 10.3), the deduction is limited. In that case, complete the work chart on the right to calculate the amount of eligible interest expenses for an automobile.

### Work chart

#### Eligible interest expenses for an automobile

|   |   |  |   |
|---|---|--|---|
| Interest paid in the year for the automobile  |   |  | 1 |
| Number of days for which the interest was paid  |   |  | 2 |
| Daily rate <sup>1</sup>   | x |  | 3 |
| Multiply line 2 by line 3.  | = |  | 4 |
| Enter the amount from line 1 or line 4, whichever is lower.   |   |  |   |
| <b>Eligible interest expenses for the automobile</b>  |   |  |   |
| 1. For a vehicle acquired after August 31, 1989, but before 1997, enter \$10.<br>For a vehicle acquired after 1996 but before 2001, enter \$8.33.<br>For a vehicle acquired after 2000, enter \$10. |   |  |   |

### 10.4.2 Leasing expenses

You may deduct the cost, paid in the year, of leasing a motor vehicle that you use to earn employment income.

However, if you leased a vehicle that is an **automobile** (see the definition in section 10.3), the deduction is limited. In that case, complete the work chart below to calculate the amount of eligible automobile leasing expenses.

### Work chart

#### Eligible automobile leasing expenses

|  |   |  |   |
|--|---|--|---|
| Maximum daily amount for automobile leasing expenses <sup>1</sup>  |   |  | 1 |
| Total number of days since the start of the lease  | x |  | 2 |
| Multiply line 1 by line 2.   | = |  | 3 |
| Total automobile leasing expenses deducted in previous years   |   |  | 4 |
| Total interest that you may have received on refundable amounts since the start of the lease <sup>2</sup>  | + |  | 5 |
| Total refunds to which you have been entitled since the start of the lease in respect of leasing expenses (other than GST and QST rebates granted) | + |  | 6 |
| Add lines 4 through 6.   | = |  | 7 |
| Subtract line 7 from line 3.   | = |  | 8 |

(continued on next page)

1. Enter one of the following amounts, as applicable:

- for a lease entered into in 1997: \$18.33, plus the taxes calculated on that amount;
- for a lease entered into in 1998 or 1999: \$21.67, plus the taxes calculated on that amount;
- for a lease entered into in 2000: \$23.33, plus the taxes calculated on that amount;
- for a lease entered into after 2000: \$26.67, plus the taxes calculated on that amount.

Taxes include GST and QST (or any other provincial sales tax).

2. To calculate the amount to be entered on this line, first determine the total of the refundable amounts using the following calculation: the automobile leasing expenses you have paid that will be refunded to you at a later time (such as a deposit), **minus** \$1,000. Note that, in doing this calculation, you must not take into account any GST or QST rebates that you have received.

Next, apply to the refundable amounts the prescribed interest rate, which varies as follows according to the quarter:

- from January 1, 2006, to March 31, 2006: 3%;
- from April 1, 2006, to June 30, 2006: 4%;
- from July 1, 2006, to September 30, 2006: 4%;
- from October 1, 2006, to December 31, 2006: 5%.

## Work chart (continued)

|   |   |  |    |    |
|---|---|--|----|----|
| Automobile leasing expenses paid in the year <sup>3</sup>   |   |  |    | 9  |
| The current manufacturer's suggested price of the automobile (excluding taxes) <sup>4</sup>                                       | ÷ |  |    | 10 |
| Divide line 9 by line 10.   | = |  |    | 11 |
| Price ceiling of the automobile <sup>5</sup>  | x |  |    | 12 |
| Multiply line 11 by line 12.  | = |  |    | 13 |
| Enter the amount from line 9 or line 13, whichever is lower.  |   |  |    | 14 |
| Total interest that you may have received on refundable amounts in the year <sup>6</sup>  |   |  | 15 |    |
| Total refunds to which you have been entitled in the year in respect of leasing expenses (other than GST and QST rebates granted) | + |  | 16 |    |
| Add lines 15 and 16.  | = |  | ▶  | 17 |
| Subtract line 17 from line 14.  | = |  |    | 18 |
| Enter the amount from line 8 or line 18, whichever is lower.  |   |  |    | 19 |
| <b>Eligible automobile leasing expenses</b>   |   |  |    |    |

3. These expenses include the taxes, and the insurance and maintenance costs paid under the lease.

4. If the amount on line 10 is less than the price ceiling of the automobile (see note 5), go directly to line 14 and enter the amount from line 9. Otherwise, complete lines 11 through 13.

5. The price ceiling of the leased automobile corresponds to one of the following amounts, as applicable:

- for a lease entered into in 1997: \$29,412, plus the taxes calculated on that amount;
- for a lease entered into in 1998 or 1999: \$30,588, plus the taxes calculated on that amount;
- for a lease entered into in 2000: \$31,765, plus the taxes calculated on that amount;
- for a lease entered into after 2000: \$35,294, plus the taxes calculated on that amount.

The taxes include GST and QST (or any other provincial sales tax). To calculate the taxes, you must use the rate that applied at the time the lease was entered into.

6. See note 2.

## 10.5 Do you co-own or jointly lease an automobile?

If you own or lease an automobile (see the definition in section 10.3) with one or more persons, you must reduce, in proportion to your share in the vehicle, the maximum amount used to calculate CCA, interest or leasing expenses. The total of the deductions claimed by the co-owners or co-lessees must not exceed the maximum amount allowed for a sole owner or lessee.

## 10.6 Vehicle used for employment and other purposes

If you use your vehicle for employment and other purposes (for example, for personal purposes or for the purposes of another employment), you may deduct only the portion of the expenses that relate to your employment. Note that **travel between your home and your workplace is considered travel for personal purposes**.

To determine the portion of your expenses that you may deduct, you must apply to the expenses the **percentage of use of the vehicle for employment purposes**, which is typically calculated using the following formula:

$$\frac{\text{Number of kilometres travelled during the year exclusively for the purposes of your employment}}{\text{Total number of kilometres travelled during the year for the purposes of your employment and for other purposes}} \times 100$$

### Example

Number of kilometres travelled during the year exclusively for the purposes of your employment: 15,000 km

Total number of kilometres travelled during the year for the purposes of your employment and for other purposes: 20,000 km

Percentage of use for employment purposes:  
(15,000 ÷ 20,000) x 100 = 75%

If your expenses total \$5,000, you may claim a deduction of \$3,750 (\$5,000 x 75%).

# 11 Capital cost allowance (CCA)

You cannot deduct the cost of a motor vehicle or musical instrument that you use to earn employment income. However, since the vehicle or instrument depreciates over the years, you may deduct a portion of its cost each year by claiming CCA.

## 11.1 Are you entitled to claim CCA?

You may claim CCA for a motor vehicle if

- you are a **salaried employee** and you meet the conditions set out in sections 4.1 and 4.3.1;
- you are an **employee who earns commissions** and you meet the conditions set out in section 5.1; or
- you are a **forestry worker** and you meet the conditions set out in sections 7.1 and 7.3.3.

You may claim CCA for a musical instrument if you are a **salaried musician** and you meet the conditions set out in section 9.2.

## 11.2 Rules regarding CCA

Generally speaking, to be entitled to claim CCA for a motor vehicle or musical instrument for a year, you must have been using it for the purposes of your employment **on December 31 of that year**.

Even if you did not use your property for your employment throughout the year, you may claim CCA for the entire year, provided you were using your property for your employment on December 31 of that year.

In certain special cases, you may claim CCA even if you were not using your property on December 31 of the year. See the table below for more details.

### Summary of the rules regarding CCA

| You used your property for your employment throughout the year. | You used your property for your employment during part of the year only. |  |
|---|--|--|
| You may claim CCA for the entire year.                          | You were using it on December 31 of the year.                            | You were not using it on December 31 of the year.  |
|   | You may claim CCA for the entire year.                                   | <p>Generally speaking, you cannot claim CCA for your property for that year.</p> <p><b>Special cases</b></p> <ul style="list-style-type: none"> <li>• If your property is a motor vehicle that you ceased to use for your employment for specific reasons (for example, temporary or periodic layoff) and upon your return to work, the nature of your employment remains the same, you may claim CCA for the entire year.</li> <li>• If your property is a class 10.1 motor vehicle (see section 11.3) that you ceased to use for your employment or disposed of during the year, and you were using it on December 31 of the previous year, you may claim half of the CCA you could have claimed had you used your vehicle throughout the year.</li> </ul> |

At the end of the year, if you no longer have any class 8 or class 10 property (see section 11.3), you cannot claim CCA in respect of that class.



## 11.3 Classes of depreciable property

Depreciable property ordinarily belongs to a particular class. To claim CCA for a motor vehicle or musical instrument, you must know to which class it belongs.

If you have already claimed CCA for your property, the class to which it belongs remains the same. Also, if you acquired property from a person with whom you were not dealing at arm's length (generally a person related to you), the property belongs to the same class to which it belonged when the other person acquired it.

If you do not know to which class your property belongs, refer to sections 11.3.1 through 11.3.4.

### 11.3.1 Class 8

Class 8 includes musical instruments. The CCA rate for this class is 20%.

### 11.3.2 Class 10

Class 10 includes all motor vehicles, except certain automobiles. An automobile may belong to class 10 or class 10.1. Section 11.3.4 explains how to determine the class to which your automobile belongs.

The CCA rate for class 10 is 30%.

### 11.3.3 Class 10.1

Class 10.1 includes certain automobiles. An automobile may belong to class 10 or class 10.1. Section 11.3.4 explains how to determine the class to which your automobile belongs.

The CCA rate for class 10.1 is 30%. Note that a separate class 10.1 must be created for each automobile that belongs to this class.

### 11.3.4 Does your automobile belong to class 10 or class 10.1?

If your property is an automobile, you must determine its class using the table below. The class of your automobile varies according to the date of its purchase and its purchase price (not including GST, QST or any other provincial sales tax).

| Class | Date of purchase and purchase price (not including GST, QST or any other provincial sales tax) |                  |                  |                  |
|-------|--|------------------|------------------|------------------|
|       | 2001 and subsequent years  | 2000             | 1998 and 1999    | 1997             |
| 10    | \$30,000 or less   | \$27,000 or less | \$26,000 or less | \$25,000 or less |
| 10.1  | Over \$30,000  | Over \$27,000    | Over \$26,000    | Over \$25,000    |

## 11.4 Calculation of the CCA that may be claimed

To calculate the CCA that you may claim, you can complete the work chart in the "Capital cost allowance" section of one of the following forms, depending on your situation:

- form TP-59-V, *Employment Expenses of Salaried Employees or Employees Who Earn Commissions*;
- form TP-78-V, *Employment Expenses of Forestry Workers*; or
- form TP-78.4-V, *Employment Expenses of Salaried Musicians*.

### Calculation of CCA for a motor vehicle

Beginning in 2006, you must use the capital cost of the vehicle as the base amount to calculate CCA. Thus, the amounts in columns 2, 3 and 4 must now include the cost of acquisitions or the proceeds of dispositions, instead of only the portion of that cost or those proceeds related to the use of the vehicle for employment purposes. The CCA that may be claimed is determined in Part 3 of form TP-59-V or in Part 1.4 of form TP-78-V, as applicable.

Therefore, for 2006, the undepreciated capital cost (UCC) at the end of 2005 cannot be carried forward as such to column 2 (see the instructions that follow).

## 11.5 How to complete the work chart in the CCA section of the forms

This section provides instructions on how to complete each column of the work chart contained in the "Capital cost allowance" section of forms TP-59-V, TP-78-V and TP-78.4-V.

### "Dates of acquisitions in the year" column

If you acquired property in the year, enter the date on which you acquired it. For an automobile, select the line of the table according to the class number of the property entered in column 1.

### "Cost of vehicles acquired in the year" column (forms TP-59-V and TP-78-V only)

If you acquired property in the year, enter its acquisition cost (not including GST, QST or any other provincial sales tax).

### Column 1 – Class number

Read section 11.3 if you do not know the class to which your property belongs.

### Column 2 – Undepreciated capital cost (UCC) at the beginning of the year

#### Undepreciated capital cost (UCC)

Generally speaking, the capital cost of the property, minus the CCA already claimed, where applicable.

If, at the end of 2005, you were not using a musical instrument or motor vehicle for the purposes of your employment, go to column 3.



If, at the end of 2005, you were using such property for the purposes of your employment, you must enter, in column 2, an amount that varies according to the type of property, as follows:

- If the property is a **musical instrument**, you must carry forward, to column 2, the UCC at the end of the previous taxation year. This UCC appears in column 10 of the "Capital cost allowance" table completed for 2005.
- If the property is a **motor vehicle**, a special rule applies for 2006, because of the changes made to the calculation of CCA for motor vehicles (see section 11.4). In this case, to obtain the amount to be entered in column 2 for 2006, you must do the following calculation: **A ÷ B**, where
  - A = the UCC at the end of 2005 (from column 10 of the TP-59-V form completed for 2005); and
  - B = the percentage of use for employment purposes for 2005 (from line 70 of the TP-59-V form completed for 2005).

### Example

For 2005, your UCC at the end of the taxation year is \$18,000 and the percentage on line 70 of form TP-59-V is 75%.

You must enter, in column 2 of the work chart you are completing for 2006, the result of the following calculation:

$$\frac{\text{UCC at the end of 2005}}{\text{Percentage on line 70 of the TP-59-V form for 2005}} = \frac{\$18,000}{75\%} = \$24,000 \text{ UCC at the beginning of 2006}$$

### GST or QST rebate

If, during the year, you received a GST or QST rebate relating to CCA for a motor vehicle or a musical instrument, you must subtract the rebate from the UCC at the beginning of the year.

### Column 3 – Cost of acquisitions in the year

You acquired property if, for example,

- you purchased the property; or
- you began to use for employment purposes property that you previously used solely for other purposes.

If, during the year, you **purchased** a motor vehicle or a musical instrument, you must enter in column 3 the capital cost of the property purchased.

If, during the year, you **began to use** for employment purposes a motor vehicle or a musical instrument that you previously used solely for other purposes, you must enter the lower of

- the fair market value (FMV) of the property at the time you began to use it for the purposes of your employment; or
- the capital cost of the property.

If, during the year, you acquired property from a person with whom you were not dealing at arm's length, you should contact us to find out the capital cost of the property (see the list of our offices at the end of this guide).

### Capital cost

The total amount paid at the time of purchase of the property, including

- the trade-in allowance;
- the cost of all the accessories and equipment installed before or after delivery; and
- the GST and QST (or any other provincial sales tax) paid on the property.

### Fair market value (FMV)

The amount it would cost to replace the property or the amount its owner would receive if the property were sold to a person with whom the owner is dealing at arm's length.

### Limit for a class 10.1 automobile

If the property is an automobile belonging to class 10.1, you must limit its capital cost to the amount indicated in the table below. The maximum amount varies according to the date of acquisition of the automobile.

|                             | Date of acquisition       |                  |                  |                  |
|-----------------------------|---------------------------|------------------|------------------|------------------|
|                             | 2001 and subsequent years | 2000             | 1998 and 1999    | 1997             |
| <b>Maximum capital cost</b> | \$30,000 + taxes          | \$27,000 + taxes | \$26,000 + taxes | \$25,000 + taxes |

### Example

In 2006 you purchased an automobile for \$32,000 (not including GST, QST or any other provincial sales tax). On the basis of the table in section 11.3.4, you determine that the automobile belongs to class 10.1. The capital cost you may use to calculate CCA is therefore limited to \$30,000, plus the GST and QST (or any other provincial sales tax) calculated on \$30,000.

### Column 4 – Proceeds of dispositions in the year

You disposed of property that you used for your employment if, for example,

- you sold it;
- you ceased to use it for your employment; or
- you traded it in to buy other such property.

If you disposed of a motor vehicle or a musical instrument in the year, you must enter the proceeds of disposition realized, which must not exceed the capital cost of the property.

**Proceeds of disposition**

Generally speaking, the selling price of the property; also, an indemnity received for property that was destroyed, damaged or stolen.

**Column 5 – UCC after acquisitions and dispositions**

Do the required calculation in this column.

**Special rule for classes 8 and 10**

For property that belongs to one of these classes, you cannot claim CCA in the following cases:

- The result obtained in this column is negative. In this case, the amount is the recapture of CCA. The portion of this amount relating to the use of the property for the purposes of your employment must be carried to line 107 of your income tax return.
- The result obtained in this column is positive and you no longer have any property in this class at the end of the year. In this case, the amount is a terminal loss that you cannot deduct from your income.

**Column 6 – Adjustment for acquisitions in the year**

Do the required calculation in this column.

**Column 7 – Base amount**

Do the required calculation in this column.

**Special rule for class 10.1**

If you disposed of your vehicle in the year and you were using it for the purposes of your employment on December 31 of the previous year, enter in this column half of the amount in column 2. If you acquired and disposed of your vehicle in the year, enter 0.

**Column 8 – Rates**

The CCA rate is 20% for class 8 property and 30% for class 10 or class 10.1 property.

**Column 9 – CCA for the year**

You must enter in this column the CCA you are claiming for the year.

To find out whether you may claim CCA, see section 11.2.

**Maximum CCA**

The CCA you are entitled to claim for class 8 property may not exceed 20% of the amount in column 7.

The CCA you are entitled to claim for class 10 or class 10.1 property may not exceed 30% of the amount in column 7.

You are not required to claim the maximum CCA for a given year. You may claim no CCA or any amount of CCA you wish, up to the maximum allowed for the year.

**Column 10 – UCC at the end of the year**

Do the required calculation in this column.

However, if at the end of the year you no longer have any property in this class, enter 0.

## 12 QST rebate

### 12.1 Are you entitled to a QST rebate?

As a salaried employee, you are entitled to a Québec sales tax (QST) rebate if

- you paid QST on certain employment expenses and you deducted these expenses on your income tax return; and
- your employer was a QST registrant at the time you incurred these expenses.

### 12.2 Expenses giving entitlement to a rebate

Refer to the table below to find out the types of expenses for which you may claim a QST rebate.

| Types of expenses   | Eligible | Non-eligible |
|---|----------|--------------|
| Accounting fees   | ✓        |              |
| Advertising and promotion expenses  | ✓        |              |
| Entertainment expenses  | ✓        |              |
| Travel expenses:  |          |              |
| • Meals and beverages   | ✓        |              |
| • Accommodation, showers, transportation (for example, by taxi, airplane, ferry or bus) | ✓        |              |
| Parking fees  | ✓        |              |
| Professional dues   | ✓        |              |
| <b>Cost of supplies</b>   |          |              |
| Postage   | ✓        |              |
| Telephone (long-distance charges)   | ✓        |              |
| Cellular phone (calling charges)  | ✓        |              |
| Paging device (service charges)   | ✓        |              |
| Computer (Internet connection charges)  | ✓        |              |

| Types of expenses   | Eligible | Non-eligible |
|---|----------|--------------|
| <b>Other expenses</b>   |          |              |
| Liability insurance   |          | ✓            |
| Professional fees   | ✓        |              |
| Broker's licence  | ✓        |              |
| Equipment rental cost (computer, telephone, cellular phone, paging device)  | ✓        |              |
| Salary or wages paid to an assistant  |          | ✓            |
| Commercial rent   | ✓        |              |
| <b>Musical instruments and work tools</b>                                   |          |              |
| Musical instruments (maintenance costs, rental cost and CCA)                | ✓        |              |
| Chain saws and brush cutters (repair costs, rental cost and purchase price) | ✓        |              |
| Eligible tools (purchase price)   | ✓        |              |
| <b>Motor-vehicle expenses</b>   |          |              |
| Fuel  | ✓        |              |
| Maintenance and repairs   | ✓        |              |
| Insurance premiums  |          | ✓            |
| Charges for vehicle registration and a driver's licence                     |          | ✓            |
| CCA   | ✓        |              |
| Interest  |          | ✓            |
| Leasing expenses  | ✓        |              |
| <b>Office expenses</b>  |          |              |
| Utilities (heating, electricity and water)                                  | ✓        |              |
| Maintenance and minor repairs   | ✓        |              |
| Insurance premiums  |          | ✓            |
| Property taxes and other taxes  |          | ✓            |
| Residential rent  |          | ✓            |

Note that you are not entitled to a rebate in respect of

- the personal portion of expenses;
- expenses for which you did not pay QST (for example, expenses that you incurred outside Québec);
- expenses you deducted at a time when your employer was not a QST registrant;
- expenses which are not related to the use of a motor vehicle and for which you received reasonable allowances not included in box A of your RL-1 slip;
- expenses which are related to the use of a motor vehicle and for which you received a reasonable allowance that covered **some or all** of these expenses and that was not included in box A of your RL-1 slip.

#### Exception

If you received a reasonable allowance for the use of your vehicle outside a given zone but did not receive a reasonable allowance for travel within the zone, you may claim a rebate of the QST paid on the expenses for which you did not receive an allowance.

#### **An allowance considered to be reasonable by the employer but not by the employee**

As mentioned above, if your employer paid you an allowance that was not included in your income because the employer considered it to be reasonable, you are not entitled to a rebate of the QST paid on the expenses covered by the allowance.

If you do not consider the allowance paid to be reasonable, you must ask your employer to include the amount of the allowance in your income in order to claim a QST rebate. You are not entitled to a QST rebate until we receive an amended RL-1 slip from your employer.

### **12.3 How to claim a rebate**

To claim a QST rebate, you must complete form VD-358-V, *Québec Sales Tax Rebate for Employees and Partners*. The amount of the rebate must be entered on line 459 of your Québec income tax return.

### **12.4 Rebate application deadline**

As a rule, you must enclose form VD-358-V with your income tax return for the year for which you are deducting the expenses.

However, if you are unable to do so, you may submit the form to Revenu Québec within four years after the end of the year in which you incurred the expenses.

### **12.5 After you receive your QST rebate**

You must include the amount of the rebate on line 107 of your Québec income tax return for the year in which you receive it.

However, you are not required to enter on line 107 the portion of the rebate relating to CCA for an automobile or a musical instrument. Instead, in the year you receive the rebate, you must subtract that portion of the rebate from the undepreciated capital cost (UCC) at the beginning of the year.

### **12.6 Are you also entitled to a GST rebate?**

Goods and services tax (GST) may have been added to certain expenses you incurred to earn employment income. If you deducted these expenses from your employment income, you may be entitled to a rebate of the GST that you paid on these expenses.

#### **How to claim a rebate**

To claim a GST rebate, you must complete form GST370, *Employee and Partner GST/HST Rebate Application*. The amount of the rebate must be entered on your federal income tax return.

#### **After you receive your GST rebate**

You must include the amount of the rebate on line 107 of your Québec income tax return for the year in which you receive it.

However, you are not required to enter on line 107 the portion of the rebate relating to CCA for an automobile or a musical instrument. Instead, in the year you receive the rebate, you must subtract that portion of the rebate from the undepreciated capital cost (UCC) at the beginning of the year.

For more information about the GST rebate, contact the Canada Revenue Agency (CRA).

## Excellent service at all our offices

### Gatineau

170, rue de l'Hôtel-de-Ville, 6<sup>e</sup> étage  
Gatineau (Québec) J8X 4C2

### Jonquière

2154, rue Deschênes  
Jonquière (Québec) G7S 2A9

### Laval

4, Place-Laval, bureau RC-150  
Laval (Québec) H7N 5Y3

### Longueuil

Place-Longueuil  
825, rue Saint-Laurent Ouest  
Longueuil (Québec) J4K 5K5

### Montréal

- Complexe Desjardins  
C. P. 3000, succursale Desjardins  
Montréal (Québec) H5B 1A4
- Village Olympique, pyramide Est  
5199, rue Sherbrooke Est, bureau 4000  
Montréal (Québec) H1T 4C2
- Les Galeries Saint-Laurent  
2215, boulevard Marcel-Laurin  
Saint-Laurent (Québec) H4R 1K4

### Québec

3800, rue de Marly  
Québec (Québec) G1X 4A5

### Québec

200, rue Dorchester  
Québec (Québec) G1K 5Z1

### Rimouski

212, avenue Belzile, bureau 250  
Rimouski (Québec) G5L 3C3

### Rouyn-Noranda

19, rue Perreault Ouest, RC  
Rouyn-Noranda (Québec) J9X 6N5

### Saint-Jean-sur-Richelieu

855, boulevard Industriel  
Saint-Jean-sur-Richelieu (Québec) J3B 7Y7

### Sept-Îles

391, avenue Brochu, bureau 1.04  
Sept-Îles (Québec) G4R 4S7

### Sherbrooke

2665, rue King Ouest, 4<sup>e</sup> étage  
Sherbrooke (Québec) J1L 2H5

### Sorel-Tracy

101, rue du Roi  
Sorel-Tracy (Québec) J3P 4N1

### Trois-Rivières

225, rue des Forges, bureau 400  
Trois-Rivières (Québec) G9A 2G7

2006-08

---

### Information concerning individuals and individuals in business

|                  |               |                |
|------------------|---------------|----------------|
| Québec City area | Montréal area | Toll-free      |
| 418 659-6299     | 514 864-6299  | 1 800 267-6299 |

---

### Information concerning businesses, employers and consumption taxes

|                  |               |                |
|------------------|---------------|----------------|
| Québec City area | Montréal area | Toll-free      |
| 418 659-4692     | 514 873-4692  | 1 800 567-4692 |

---

Information service for persons with a hearing impairment  
Montréal 514 873-4455 Elsewhere in Canada 1 800 361-3795

We invite you to visit our Web site at [www.revenu.gouv.qc.ca](http://www.revenu.gouv.qc.ca).