

NO.: 73-21R8

DATE: October 23, 2003

SUBJECT: **Claims for Meals and Lodging Expenses of Transport Employees**

REFERENCE: Paragraphs 8(1)(e), 8(1)(g), 8(1)(h), Subsections 8(4), 8(10) and Section 67.1 of the *Income Tax Act*

This circular cancels and replaces Information Circular 73-21R7, dated March 8, 1991.

1. The purpose of this Circular is to inform transport employees about the meals and lodging expenses they may deduct from income where such expenses were incurred while traveling away from home in the course of their employment duties. A transport employee may choose one of two methods to claim meal expenses in a year: a detailed method or a simplified method. The Circular describes each method and the records they have to keep under each method.

Meaning of Terms

2. In this Circular the terms below have the following meaning:

- (a) **Employer's establishment** includes not only the employer's place of business but also any other place where the employer is carrying out a contract.
- (b) **Employer's place of business** means a permanent establishment of the employer, such as an office, factory, warehouse, branch, or store, in relation to which the employee was hired, to which he or she was assigned and to which the employee ordinarily reports for work.
- (c) **Home terminal** is the employer's establishment to which the employee reports for work. During the year, there may be occasions when an employee temporarily works out of a terminal which is away from the home terminal. Whether such an occurrence constitutes a change in the meaning of "home terminal" depends on the circumstances of each case. However, the Canada Customs and Revenue Agency (CCRA) will consider that:
 - (i) No change in "home terminal" will occur when the employer requires the employee to take a temporary assignment for a limited period, and because of this, the employee is required to report for work at a terminal other than the regular home terminal.

- (ii) A change in "home terminal" will occur when an employee has been temporarily or permanently assigned from one terminal to another on a voluntary or "bid" basis. (e.g., either by exercising seniority rights, or from positive action taken by an employee who desires a change in location). The new terminal then becomes the "home terminal".

- (iii) Railway employees who do maintenance and repair work and who live at the other end of the run from their home terminal may choose to claim amounts they pay for meals and lodging, either while away from their ordinary place of residence, or while away from their "home terminal", but not both.

- (d) **In different places** refers to a situation where the employer does not have a single or fixed place of business.
- (e) **Metropolitan area** is the surrounding populated area integrated with a municipality (a major urban centre and its environs).
- (f) **Municipality** refers to a city, town or district.
- (g) **Ordinary or ordinarily** means customarily or habitually and regularly.
- (h) **Ordinary place of residence** means where an employee regularly, normally or customarily lives.
- (i) **Required** means that which is necessary to the satisfactory performance of the employee's duties and is a broader term than "ordered".

Transport Employees

This Circular applies to transport employees in the following three groups:

Employees of Transport Businesses (claiming a deduction under paragraph 8(1)(g) of the *Income Tax Act*)

3. Employees of employers whose principal business is to transport goods, passengers, or both (such as, airline, railway, bus and trucking companies), who in the course of their work, must regularly travel away from the municipality

and the metropolitan area, if there is one, where their employer's establishment to which they report for work is located, on vehicles used by the employer to transport goods or passengers, may deduct amounts they pay for meals and lodging while so away, to the extent they have not been reimbursed and are not entitled to be reimbursed for any part of the amounts deducted. This deduction is authorized by paragraph 8(1)(g) of the *Income Tax Act*.

Paragraph 8(1)(g) of the *Income Tax Act* contemplates journeys of such substantial distance and duration as to require disbursements for both meals and lodging while away from the relevant municipality and metropolitan area, if there is one. Therefore, to make a claim under paragraph 8(1)(g) of the *Income Tax Act*, employees must generally be away from home overnight in the performance of their employment duties. The deduction claimed under paragraph 8(1)(g) of the *Income Tax Act* is not intended for employees who return to their homes at the end of each day, and make disbursements for meals only as a matter of course.

However, the CCRA is prepared to allow a deduction for meals only, even though no disbursement has been made for lodging, provided the duties of employment required the employee to stay away overnight and the employee can demonstrate that, rather than paying for lodging, he or she used other facilities. This may be the case where a transport employee uses a truck equipped with a sleeper cab.

A deduction for meals only may also be allowed (to the extent of a reasonable number of meals) where a transport employee, although regularly required to travel away on journeys of substantial distance and duration so as to require disbursements for both meals and lodging, occasionally travels, as part of the employment, on journeys of shorter distance and duration not requiring him or her to stay away from home overnight. Where the shorter journey is scheduled for ten hours or less, the CCRA would expect the transport employee to eat breakfast and dinner meals at home, as is the case with most other employees. Accordingly, only one meal per day, namely lunch, will be permitted in these circumstances.

When making a claim under paragraph 8(1)(g) of the *Income Tax Act*, transport employees must use Form TL2, *Claim for Meals and Lodging Expenses*, to summarize trip information. Both the employee and the employer should complete this form.

Where the conditions of paragraph 8(1)(g) of the *Income Tax Act* have not been met, the transport employee may be entitled to claim a deduction for travel expenses under paragraph 8(1)(h) of the *Income Tax Act* if all the conditions of that provision have been met. (See paragraph 6). Note that if a deduction is claimed in the year under paragraph 8(1)(h) of the *Income Tax Act*, no deduction can be claimed under paragraphs 8(1)(g) of the *Income Tax Act* for that year.

Railway Employees (claiming a deduction under paragraph 8(1)(e) of the *Income Tax Act*)

4. Railway company employees who are telegraphers or station agents and are acting in a "relieving" capacity, or railway employees who do maintenance and repair work, may deduct amounts they pay for meals and lodging while employed away from their ordinary place of residence. Authority for this deduction is subparagraph 8(1)(e)(i) of the *Income Tax Act*, and applies only to the three classes of railway employees specified above.

5. Other railway employees, such as engineers on temporary relieving duty, may deduct the cost of their meals and lodging while employed:

- away from the municipality and the metropolitan area, if there is one, where their home terminal was located; and
- at a location from which, by reason of distance, an employee could not reasonably be expected to return daily to a self-contained domestic establishment, in which the employee resided and actually supported a spouse or common-law partner, or a person dependent upon the employee for support and connected to the employee by blood relationship, marriage, common law partnership, or adoption.

This deduction is authorized by subparagraph 8(1)(e)(ii) of the *Income Tax Act*.

Railway employees must use Form TL2, *Claim for Meals and Lodging Expenses*, to summarize trip information. Both the employee and the employer should complete this form.

Other Transport Employees (claiming a deduction under paragraph 8(1)(h) of the *Income Tax Act*)

6. Employees whose duties consist of the transportation of passengers, goods, or both which regularly require them to travel on journeys of substantial distance and duration, may be entitled to claim a deduction in respect of amounts they pay in the year for meals and lodging expenses incurred while so away in the performance of their duties, even though some of the conditions of paragraph 8(1)(g) of the *Income Tax Act* may not have been met. This may be the case where the employers' principal business is not the transportation of passengers, goods, or both. This deduction is authorized by paragraph (8)(1)(h) of the *Income Tax Act*, subject to the restrictions of subsections 8(4) and 8(10) of the *Income Tax Act* (explained below), provided all the following conditions have been met:

- (a) the employee is ordinarily required to carry on the duties of the office or employment away from the employer's place of business or in different places;
- (b) under the contract of employment, the employee is required to pay travel expenses incurred in the performance of the duties of the office or employment;

- (c) the employee is not in receipt of an allowance for travel expenses that was excluded from income by virtue of subparagraph 6(1)(b)(v), (vi), or (vii) of the *Income Tax Act*, and
- (d) the employee has not claimed any deduction for the year under paragraph 8(1)(e) (expenses of railway employees), 8(1)(f) (sales expenses) or 8(1)(g) (transport employee's expenses) of the *Income Tax Act*.

Subsection 8(4) of the *Income Tax Act* provides that an employee can only deduct under paragraph 8(1)(h) of the *Income Tax Act* the cost of meals consumed during a period while he or she was required by his or her duties to be away for 12 hours or more from the municipality and the metropolitan area, if there is one, where the employer's establishment to which he or she regularly reported for work was located. Subsection 8(10) of the *Income Tax Act* provides that, when claiming a deduction for travel expenses under paragraph 8(1)(h) of the *Income Tax Act*, the employee is required to complete Form T2200, *Declaration of Conditions of Employment*, signed by his or her employer certifying the conditions of employment. When making a claim under paragraph 8(1)(h) of the *Income Tax Act*, transport employees must also use Form TL2, *Claim for Meals and Lodging Expenses*, to summarize trip information. Both the employee and the employer should complete this form.

Note that when claiming a deduction in respect of meals and lodging for a year under paragraph 8(1)(h) of the *Income Tax Act*, transport employees are not allowed to make a claim under paragraphs 8(1)(g) or (e) of the *Income Tax Act* for that year.

Allowances and Reimbursements

7. A claim for meals and lodging made by employees of transport businesses and railway employees under paragraphs 8(1)(g) and 8(1)(e) of the *Income Tax Act* respectively, must be reduced by the amount of non-taxable allowances and reimbursements they receive or are entitled to receive in respect of those expenses. However, under paragraph 8(1)(h) of the *Income Tax Act*, employees cannot claim any travel expenses, including meals and lodging, if they receive from their employer a reasonable allowance that was not included in their income because of subparagraph 6(1)(b)(v), (vi) or (vii) of the *Income Tax Act*. Where the employee must include the amount of the allowance in income, he or she may claim a deduction for meals and lodging expenses, where all other conditions of paragraph 8(1)(h) of the *Income Tax Act* have been met. Interpretation Bulletin IT-522R, *Vehicle, Travel and Sales Expenses of Employees*, provides more details concerning allowances, reimbursements, and accountable advances.

Amounts deductible for Meals

8. The cost of a meal may only be claimed and a portion allowed as a deduction if the meal has, in fact, been paid for. Generally, neither paragraphs 8(1)(e), 8(1)(g) nor 8(1)(h) of

the *Income Tax Act* permit a deduction for meals consumed by individuals who, though they may otherwise qualify under either of these provisions, do not pay for meals but instead carry a lunch from home to work.

For those transport employees described in paragraphs 3, 4, 5, and 6, the amount they may deduct in respect of food or beverages consumed after February 1994 is limited to 50 per cent of the lesser of:

- the actual cost less reimbursements and non-taxable allowances, as explained in paragraph 7 above, and
- an amount that is reasonable in the circumstances.

Where expenses are incurred in respect of food or beverages consumed before March 1994, the amount that may be claimed is limited to 80 per cent of the lesser of:

- the actual cost less reimbursements and non-taxable allowances, as explained in paragraph 7 above, and
- an amount that is reasonable in the circumstances

The above limitations (in this Circular referred to as the "50 per cent limitation") are in accordance with section 67.1 of the *Income Tax Act*. If the cost of food or beverages is part of a package price that includes amounts not subject to the 50 per cent limitation, the employee will have to determine the value or make a reasonable estimate of the amount subject to the 50 per cent limitation.

Supporting Records

9. A claim will be allowed only if it is supported by records and, where required, by receipts or vouchers. The extent of the records needed and the requirement to maintain supporting vouchers will vary with the method chosen by the transport employee for calculating the deduction. The two methods available are outlined below. Regardless of the method chosen by the transport employee to calculate expenses, any amount claimed for lodging must be supported by adequate receipts or vouchers. Transport employees that choose to use one method of calculation are expected to use that same method consistently throughout a taxation year.

Methods of Calculation

Detailed Method

10. The detailed method requires anyone who claims a deduction to maintain a record book with the following information: the date the expense was paid, the time the trip started and ended, the geographical location (e.g., name of town, etc.), the name of the restaurant or hotel where the amount was paid, the type of expense (e.g., lunch, dinner, lodging), and the amount paid. Expenses so recorded will be allowed to the extent that they are reasonable and supported by vouchers. The amount paid for meals is subject to the 50 per cent limitation described in paragraph 8.

Below is an example of this type of record book.

Meals and Lodging expenses					
Date	Time in or Time out	Location	Restaurant	Type	Amount
June 15	9:30	Oshawa			
June 15		Belleville	Paradise Rest	Lunch	\$ 9.20
June 15		Montréal	Dunns Rest	Dinner	22.99
June 15		Montréal	Quebec Motel Ltd	Lodging	64.50
June 16		Montreal	Dunns Rest	Breakfast	5.75
June 16		Belleville	Paradise Rest	Lunch	17.45
June 16	16:00	Oshawa			

Employees should keep the record book in case the CCRA wishes to verify the expenses claimed.

Simplified Method

11. The simplified method requires the transport employee to maintain a record of trips actually taken during the taxation year under the following headings:

Meals and Lodging expenses							
Date	Departure Time	Destination	Date	Check-in Time	Hours away	Km driven	Number of meals
June 15	7:00	Montréal	June 17	16:00	57	1,100	7

When following this method, the CCRA allows a flat rate for each meal without requesting a supporting voucher. For taxation years from 1990 to 2002, the flat rate is \$11.00 per meal to a maximum of \$33 per day. For 2003 and subsequent taxation years, the flat rate is \$15.00 per meal to a maximum of \$45 per day. The flat rate per meal is subject to the 50 per cent limitation described in paragraph 8. The transport employee should keep the record of trips actually taken in case the CCRA wishes to verify the expenses. When transport employees choose to use this method, they may be asked to provide supporting documents from their employer indicating the number of days they were away and the number of hours spent while away.

Batching Rates

12. When transport employees, such as a crew on a work train, are provided with cooking facilities, and they purchase groceries and prepare meals either collectively or separately, the CCRA will normally accept claims without supporting vouchers if the amounts they claim for meals per person per day do not exceed \$22.00 for taxation years from 1990 to 2002, and \$30.00 for 2003 and subsequent taxation years. The batching rates are subject to the 50 per cent limitation described in paragraph 8. The transport employee should keep the record of trips actually taken in case the CCRA wishes to verify the expenses. When transport employees choose to use the batching rates, they may be asked to provide supporting documents from their employer indicating the number of days they were away and the number of hours spent while away.

Transport Employees Travelling to the United States of America

13. The simplified method is also available for transport employees travelling to the United States of America for employment related duties. For meal expenses incurred in the United States, they are entitled, under the simplified method, to claim US\$15 per meal to a maximum of US\$45 per day. For those using the batching rate, they are entitled to claim an amount not exceeding US\$30 per person per day. These amounts must be converted to the equivalent Canadian dollars at the average exchange rate for the year, as determined by the Bank of Canada. The policy to allow US rates was introduced in 2003 and is applicable to 2003 and subsequent taxation years. Prior to 2003, the flat cost per meal under the simplified method was Can\$11 and up to Can\$22 per day for the batching rate. Claims made by transport employees travelling to the United States of America are also subject to the 50 per cent limitation described in paragraph 8.

Limitation of Number of Meals in a Day

14. A claim for meals will be allowed to the extent the number of meals in a day is reasonable, which will depend on the number of hours the employee was away from home in the course of the employment duties.

Once all the conditions have been met under paragraph 8(1)(g), 8(1)(e), or 8(1)(h) of the *Income Tax Act*, (refer to paragraphs 3, 4, 5, and 6 of this Circular), the CCRA is generally prepared to allow a maximum of one meal after every four hours from the departure time to a maximum of three meals per day, subject to the comments in paragraph 3 above. The three-meal maximum is for amounts paid for breakfast, lunch and dinner while the transport employee was away from the municipality and the metropolitan area, if there is one, where the employer's relevant establishment is located (as explained in paragraphs 3, 4, 5, and 6) . For the purpose of calculating the maximum number of meals allowed, a "day" is considered to be a twenty-four (24) hour period that begins at the departure time.

Departure Time

15. The departure time for transport employees is considered to be the time the employee leaves the municipality and the metropolitan area, if there is one, where the employer's establishment is located.

Meals Supplied by Employers

16. In some cases, an employer may charge employees for meals supplied through company-owned facilities. When this occurs, the cost to the transport employee for meals consumed is generally less than the amount the transport employee might otherwise claim under the simplified method demonstrated above. Therefore, the transport employee is required to use the detailed method for those meals. However, the transport employee may use the simplified method for those meals purchased but not supplied by the employer.

CCRA's Verification Procedures

General

17. The CCRA has the authority under the Act to request additional information for the purpose of verifying claims that are made. Generally, such additional information would be requested to corroborate information contained on Forms TL2, *Claim for Meals and Lodging Expenses*, T2200, *Declaration of Conditions of Employment*, and T777, *Statement of Employment Expenses*, and to test the reasonableness of amounts claimed under the detailed and simplified methods.

Detailed Method

18. Transport employees who have chosen to use the detailed record-keeping method may be asked to submit the record book referred to in paragraph 10, and to supply supporting vouchers to substantiate claims for lodging and meal expenses claimed.

Simplified Method

19. Transport employees who have chosen to use the simplified method may be asked to supply trip records to support the number of meals claimed, and vouchers to support any lodging they have claimed or to ask their employer to provide supporting documents indicating the number of days they were away and the number of hours spent while away.

Employer Reimbursement Policies

20. The CCRA may verify reimbursement policies and entitlements directly with the employer.

Verification Process

21. When the CCRA is verifying claims, the employee will normally receive a letter requesting any additional information that is required. The employee, or any individual acting on the employee's behalf, should supply the information within the time limit stated in the letter. If this is not possible, you should advise the CCRA and, in all reasonable circumstances, an extension of the time limit will be granted.

Reassessment

22. The *Income Tax Act* provides for the reassessment of an individual's tax return

- (a) at any time, in cases of fraud, misrepresentation, or if a waiver has been filed;
- (b) back to 1985 where an employee makes a request under the fairness provisions; or
- (c) in most cases, at any time up to three years after the date the original assessment was mailed.

Information Circular 75-7R3, *Reassessment of a Return of Income*, provides more details concerning reassessments.

Record or Document Retention

23. Receiving a notice of assessment does not relieve the employee of the responsibility to support a claim by records and receipts. Records and receipts should be kept in a safe place for at least 6 years, as explained in Information Circular 78-10R3, *Books and Records Retention/Destruction*, so that when asked to support a claim, the employee can do so without difficulty.

How to Obtain Forms TL2, Claim for Meals and Lodging Expenses, T2200, Declaration of Conditions of Employment, and T777, Statement of Employment Expenses

24. These forms may be found in the guide T4044, *Employment Expenses*, available in your Tax Services Office or on our Web site at : www.cra.gc.ca. Employers or employees may obtain electronic copies from our Web site or order copies of our forms and publications by calling 1-800-959-2221 or by writing to:

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