

POWER SAW EXPENSES

74-6R2

December 23, 1986

This replaces and cancels Information Circular 74-6R dated July 18, 1977. Current revisions are designated by vertical lines.

1. Claims for power saw expenses will be allowed by the Department on the basis of actual expenses only.
2. Each employee will be required to file with the employee's tax return a statement setting out in detail the actual cost of operating the power saw. It will not be necessary to file receipts and vouchers in support of these expense claims with the income tax return but they must be retained on file for later examination if requested.
3. While no provisions of the law permit an employee to claim capital cost allowance on a power saw, the Department's research has indicated that such saws have a very short life and therefore, a sufficiently broad interpretation can be placed on subparagraph 8(1)(i)(iii) of the Income Tax Act for the Department to allow an employee to deduct the actual cost of a saw purchased during the year in addition to the operating expenses referred to in 2 above.
4. Each claim for deduction of the cost of a saw must be set out clearly in the statement of expenses filed with the income tax return and this cost must be reduced by the trade-in values or sale prices received from the disposal of saws during the year.
5. The Department has noted that many employees engaged in forestry operations make claims for travelling expenses, usually by car or truck and, in some situations, the cost of horses and harness which are supplied.
6. Travelling expenses are generally not allowable, since the Department's research indicates that they are for the purpose of travelling from home to the cutting site, from home to a woods camp or from a woods camp to the cutting site. Such costs are personal or living expenses and not deductible in the computation of income for tax purposes.
7. Also, the cost of horses and harnesses is not deductible, since these represent capital expenditures.

Reporting Requirements for Employers

8. All employers engaged in forestry operations, filing T4 Supplementaries on behalf of their employees, should indicate in the space to the right of Box (O) or as a footnote on the T4 Supplementary, the notation "Power Saw Employee" for each employee who was required by the contract of employment to supply a power saw at the employee's expense.

9. Box (C) Employment Income before Deductions should not be reduced in any way by the cost or value of saws, parts, gasoline or any other materials supplied by the employee.

10. Employers are no longer required to report separately the amount of rent paid to employees for the use of power saws, rather such rental payments should be included in Box (C).

11. Income tax deductions, Canada Pension Plan contributions and Unemployment Insurance premiums will be based on the gross remuneration in Box (C), U.I. insurable earnings in Box (H), and C.P.P. pensionable earnings in Box (I), respectively.