



CHARTERED ACCOUNTANTS

## **INCOME TAX CHANGES WITH RESPECT TO MEAL EXPENSES FOR TRANSPORT EMPLOYEES**

Effective with 2006 personal income tax returns, Canada Revenue Agency has increased the meal rates that transport employees may claim on a flat-rate basis without receipts. \$17 per meal up to a maximum \$51 per day may now be claimed by eligible employees. (Eligible employees are generally those involved in the transportation of freight or passengers away from their office or residence for 24 hour durations or greater, and those employees required to carry on the duties of employment for at least 12 hour durations outside of the metropolitan area in which they reside and/or work).

In addition to the above, the Income Tax Act currently allows a deduction in respect of 50% of the flat rate (as noted above) or actual (supported by receipts) meal expenses of transport employees (to the extent they are not reimbursed). The percentage of eligible meal expenses that may be deducted by the employee will soon increase if proposals in the 2007 Federal Budget are passed into law as expected. The percentages of meal expense that are expected to be allowable are as follows:

- 2007 (expenses after March 18, 2007): 60%
- 2008: 65%
- 2009: 70%
- 2010: 75%
- 2011: 80%

As always, the employee must still maintain a log of their travel to substantiate that the meals claimed were eligible to be deducted.

Furthermore, Canada Revenue Agency may request a form TL2 (for those employed by a company whose main business is the transportation of goods and/or passengers) or form T2200 (for all other employees) to support the eligibility of the deductions. Accordingly, employer and employee should continue to fill out these forms as appropriate, and employees for whom KNV is to prepare personal tax returns for should provide us with a copy of the TL2 or T2200 for us to have on hand in case of Canada Revenue Agency queries.

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