

TAX TIP

AUTOMOBILE EXPENSES FOR CORPORATE BUSINESSES

AUTOMOBILE ALLOWANCE

As a result of being incorporated, the easiest and best way to account for your automobile expenses is to have the corporation pay you a "Reasonable Automobile Allowance"

Estimate what the business portion of your automobile expenses are annually and then have the corporation pay you a monthly Auto Allowance.

For Example:

AUTOMOBILE EXPENSES

TIP: Why do I want to track this? Because it increases your deduction & increases your refund!

	Amount
BUSINESS KILOMETERS	15,000
TOTAL KILOMETERS	20,000
% BUSINESS USE	75%
GAS	\$3,600
REPAIRS	\$1,000
INSURANCE	\$1,200
CAR LOAN OR LEASE PAYMENT	\$6,000
PARKING/407 ETR/AUTO CLUB	
TOTAL	\$11,800
% BUSINESS USE	75%
TOTAL DEDUCTIBLE AUTOMOBILE EXPENSES	\$8,850

FORMULA: $\$11,800 \times 75\% = \$8,850$

In this case the corporation should be paying you \$737.50 ($\$8,850 / 12$) a month as an auto allowance. The corporation is able to deduct this as a tax deduction and it is tax free to you since it is simply an expense re-imbursement.

PLEASE USE WORKSHEET FOR AUTOMOBILE EXPENSES FOR CORPORATE BUSINESSES



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