

## CANADIAN FAQ FOR THE TAX SAVVY

Canadian FAQ Issue # 334

Revised July 14, 2020

CLASS 10 VS. 10.1 ASSETS

### Tax Question:

How do I determine if my new vehicle is a Class 10 or Class 10.1 asset and what are the tax implications?

### Facts:

Any vehicle with a purchase cost of over \$30,000 can be classed as a luxury vehicle (a 10.1 asset). This classification restricts the amount of depreciation that can be deducted from income which reduces your corporate expenses and increases your corporate tax. It also limits the amount of GST that can be recovered. The determining factor is whether the vehicle is a passenger vehicle or a motor vehicle by CRA's definitions.



### Discussion:

To determine whether a vehicle is a passenger vehicle (Class 10.1) or a motor vehicle (Class 10) there are three things that have to be looked at:

- The type of vehicle—is it a sports car, a truck, a sedan or a SUV?
- The use—is it used to transport goods, equipment or passengers?
- How much of that use is business related—how much is it used for business purposes?

Having a class 10 asset is better for tax purposes as it allows more deductions.

For example: A pick-up truck that costs over \$30,000 and seats 1-3 people including the driver may be classified as a motor vehicle (Class 10) with no depreciation restrictions, only if it is used more than 50% of the time in the year of purchase, for business purposes to transport goods and equipment. Whereas a SUV that seats 4-9 people including the driver may be classified as a motor vehicle (Class 10) with no depreciation restrictions only if it is used more than 90% of the time in the year of purchase, for business purposes to transport goods or equipment.

Certain vehicles such as sports cars and sedans will be classified as a passenger vehicle irrespective of the amount of business use. So, your brand new Lexus GS 350 costing over \$50,000 will be subject to the depreciation restrictions even if it is used 100% for business.

The tax rules require the taxpayer to prove their position, so it is mandatory to have a vehicle log to demonstrate business use if you are using a ratio of kilometers driven as a key argument in claiming the vehicle as a Class 10 asset.

### Recommendation:

Before you buy that new vehicle, please contact us at [www.gilmour.ca/contact](http://www.gilmour.ca/contact) to determine the tax consequences of the purchase.

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