



Meals on Wheels

big money How to make sure the government doesn't get more than its fair share of your lunch money. By Scott Taylor

One of the most confusing areas of tax compliance involves claims for meals and travel expenses.

Part of the problem is that Canada Revenue Agency (CRA) has changed its policies about how truck drivers calculate deductions for meal expenses incurred during business travel.

Like anyone else who works away from his employer's place of business but does not receive a meal allowance, a truck driver can claim his actual meal cost provided that each expense is reasonable, itemized, and verified by a receipt. However, most drivers use a "simplified" flat-rate calculation method requiring a travel record but not receipts for each meal.

Starting with the 2003 tax year, CRA raised the simplified claim rate from \$11 to \$15 per meal. At the same time, it allowed for an exchange rate

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on meal expenses incurred in the United States.

While CRA has "giveth" by boosting the food-expense allowance, it also has "taketh" away in other aspects of its meal policy, outlined in Information Circular 73-21R8, Claims for Meals and Lodging Expenses of Transport Employees. You may not have recognized



these changes, but CRA auditors—now investigating 2003 and 2004 tax-year claims on TL2 forms—certainly know about them, because we're seeing them vigorously question claims.

Here are the areas to watch out for:

MEAL CLAIMS GENERALLY REQUIRE AN OVERNIGHT STAY:

To make a meal claim, CRA policy states you "must generally be away from home overnight" while on the job. That means whether you work eight, 10, 12, or more hours a day, if you return home within 24 hours of your departure, CRA expects you to eat at least breakfast and perhaps supper at home. The old rule that "every four hours is a meal" no longer applies. If you're not sleeping on the road, your meals-allowed-per-day is much more limited than it used to be.

NO SIMPLIFIED METHOD FOR THE SELF-EMPLOYED: Canada's Income Tax Act has separate rules for the self-

employed, and they require all deductions (meals, fuel, repairs, etc.) to be based on actual expenditures with receipts to support them. Therefore, if you're a sole-proprietor, you should use the detailed method to calculate your meal expenses and not count on an away-from-home deduction. Keep a record book and receipts to support the amount you deduct, and know that your hours-of-service logbook probably is not sufficient to support meal claims.

MORE MEAL-CLAIM TIPS:

1. The CRA meal-claim policy is not the same for an employee of a "transport business" as for one who's a full-time truck driver for a manufacturer, courier, driver/employment-service company, or an employer in some other line of work.

2. The meal deduction is designed to compensate you for the extra cost of having a restaurant prepare your meal. Groceries bought on the road are treated no differently than groceries you would have paid for and eaten at home.

3. Provincial and U.S. DOT regulations may allow you to discard your logbooks after six months, but if you use them to substantiate your meal claims, keep them for seven years like any other tax receipt.

4. Meal limits are not law. Truck drivers using the simplified method have been claiming more in light of an August 2000 case involving Don Wilkinson, a Winnipeg driver who used a daily meal rate of \$40 on his TL2. He was audited and won his appeal in a federal tax court. The decision doesn't establish what's "reasonable" for all truck drivers, it only says that \$40 was appropriate for Wilkinson. Any driver making a similar argument should be prepared to defend the claim in court for each tax year.

5. For an owner-operator, perhaps the best course of action is to incorporate and create an employment contract between yourself and your company where you draw a meal per diem as part of your overall compensation package. The combination of personal income tax savings, corporate income tax savings, and a reduction in Canada Pension Plan could be substantial. Something to chew on as we start off 2006. ▲

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