

# TRUCK NEWS

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## Mexico, eh?

*Mexican trucks may soon be running north*

By Ingrid Phaneuf

**OTTAWA, Ont.** – With all the brouhaha surrounding the recent US Department of Transportation launch of a “demonstration program” to finally apply the North American Free Trade Act to US/Mexico cross-border trucking, Canada’s ongoing attempts to get Mexico to recognize its rights under the Act are largely being ignored.

Except, of course, by Canadian carriers, some of whom have been waiting to have their applications to run into Mexico processed since NAFTA was signed in 1993.

“The consensus at CTA is that once the Mexican border opens to US carriers it should definitely open to us,” Ron Lennox, vice-president trade and security for the Canadian Trucking Alliance said following the association’s recent annual board meeting. “We’re not interested in taking part in the project, but we do think Canadian carriers should be allowed to enter into Mexico as called for in NAFTA.”

According to Lennox, a number of Canadian carriers made applications for authority to operate in Mexico after NAFTA was signed, but have since had no word from

Continued on page 10 ■

## Mid-America Review

A complete rundown of new products introduced at the Mid-America Trucking Show

See pgs. 42-59



## Questions remain about meal tax restoration

By James Menzies

**OTTAWA, Ont.** – As the April issue of *Truck News* went to press, Federal Finance Minister Jim Flaherty was announcing his federal budget, which contained a long overdue perk for professional drivers.

Flaherty announced the feds would restore the meal tax deduction limit from 50% to 80% over the next three years. The first increase was to take effect immediately, with a 10% increase to 60% effective Mar. 19.

It was a major victory for the

trucking industry, which has been appealing to the federal government to restore the meal tax deduction limit since it was first slashed in 1994.

However, there are still some unknowns as tax professionals

Continued on page 9 ■

## A different breed of driver

Shunters keep the yard moving.

See pg. 24



### Inside This Issue...

- **CJ-4 review:** CJ-4 motor oil has survived its first winter. Was it up to the challenge? Page 60
- **Wireless wonders:** Asset tracking is not just for big fleets anymore, according to cellular providers with GPS units for small fleets. Page 62
- **Financing 101:** A look at financing for owner/operators. Choosing a financing plan that allows you to maximize cash flow while still riding in style. Page 65
- **In the land of rock and fog - Part 2:** A trip to 'The Rock' turns creepy as the fog rolls in. Page 84



## New & Used Equipment Buyer's Guide

Careers Pages 60-72

Ad Index 83

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# Local drivers will still be able to claim meals: CTA

■ Continued from page 1

and truck drivers try to understand how the new rules will effect them. Local drivers, for instance, have expressed fear they will lose their ability to claim meals altogether.

Their concerns stem from the wording: "To be eligible, drivers must be away for at least 24 consecutive hours, and the purpose of the trip is to transport goods beyond a 160 km radius from the home location; in addition, the vehicle must have a GVWR of greater than 11,788 kg."

One such driver wrote to *Truck News*, complaining that "Under current legislation a 70 km minimum radius and 12 hour minimum away from home terminal time was a requirement to allow a meal deduction. Under this new budget plan, the minimum radius was increased to 160 km and the minimum away from home terminal time was increased to 24 hours. What Mr. Flaherty has done is smoke and mirrors. Sure it looks good but under his proposal any local regional driver has just lost his right to claim a deduction. All those Toronto-Montreal day trips are now ineligible. Hamilton-Detroit no longer deductible. Short around the lake trips no longer deductible. Just these three examples of trips that can be done in a 14-hour cycle show hundreds of drivers have just lost thousands of dollars in tax breaks."

Not necessarily, says tax professional Scott Taylor, vice-president of TFS Group, a Waterloo, Ont., company that provides accounting, fuel tax reporting, and other business services for truck fleets and owner/operators.

"I read the budget proposal differently, although his interpretation is possible," responded Taylor. "Long story short, I think there will be two meal rates, 80% for 24 hours away and 160 kms and 50% will stay for everything else. They used the phrase 'eligible

**"I think there will be two meal rates, 80% for 24 hours away and 160 kms and 50% will stay for everything else," – Scott Taylor**

meal' in the budget. A non-eligible meal could follow the old rules. That's how they worded the change in treatment of corporate dividends to put them on even standing with income trust distributions. Everyone needs to be reminded that what a politician writes and what eventually ends up in Canada Revenue Agency (CRA) hands as law or interpretation can vary."

The Canadian Trucking Alliance sought clarification on this issue from Revenue Canada, and has been assured local drivers will still be able to claim their meals.

"Those drivers who do not qualify for the full 80%, (e.g. local drivers) will still be eligible for the 50% deductions they have been claiming on their tax returns over the years," CTA said in a release. "The Income Tax Act provides a general limitation on the deductibility of meal expenses for all taxpayers to 50%; the new provisions for long-haul drivers are written as an exception to this general rule. Whether meal expense deductions are being claimed by long-haul or local drivers, the Canada Revenue Agency will still only allow the deductible percentage to be applied to the lesser of, (a) the amount actually spent or, (b) an amount considered 'reasonable in the circumstances.' Drivers and carriers are encouraged to contact their accountants to work out the details of the eligible deductions."

With that settled, there are still several questions remaining about the tax limit restoration. Taylor said some clients have expressed concern about the wording of the ruling with regard to weight restrictions and minimum hours

away from home.

Also, many drivers are confused about the Mar. 19 start date for the jump to 60%.

"The first 10% was effective the day of the budget, they didn't go back to January," said Taylor, adding that will complicate tax returns for 2007. "That means meals up to March 18 are one rate and March 19 another rate."

Also, long-haul drivers may also be wondering about the wording that would seem to require them to be 24 hours away from the home terminal before the higher limits kick in.

Since the wording suggests a driver must be gone for 24 consecutive hours, do the meals consumed during the first 24 hours of a run qualify for the 80% deduction or will they still only be eligible for the 50% deduction? The same question applies for drivers returning from a trip.

"They (CRA) don't know that yet," said Taylor. "They wrote it with the intent, and now the administrative people have to decide how they are going to bring it into practice."

For now, it appears the meal tax restoration brings about as many questions as answers. Taylor will be addressing these, and other taxation issues for owner/operators in his monthly column for *Truck News*.

*This month's column can be read on pg. 27.* □

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