

Meals: Play by the rules

It was great to see the Lunch Bag Let-Down postcard campaign in the February issue of *Truck News*. Whether the 2007 federal budget restores the 80% meal deduction limit for truck drivers or not, it's important to let policymakers know that truck drivers face a special set of circumstances when it comes to meals away from home.

That said, it's important to understand that not all truck drivers are the same in the eyes of the Canada Revenue Agency (CRA). Just because you drive truck doesn't mean that the rules CRA applies to you also apply to Buddy-What's-His-Name, who also drives truck.

How can that be? Well, some of you are employees, some of you are self-employed. Some are long-haul drivers, some are home every night, some work for a for-hire carrier, and some of you work for a private fleet. These differences and various combinations of them can drastically change how much your meal claim is and whether you are able to claim it.

So let's try to make some of the issues clearer.

CRA publishes a document called *Information Circular IC73-21R9: Claims for Meals and Lodging Expenses of Transport Employees*. It details how CRA applies the Income Tax Act to the meal and lodging expenses incurred by employees involved in commercial transportation. It was updated again this year for the increase to \$17 per meal.

The document divides transport employees into two groups based on the principal business of the employer: those who are employed by companies whose principal business is transportation, and those who work in transportation for non-trucking companies.

So those of you working at a for-hire carrier have different rules than those of you working for a courier company, private carrier, employment service, or manufacturing company. To show just how important this is, have you ever noticed the very first question in the employer section on the TL2 form?

It asks the employer to confirm that its main business is the transportation of goods or passengers, yes or no. For those of you hauling your employer's product for a living, your employer has to answer no.

CRA rewrote this information circular in October 2003 to increase the meal claim from \$11 to \$15 and to allow the cost of exchange for expenses in the United States. Both were good news. However, CRA took advantage of the re-write to tighten up who qualifies for the deduction and how the meal expense is calculated.

The old rule of thumb was that you were allowed one meal for every four hours away from home. Today, your trip is to be of "substantial distance and duration as

Tax Talk

Scott Taylor



to require disbursements for both meals and lodging" – you must generally be away from home overnight in the performance of your job. This change is the result of tax court arguments in 2000 and 2001 as CRA was attempting to reduce some taxpayers' claims. While CRA lost in court, the new language more clearly defines what is an allowable expense.

I've seen vigorous enforcement of this recently. In several audits where the driver returned home each day, CRA disallowed any meal expense claims unless the logbook showed 12 hours or more away from home.

Even when the drivers had a 10- or 11-hour day, the meal claim was reduced to zero. It seems there's no way to claim one or two meals unless you sleep away from home and you work for a company whose principal business is transport.

CRA also is asking your employer to verify that you are required to be away for at least 12 consecutive hours from home (did you notice that new question on the TL2?) From what I've seen, many employers aren't answering, but the fact that CRA has added this question to the form only emphasizes how important this new concept is.

There's one other change to the TL2 worth mentioning. You can't tell from the front of the form, but in the small print on the back, the area for lodging claims is now for lodging and showers. You'll need receipts to support this claim.

And while this column has been speaking mostly about employees, the concepts also affect self-employed truckers on their away-from-home time and allowable meal claims.

Next month, we'll discuss the changes that specifically affect self-employed individuals and how to deal with them.

So while I hope you sent in your Lunch Bag Let-Down postcard, take time to learn how the meal and lodging claims apply to you specifically. Start by reading Information Circular IC73-21R9, available in the Forms and Publications area of the CRA web site (www.cra-arc.gc.ca).

It's not exciting reading, but the language is plain enough for just about anyone to follow. And it's better than relying on the truck-stop grapevine or advice from Buddy-What's-His-Name. □

– Scott Taylor is 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. For information, visit www.tfsgroup.com or call 800-461-5970.