

<p><b>CORPORATE POLICY and PROCEDURE</b></p>	 <p><b>WOOLWICH TOWNSHIP</b></p>	<p>Policy No.: FI-12 Pages: 6 Effective Date: December 17, 2024 Supersedes: None.</p>
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**SECTION: Finance**

**SUBJECT: Reimbursement for the Use of Personal Vehicles (Mileage) Policy**

**POLICY SCOPE**

This policy applies to all staff, departments, Council and committees in the Township of Woolwich

**POLICY STATEMENT**

It is the policy of The Corporation of the Township of Woolwich (“the Township”) to

- To adequately compensate employees for reasonable costs related to the business use of personal vehicles while respecting overall taxpayer affordability.

**POLICY OBJECTIVES**

They key objectives the reimbursement for the use of personal vehicles policy are:

1. To adequately compensate employees for reasonable costs related to the business use of personal vehicles
2. To provide a transparent and predictable mileage rate that can be used in financial planning and budgeting.

To set a rate that is reasonable and respects overall taxpayer affordability.

**DEFINITIONS**

**CRA:** Acronym for Canada Revenue Agency.

**CRA Rate:** Refers to the annual expense benefit rates for businesses published each year for employee use of personal vehicles. The CRA sets two maximum rates each year for travel below and above 500kms.

**Kilometric rate:** This is the proper term to refer to reimbursement based on kilometers (as opposed to miles) driven.

**Mileage rate:** This is the colloquial term for kilometric rate. For the purposes of this policy mileage and kilometric rate will be used interchangeably and mean reimbursement for distance covered measured in kilometers.

**Regular Place of Work:** The CRA considers a regular place of employment to be any location where your employee regularly reports for work or performs their employment duties.

## **CRA KILOMETRIC RATE**

### Overview

On January 1 of each year the Canadian Revenue Agency (CRA) updates its kilometric (mileage) rate that it deems reasonable for business to reimburse employees for the personal use of vehicles. Beyond this rate, the CRA deems any reimbursement unreasonable and subject to tax as a benefit in kind.

The CRA's mileage rates are designed to reflect the average costs of operating a vehicle, including factors like fuel prices, maintenance, insurance, and depreciation. As the CRA has a vested interest in receiving as much tax as possible, it is reasonable to assume that the rate proposed by CRA represents a reasonable reimbursement rate.

### Tiered Rates

The CRA publishes two rates annually. The first rate is set for the first 5,000 kilometres and can be seen as an estimate of vehicle these costs for the average Canadian driver. This initial rate is slightly higher as it tends to incorporate the fixed costs of vehicle ownership, which do not significantly vary with the amount of driving.

Beyond the initial 5,000 kilometres, the rate decreases. This reduction acknowledges that the variable costs (like fuel and maintenance) become more important than fixed costs as one drives more.

## **WOOLWICH REIMBURSEMENT RATES**

### Taxpayer Affordability

There is a need to balance taxpayer affordability with the need to adequately compensate employees for reasonable costs related to the business use of personal vehicles. As such, the following principles shall be followed:

1. **The lower bound of the CRA rate will be used.** The CRA publishes two rates each year for under 5,000kms and a lower rate for over 5,000kms. While the corporation recognizes the fixed nature of many vehicle costs, the lower rate for over 5,000kms will be used when setting the Township mileage rate. This will keep the cost impact of mileage claims lower.
2. **The previous years CRA rate will be used.** While the CRA updates its rate as of January 1<sup>st</sup> each year in advance for the upcoming fiscal year, the Township's policy will be to update the rate based on the previous year's CRA rate. This will keep the cost impact of mileage claims lower.

### Township Rate

The township mileage rate shall be calculated as follows:

- On January 1<sup>st</sup> each year, the Township will update its employee vehicle reimbursement rate.

- This employee reimbursement rate will be based on the tables published by CRA each year and set at the over 5,000km rate.
- The Township rate will align to the over 5,000km rate set by CRA for the previous calendar year.
- This rate will apply to all kilometers driven and there will be no change if there is usage over 5,000kms.

### Previous CRA Calendar Rate

While the CRA updates its rate as of January 1<sup>st</sup> each year **in advance** for the upcoming fiscal year, the Township's policy will be to update the rate **in arrears** based on the previous year's CRA rate.

- For example, on January 1, 2025 the CRA will update its kilometric rate. The Township will update its rate at the same time but will base the rate on the update published by CRA on January 1, 2024.
- On January 1, 2026 the Township will update its rate based on the January 1 2025 effective CRA maximums. Effectively the Township will be one year behind the published CRA rate.
- This will ensure that the Township's rate remains relevant while also providing increased predictability and affordability.
- The rate used will be the over 5,000kms rate published by the CRA.

## **APPLICABILITY**

### Expenses Policy

The reimbursement of personal vehicles policy will also adhere to the requirements of FI-08 Expenses Policy.

### Township Business

The reimbursement of personal vehicles policy will only be made for legitimate business use and is use of personal vehicles requires approval by the employee's direct supervisor.

### Personal Use

The township will not reimburse employees for personal use of vehicles. The CRA considers the following personal driving:

- Between the employee's home and their first work location
- Between the final work location and the employee's home
- Any travel by employees between regular places of employment is considered business (employment-related) driving.

### Regular Place of Work

The reimbursement of personal vehicles policy will not apply for travel to or from the employee's home and regular place of work. This is not permitted by CRA and would be considered a taxable benefit.

Any travel by employees between regular places of employment is considered business (employment-related) driving.

### Non-Regular Place of Work

The reimbursement of personal vehicles policy would apply for work-related travel from an employee's home to a non-regular place of work. In these cases, the following calculation process would apply:

- Calculate the distance from the employee's regular place of work to the non-regular workplace
- Calculate the distance from the employee's home to the non-regular place of work.

The lesser of the two distances will be the amount that is allowed as a reimbursement claim. This provides clarity in circumstances where the employee may live closer to the non-regular place of work and to prevent claims not based on actual travel distances.

## **ADMINISTRATION**

### Approval

All reimbursement claims must be approved by the employee's direct supervisor and are subject to review by finance staff.

Council expense claims are subject to approval by the Clerk's office or the finance department.

### Backup

To qualify for the CRA mileage rate accurate record-keeping is essential for compliance and to support claims. The records should include the date of each trip, the destination, the purpose of the trip, and the number of kilometres driven.

All reimbursement claims must be supported by reasonable evidence of expenses incurred. This could include supporting documentation of the distance covered through online mapping or other purposes.

If no record is kept, the allowance or reimbursement may be considered taxable, or the reimbursement claim could be denied.

### Regular Expense Claims

To better track ongoing expenses employees should make claims on a regular basis rather than waiting for large claims.

All reimbursement claims for the year must be submitted by the appropriate year end deadlines.

Claims that are made beyond these deadlines or are unreasonably dated may not be reimbursed subject to the discretion of the Treasurer.

### Audit

Travel logbooks and other source documents may be subject to audit from time to time at the discretion of the Treasurer and without advanced notice.

## **BENCHMARKING AND REVIEW**

Each year, regional municipalities review other municipal mileage reimbursement rate for comparator purposes.

The Treasurer will review these rates and report to Council if there are any significant deviations from peer municipality rates before updating the rate for the following year.

The Treasurer and Council reserve discretion to amend this policy and / or to freeze the reimbursement rate as needed.

## **POLICY REVIEW**

This policy will be reviewed every four years at every change in Council or as needed.

## **REFERENCES**

<https://www.canada.ca/en/department-finance/news/2023/12/government-of-canada-announces-2024-automobile-deduction-limits-and-expense-benefit-rates-for-businesses.html>