

Clause 1

COVID-19 — automobile operating expense benefit

ITA
6(2.2)

Paragraph 6(1)(k) of the *Income Tax Act* (the “Act”) provides a formula for determining the operating expense benefit of an employee where an automobile is provided to the employee, or a person related to the employee, by the employer, or a person related to the employer, and operating expenses are paid by the employer or a person related to the employer.

If such an automobile is used primarily in the course of the employee's office or employment, the employee can elect that the operating expense benefit be one-half of the standby charge for the automobile determined under subparagraph 6(1)(e)(i) less any reimbursements to the payor in respect of operating expenses. The employee must, however, inform the employer in writing by the end of a year of the employee's intention to have the benefit calculated in this manner for that year.

Where the employee is not eligible (or does not choose) for the benefit to be calculated in this manner, the amount of the benefit in respect of the operation of an automobile is determined by reference to the number of kilometres driven for personal use during the period in the year in which the automobile is made available by the employer or a person related to the employer.

New subsection (2.2) provides special rules that may apply to the automobile operating expense benefit formula for the 2020 and 2021 taxation years. These special rules deem the operating expense benefit to be equal to the lesser of one-half of the standby charge and the per-kilometre prescribed rate. For this to apply, an employer-provided automobile must have been used primarily in the performance of the duties of the taxpayer's office or employment during the period it was provided in 2019. The new subsection applies to automobiles that are provided by that employer in 2020 or 2021.

COVID-19 — reasonable standby charge

ITA
6(2.3)

Subsection 6(2) of the Act provides the calculation of a reasonable standby charge which must be included in computing an employee's income where an employer-provided automobile is made available to the employee. The standby charge may be reduced where the employee's personal use of the employer-provided automobile is less than 1,667 kilometres per month and the distance travelled by the automobile is primarily in connection with or in the course of the office or employment.

Paragraph (a) of the description of A in the formula in subsection 6(2) effectively allows for a reduced reasonable standby charge if the conditions in its subparagraphs (i) and (ii) are met. For the condition in subparagraph (ii) to be met, the distance travelled by the automobile in the total days that it was available to the employee must be primarily in connection with or in the course of the employee's office or employment.

New subsection (2.3) provides special rules that may apply to the reasonable standby charge for the 2020 and 2021 taxation years. It provides that if the condition described above (in subparagraph (a)(ii) of the description of A in subsection 6(2)) was met in 2019, it will be deemed to be met in 2020 and 2021, provided the employer remains the same.

Clause 2

COVID-19 automobile benefits

ITA
87(2)(g.7)

Subsection 87(2) of the Act provides continuity rules that apply after an amalgamation.

New paragraph 87(2)(g.7) allows new corporations formed on an amalgamation to be treated as the same employer as its predecessor corporations for the purposes of new subsections 6(2.2) and (2.3), which provide relief measures in connection with COVID-19 in respect of the use by an employee of an employer-provided automobile for the 2020 and 2021 taxation years.