



British Columbia Teachers' Federation

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TAX TREATMENT OF EMPLOYMENT AND PROFESSIONAL EXPENSES

Teachers sometimes wonder what options are available for claiming income tax deductions when spending personal money on work-related expenses. While the BCTF does not provide individual tax advice, the following information is designed to provide an overview of the rules governing deductions available to teachers and other employed professionals.

The following are examples of expenses that members **MAY** be able to claim on their personal income tax returns:

1. Use of own vehicle for employment

- a. Members may qualify for deducting certain automobile operating expenses if the following three conditions are met:
 - you are ordinarily required to work away from your employer's place of business or to work in several places (itinerant teachers and TOCs could qualify)
 - you are required to pay your own travel/auto expenses
 - you do not receive a tax-free allowance per kilometre
- b. Operating expenses include gas, repairs, insurance, capital cost allowance (depreciation). The eligible operating expenses allowed for income tax deduction are the business/employment use portion, i.e., no deduction is permitted for the personal use portion. Detailed records should be kept to separate employment vs. personal automobile travel. The employer will need to sign tax form T2200, "Declaration of Conditions of Employment" (attached). Please note that Question 1 does **not** require an explicit reference in the contract of employment for an employee to qualify under "...require the employee to pay his or her own expenses..." (see last paragraph of item 2 on page 2 re: "implied requirement").

For the 2004 and 2005 tax years, a number of TOCs claimed automobile deductions on their personal income tax returns and were not reassessed by CRA. In fact, CRA queried one particular TOC on automobile and moving expenses that were claimed as expenses. Only the moving expenses were not allowed, i.e., the automobile expense deductions were allowed (no reassessment was issued).

- c. In 2006, the BCTF obtained an opinion from a tax specialist with their auditors. Their opinion was that TOCs **would be** entitled to claim a deduction for reasonable automobile expenses while travelling between work locations, i.e., between a school board office and a school or between schools. A mileage log should be maintained, along with the retention of receipts for expenses incurred. However, they would **not** be able to claim a deduction for automobile expenses incurred while travelling from

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their home to a work location or from a work location to their home (this would be personal travel).

- d. Contact Canada Revenue Agency (CRA) for various guides/forms that provide details or visit their web site at www.cra-arc.gc.ca.

2. **Cost of supplies**

The cost of certain supplies purchased by members that are used in the classroom may be deducted for income tax purposes. Equipment and material not consumed during the school year, e.g., computers and software, are specifically excluded. The Income Tax Act (ITA) allows for a deduction in computing income from employment for the cost of supplies if the following conditions are met:

- the supplies were consumed directly in performing the duties of employment
- the employee (member) is required by the contract of employment to provide and pay for such supplies
- the employee has not been reimbursed and is not entitled to be reimbursed for the supplies.

In addition to the above, the employee must have a completed copy of Form T2200 signed by the employer certifying that the conditions for claiming the deduction were met in the year.

Based on the above, school district personnel have been reluctant to sign the T2200 asserting that it is not a condition of employment contained in a contract that members pay for supplies. However, the attached CRA Interpretation Bulletin (IT-352R2 Employment Expenses) indicates in paragraph 1 that this requirement may have been met if it is understood by both the employer and the employee that the employee was to make such payments and that the payments were, in fact, necessary under the circumstances to fulfil the duties of the employment. Therefore, whether a member is entitled to deduct the cost of supplies depends on whether there is either an express (i.e., contract) or implied requirement for the member to provide and pay for the supplies and whether the employer has certified that the employee qualifies for the deduction.

Note: For items 1 and 2 above, the employer must complete and sign the T2200 form but the employee does not have to file the form—only keep it in the event that CRA ask to see it.

3. **Tuition and education tax credit**

Members may qualify for tuition and education (full or partial) tax credits for fees paid to a Canadian post-secondary institution or an institution certified by Human Resources Development Canada. Fees paid to universities outside Canada for full-time enrolment in degree programs may qualify as well. The ITA (section 118.5 and .6) provides “the rules” which in addition to the above also excludes claiming for these credits if the member is reimbursed by the employer. Prior to 2004, CRA were also denying claims if the educational program was taken during a period when the member received income from

employment and in connection with or as part of the duties of that office or employment. For the 2004 and future tax years, this restriction has been removed from the ITA.

In early 2005 a member appealed to the Tax Court of Canada contesting CRA's denial of her claim for the 2003 tax year of the tuition/education tax credit. This appeal was successful with the judge citing a number of reasons for allowing the claim. The courses taken by the member were "interdisciplinary", and were participated in by a variety of persons (besides teachers) and were not necessarily nor directly related to the members' teaching position. Also, the judge indicated that where the ITA requires interpretation that the courts should rule in favour of the individual tax payer.

Notes:

1. **The above are the most common income-tax-related items that may impact members, i.e., this is not an all-inclusive list of items that may be available to individual members as tax deductions/credits.**
2. **If you are reassessed by CRA, individuals must file a notice of objection before the later of:**
 - **90 days from the date of mailing of the notice of assessment or reassessment; or**
 - **one year from the filing due date for the return under assessment or reassessment.**
3. **The BCTF is not able to provide individual income tax advice. Members should seek tax advice as appropriate from a professional.**