

Meal claims: A full menu for owner/operators

One of the most confusing areas of tax compliance involves claims for meals and other travel-related expenses. If you read last month's column (available at www.tfsgroup.com, or online in the *Truck News* archives), you know part of the problem is that the Income Tax Act doesn't treat all truck drivers the same way.

The Act has different requirements for long-haul drivers, drivers who are home each night, drivers who work for private carriers, drivers who work at commercial trucking companies...Even though you and your buddy are both truck drivers, you may need to calculate deductions for meal expenses differently, depending on the type of work you do.

Meal claims are especially tricky for owner/operators. Most file as sole proprietors, a category of entrepreneur who reports business

Tax Talk

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income and personal income together on one tax return. Other owner/operators incorporate, trading a more complex filing process for the tax advantages of creating a separate business entity.

Again, CRA applies different rules to the meal claims for each group. Which one are you and what do you need to know?

If you're a sole proprietor:

Most truck drivers use a "simplified" flat-rate method to calculate their claim.

The simplified method is based on a flat \$17 rate for each meal

and is outlined in the TL2 form, the CRA information circular describing meal claims is for employees. No receipts are required, only a travel record to show that the expense is legitimate.

But you're a sole proprietor, not an employee. The Income Tax Act requires all of your business deductions to be based on actual expenditures with receipts to support them.

According to the CRA's Business and Professional Income guide (form T4002), the most you can claim for food, beverages, and entertainment expenses is "50% of the amount you incur or an amount that's reasonable in the circumstances, whichever is less." These limits also apply to meals during business travel to a convention, conference, or similar event. You also can deduct travel expenses incurred to earn busi-

ness and professional income, including meals, lodging, and fares for public transportation.

Note what the guide says and what it doesn't say. The phrase "the amount you incur" means deductions are based on what you actually spent. Logbook-based away-from-home meal claims won't pass muster with auditors. They want receipts and the 50% rule applied.

What's not mentioned is a detailed description of travel. Nowhere in the Business and Professional Income guide or Income Tax Act business income section is there a definition or rule suggesting what is or isn't travel for sole proprietors.

If you're an incorporated owner/operator:

First, good job to be incorporated. It probably feels great to be a company director, president, shareholder, and employee.

Hold on. What's that? "Employee"? Yep. You earn a wage or salary through your company, so you're an official T4-slip-carrying employee. CRA's rules for employees of a "transportation business" apply to you, including the TL2 form.

So now you can use your logbooks to qualify for your away-from-home meal claim instead of receipts. And since your employer is in the transportation business, fewer restrictions apply to your claims.

This is a great way to circle the rules back into your favour.

An employee of a private carrier might not be able to deduct meals because his employer's main business is not commercial trucking.

But as an employee of a transport company, you can.

To sum up: If you're self-employed, you must have receipts and can't use your logbook to support a meal claim.

However, if you bought a meal as part of your business travel, a receipt should be enough to support the expense regardless of how many hours you've been away from home.

If you're an incorporated owner/operator, you're actually an employee of a transport business. You can claim the allowable percentage of your actual meal cost provided that each expense is reasonable, itemized, and verified by a receipt.

Or you can use the TL2 simplified flat-rate calculation method and use the flat rate of \$17 per meal or \$51 per day guideline.

Just remember that if you use your logbooks to substantiate your claim, keep them for seven years like any other tax receipt. □

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