

## **CANADIAN RELOCATION SYSTEMS, "MOVING TIMES" MAY 2005**

### **DEDUCTION OF MOVING EXPENSES**

MOVING IS NOT only a major event, but it can also be very expensive. Not only do you have the expense of moving you and all your belongings, there are also the costs of selling your home or breaking a lease, and finding a new place to live.

The good news is that most of these costs are tax-deductible if you are moving for a new job or being relocated to a new employment location. If you are self-employed, your move to a new business location may also be eligible. The new home must be your primary residence and at least 40 kilometers closer to work.

The costs must be reasonable and can only be deducted against employment or self-employment income earned in the new location. Any deductions not used in the year of the move can be carried forward and used in future years.

#### **Moving expenses that you cannot deduct include:**

- \* expenses for work done to make your home more saleable;
- \* any loss from the sale of your home;
- \* expenses for house-hunting trips before you move;
- \* the value of items movers refused to take, such as plants, frozen food, ammunition, paint, and cleaning products;
- \* expenses for job hunting in another city (such as traveling expenses);
- \* expenses to clean or repair a rented residence to meet the landlord's standards;
- \* expenses to replace personal-use items such as tool sheds, firewood, drapes, and carpets;
- \* mail-forwarding costs;
- \* costs of transformers or adaptors for household appliances; and
- \* costs incurred in the sale of your old home if you delayed selling for investment purposes or until the real estate market improved.
- \* You cannot deduct the cost of moving a mobile home. However, if you have personal effects in a mobile home when it is moved, you can deduct the amount it would have cost to move those personal effects separately.

There are special rules that apply for university students. Those who move to attend courses as full-time students at a college, university or other post-secondary institution are entitled to deduct eligible moving expenses from any award income, such as scholarships and research grants. Students should also be aware that they can deduct eligible moving expenses if they move more than 40 kilometres to begin a summer job or when they move to accept a permanent job or to start a business after graduation.

In general, the relocation must be between two Canadian locations, but you may

qualify to deduct moving costs in or out of Canada if you are deemed a resident for tax purposes before and after the move, or a student. Since the amount of the moving costs can be significant, it's worth checking up on the deductibility with a tax adviser or with the Canada Revenue Agency.

You and members of your household are allowed to deduct reasonable travelling expenses such as vehicle expenses, meals and accommodation, including up to a total of 15 days of meals and temporary accommodation at either location. In determining the reasonableness of the expenses, you should be aware that the Canada Revenue Agency administratively permits non-receipted claims of \$15 per meal (up to \$45 per day) per person and establishes an acceptable vehicle expense rate based on the location of the move. In Nova Scotia, the vehicle expense rate is 46 cents per kilometre.

Moving expenses also include transportation and storage costs for household effects and recreational vehicles; the cost of changing addresses on legal documents, replacing driving licences and non-commercial vehicle permits (excluding insurance); and utility hookups and disconnections.

While it is intended that moving expenses will generally be incurred and claimed in the year of the move, sometimes certain expenses, such as costs relating to the sale of a home, are not incurred or known until a subsequent year. If this is the case, the expenses can be claimed in the year incurred, provided a reasonable explanation of the delay is submitted.

Many taxpayers are often not aware that moving expenses include many of the costs relating to the acquisition of a new residence and the disposal of an old one. These costs may include the legal fees for the purchase and sale of the new residence, transfer costs and registration of title to the new residence, lease cancellation costs, selling costs for the old residence, including advertising, notarial or legal fees, the real estate commission, and any mortgage penalty, as well as up to \$5,000 of the cost of maintaining your vacant former residence while attempting to sell it.

Often an employer may agree to pay a moving allowance, or to reimburse a portion or all of the moving expenses. Any such allowance or reimbursement received must be deducted from any moving expenses claimed, unless the amount received is added to the employee's T4 as a taxable benefit. Be aware that your employer may also reimburse you for certain expenses, such as the cost of house-hunting trips, which would not normally be deductible as moving costs. This is good news, since the reimbursement is not considered a taxable benefit.

If you have moved in 2005, you should complete Form T1-M and enter any eligible deduction on Line 219 of your return. Retain the form and all supporting receipts and documentation in case the Canada Revenue Agency wishes to review them.

Moving can be an exciting new opportunity ? by taking time to know the rules for deducting moving expenses and planning accordingly, it does not have to be as costly as you might think!

**"Interpretation of Moving Expenses".**

This is an interpretation of the rules, so if you are in doubt about anything, print this as well:

<http://relocatecanada.com/pdfdocuments/movexpenseinter.pdf>

**Print the Moving Expenses Claim Form:**

<http://relocatecanada.com/pdfdocuments/movingclaimform.pdf>

**If you are a newcomer to Canada in 2005 go here:**

<http://www.cra-arc.gc.ca/E/pub/tg/t4055/t4055-e.html>

**More:**

<http://relocatecanada.com/revcanada.html>

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