

Guide to Travel Expenses Reimbursement

There are a number of ways in which travel allowance can be paid. Each affects differently what is claimed on the pastor's personal income tax return.

Actual travel expense reimbursement

This is the easiest method since it has no effect on income tax. A reasonable per kilometre rate is paid based on the actual kilometres travelled. It is necessary that the pastor maintain a log showing the date, from/to, total kilometres travelled. It is also recommend that some notation be made as to the reason for the trip (i.e. meeting, visitation, etc.) This may help should there be any questions later on.

An expense form can be submitted monthly to the church treasurer for payment. Depending on the travel policy established by the church, the pastor may or may not be required to submit a copy of the log. As part of the process for establishing Recommended Salary Guidelines, the CBOQ reviews annually the suggested per kilometre rate. This is based on Canadian Automobile Association information, and other denomination travel expense guide, and takes into consideration the increased cost of maintenance and depreciation, when driving a car for business. Churches may also decide to reimburse the pastor based on CRA maximums as allowed under the Income Tax Act. These are posted annually on the CRA website.

Travel Expense - Non-taxable allowance

Churches could make accountable advances to employees for travel expenses, these expenses are not included in the employee's income if **all** the following conditions are met:

- There is a pre-established per-kilometre rate that is not more than a reasonable amount.
- The rate and the advances are reasonable under the circumstances.
- This method is documented in the employee's record.
- No other provision of the *Income Tax Act* requires church employers to include the advances in the employee's income.

Employees have to account for the business kilometres they travelled and any advances they received. They have to do

so on the date their employment ends in the year, or by the calendar year-end, whichever is earlier.

At that time, the church has to pay any amounts that owed to the employee and the employee has to repay any amount over actual expenses.

Employee's allowable vehicle expenses

Churches may allow employee to claim certain employment vehicle expenses on his or her income tax and benefit return if, under the contract of employment, the employee had to pay for the expenses in question. For example, the church allows employee to use his/her personal motor vehicle for business and pay him/her a monthly motor vehicle allowance to pay for the operating expenses and to include the allowance in the employee's employment income as a taxable benefit. Churches have to complete and sign a T2200 form to certify the information for the employee to file a claim.

This choice requires the pastor to maintain a detailed travel log as above, as well as a detailed list of vehicle expenses including gas, oil, maintenance, car washes, insurance, license, etc. Receipts do not have to be sent in with the tax return but they must be kept on file for at least 7 years. Depreciation may also be claimed on the vehicle by having it valued (for market value) and then completing the CCA form accordingly. This choice requires much more detailed record keeping and is only realistic for those pastors whose churches pay minimal or no travel allowance.

DISCLAIMER: This guide is provided for information purposes only and is not intended as advice to the local church. Information is current only as of the date that the guide was prepared. Readers are advised to seek professional advice for their particular situation.

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