

## TAXSTRATEGY

***Moving for work or school?  
Here's what you can make claims for***

# Moving day

**Samantha Prasad, LL.B.**

I was reading an article not too long ago about how housing prices in Toronto have increased by 9.6 per cent compared to a year ago. In fact, the average price for a single-family detached home is hovering around the \$1 million mark, catching up to the always expensive Vancouver market. To many observers, Canada's large cities are experiencing a housing bubble; yet it is showing no signs of bursting.

Of course, these soaring sticker prices do not include buyers' extra expenses, such as land transfer taxes and moving costs. So it would be an understatement to say that every new owner could use some sort of a financial break. Happily,

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for those of you who have to move out of town for work, there may be such a break available to you.

### Who qualifies

Generally, a deduction for moving expenses is potentially available in most situations where you move to a new work location (even if you stay with the same employer) or if you move to attend a post-secondary institution on a full-time basis.

The rule is that the move must bring you at least 40 kilometres closer to your new place of work or school. Historically, the rule was that the distance between your old home and your new home was to be measured "as the crow flies;" but a tax case (*Giannakopoulos*) came out years back indicating that the correct approach would be to use the shortest normal route open to the public (including ferries and rail lines, where applicable).

### What you can claim

If you meet this rule, then you can deduct certain expenses incurred as part of your move. Canada Revenue Agency Form T1-M (which will need to be filed with your tax return when claiming the expenses). The relevant section of the Income Tax Act itemizes a number of expenses that will be deductible:

- travel costs (including reasonable amounts for meals and lodging) in the course of moving you and members of your household;
- the cost of transporting or storing household effects in the course of moving—including items such as boats and trailers;
- the cost of meals and lodging near the old or new home for you and members of your household, for a period of up to 15 days;
- the cost of cancelling a lease for the old house (if you rent);
- selling costs in respect of the sale of the old house (if you own), including real estate commissions (this would also include, for example, mortgage penalties for early discharge, legal fees); and
- where the old home is being sold because of the move, the cost of legal fees relating to the purchase of a new home, as well as any tax, fee or duty (other than any goods and services tax or value-added tax); this includes transfer or title registration taxes (and if you

happen to be buying in Toronto, this could be important since you'll be subject to land transfer tax both at the provincial AND municipal level).

- certain costs of maintaining a vacant former home (including mortgage interest, property taxes, insurance and the cost of utilities), to a limit of \$5,000.
- costs of revising legal documents to reflect the address of your new residence, replacing drivers' licenses and non-commercial vehicle permits (excluding any cost for vehicle insurance) and connecting or disconnecting utilities.

### **The list can be expanded ...**

The above list has generally been viewed as all that you could claim as part of the moving expenses. However, a case that came out in 2010 (*Van Zant v. The Queen*) seemed to suggest otherwise. In fact, the Court in this case stated that since the definition of moving expenses in the Income Tax Act uses the word "includes" when listing the above items, this list is not meant to be exhaustive.

### **... but there are limits**

In the case at hand, the taxpayer attempted to deduct a long list of expenses, including, among other things, costs of cartons and tapes used for packing, costs of phone cards, costs of a table fan and lights for her motorhome, which she used as temporary living space, and—my favourite—the cost of alcohol. (Although the case does not expand on what basis alcohol

was claimed, as someone who has experienced the pains of moving, I know a bottle of wine or two would definitely have helped ease the pains of packing and unpacking.)

Although in the subject case the judge did not allow all of the expenses claimed by the taxpayer, the case is of interest for the very fact that moving expenses may not necessarily be limited to the list noted above (and per the relevant tax sections in the Income Tax Act).

### **How to claim moving-related meal and vehicle expenses**

With respect to moving expenses, you can choose to claim meal and vehicle expenses using one of two methods.

First, you can claim these expenses in accordance with actual receipts and records of the expenses incurred.

Alternatively, meal and/or vehicle expenses can be calculated using a simplified method. In the case of meals, a flat rate per meal is claimed. For vehicle expenses, a record must be kept of the number of kilometres driven in the course of moving. The amount that may be claimed for vehicle expenses is determined by multiplying the number of kilometres travelled in the course of moving by a flat per-kilometre rate.

Information on the current rate per meal and per kilometre is available from the Canada Revenue Agency's "Tax Information Phone Service" (T.I.P.S.) at 1-800-267-6999, or on their web page at [www.cra.gc.ca/tips](http://www.cra.gc.ca/tips).

### **Don't just try one method**

You should calculate your expenses using both methods before filing. The differences between the two methods can be dramatic. Note, too, that if you file using actual receipts, Canada Revenue Agency usually will not permit an amendment to the tax return.

### **Exceptions to the rules**

Of course, no deduction would be complete without certain restrictions:

- students may also deduct moving expenses, but in this case, special rules apply. Deductions may be claimed if the student moves to take a job (this includes a summer job). But if a student moves to attend a post-secondary school full-time, deductions can be taken only against taxable scholarships and research grants.

- In the year of relocation, expenses can be deducted only against income made in the new location. However, undeducted moving expenses can be applied to next year's tax return against future income in the new job or business. (This would be particularly helpful if the move was late in the year.)

- Of course, moving expenses that are paid for or reimbursed by the employer are not deductible. However, an employee may, if desired, include partial reimbursements in income, then deduct moving expenses that are eligible for deductions. This will be beneficial if eligible moving expenses exceed the amounts paid by the employer.

Happy moving—enjoy your new home!