

## TAXSTRATEGY

### *The silver lining*

# Tax upside of moving

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My eldest daughter is moving into her first apartment off-campus with her university friends. We started our list of what she will need for her new place, which will obviously involve a visit to IKEA. As part of our list, we also had to think about what else we need to organize, such as the actual costs of moving: Do we need a moving truck? Movers? Time off of work to actually help her move? I thought we would never need to worry about this after our last move to our home, but I forgot about my kids and the fact that this will be the first of many moves for her (and, who are we kidding, me too, as her mom).

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At least I reminded myself of the silver lining of any move: taxes. Now, you may not immediately see the link between the two. But happily there is. Did you know that there are actual tax deductions available when you move out of town for work or school? So if your kids are moving away for school, or if you find yourself having to pack up and move due to changes at work, then read on so you can also fully embrace the silver lining with moving.

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. If you are moving for work or business, the deductions can only be used to offset

the income earned for the year from employment at the new work location, or from carrying on business at the new work location.

There are similar limitations on the deductions for students, although deductions may be claimed if the student moves to take a job (this includes a summer job) such that it qualifies as a move to a new work location. If the student is claiming the expenses as a result of a move to attend a post-secondary school full-time, the deductions can only be taken against taxable scholarships and research grants.

The move must be considered an “eligible relocation,” which means as follows:

a. the move is to enable you to carry on a business or be employed in the new work location, or, in the case of a student, relates to full-time attendance at the post-secondary level;

b. You ordinarily resided in your old home and will ordinarily reside in your new home;

c. Generally, both the old home and new home are in Canada (unless you are absent from Canada, but still a tax resident); and

d. 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).

### Deductible Expenses

If you meet the above rules, then you can deduct certain expenses incurred as part of your move. CRA Form T1-M will need to be filed with your tax return when claiming the expenses. This form, as well as 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 reg-

istration taxes (as I noted above, this is all the more important if you happen to be buying in Toronto since you will have land transfer tax at both the provincial AND municipal level).

- certain costs of maintaining a vacant former home (including mortgage interest, property taxes, insurance premiums and the cost of utilities), to a limit of \$5,000. Note: there must be reasonable efforts made to sell the old home. What this means, well we're not sure. But there is a 2007 case (Lowe) where the court found that reasonable efforts to sell were not made when the owner told only his family and friends that the property was for sale and also said that he did not want to sell the house until his probationary period at a new job had expired. However, aside from the result, the decision offers no insight as to how "reasonable efforts" should be interpreted.

- 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 Tax Act does state that costs relating to the purchase of a new home (other than the legal fees noted above) are not eligible.

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) 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. 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 motor home 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, a bottle of wine or two would definitely have helped ease the pains of packing).

Although 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 Tax Act).

### How to claim

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 CRA'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).

**Note** – you should calculate your expenses using both methods before filing. The differences between the two methods can be dramatic. If you file using actual receipts, CanRev usually will not permit an amendment to the tax return.

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

☛ As noted above, in the year of relocation, expenses can be deducted only against income made in the new location. However, moving expenses that are not deducted 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 (and additionally, such reimbursements are not included in the income of the employee). 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. ☐