



Well, the 2009 taxes are done! However, did you follow all the rules? Here are some myths about the declaration of vehicle expenses, more precisely, the famous logbook.

The importance of keeping a «logbook»

1 "I don't need a logbook; my accountant is taking care of it!"

Really? So what is your accountant taking care of? Going through your shoe box, where you piled up all your invoices and travel notes?

For your invoices to be deductible, you must be able to justify them. As per tax authorities, to validate your expenses, you must be able to provide a logbook with the total number of kilometres you have traveled as well as the number of kilometres you've travelled to earn money. So unless your accountant was sitting beside you during each travel, it is fair to say that he will not be able to provide the necessary proof; that is, without pulling his hair off his hair.

2 "I've established a "reasonable" percentage for business travels."

As mentioned by tax specialist and financial planner, Mrs Jeffrey, the kilometres are sometimes established on reasonable or approximate basis and everything is fine until the tax authorities show up at your door. Even though it is reasonable, you must unfortunately provide justifying proof for your returns.

Furthermore, having a reasonable tax declaration does not keep the tax authorities away. Thinking back, last year, the government promised to hire 250 full time employees to fight tax evasion. In the Bachand budget, the province of Quebec intends to recover \$320 million in 2010. In order to do this, Revenue Canada has an additional \$30 million this year to fight tax evasion.

3 "I do my logbook by hand..."

Congratulations! You're part of the minority. But be careful! If by "I do my logbook by hand" you mean taking down the kilometres from start to end of day or even at the end of the week, you will still have a tedious task during a tax inspection.

It is important to know that as per Revenue Canada, to be deductible, the expenses regarding motor vehicles must be accompanied by a statement with the total travelled kilometres during the year and those travelled for business. This statement must contain, **for each travel, the date, the destination, the distance travelled as well as the reason for travel.**

Therefore, an incomplete or inexistent logbook represents an enormous job for the tax payer who goes through verification. The tax payer must go back and find justifying proof for each travel (of which he can remember!). This means a loss of time and energy, invoice searching,

accountant fees, governmental penalties... In addition, the stress has only begun! Tax authorities mention that during a tax inspection, they will not necessarily only be looking at your travel expenses.

4 "I hardly ever use my vehicle for business purposes."

If you meet all the criteria to deduct your vehicle expenses, the total amount of kilometres you travel is not the most significant. **The important thing is the percentage of business travels versus personal travels.** For example, a person who only travels 7 000 km for business on a total of 8 000 km is allowed to deduct 87.5% of expenses relating to travels.

Furthermore, we must not forget that some expenses are 100% deductible; for example, expenses for repairs caused by an accident during the business travel or even parking fees (except daily or monthly fees paid to your employer since these are considered as personal fees).

A tried and tested tool in Quebec

To spare you the hard and tedious burden of keeping a logbook that complies with governmental requirements, a firm from Laval has developed a unique technology; Odotrack. The portable device, the size of a cellular phone, automatically notes all data concerning your travels.

But wait, the company is not bragging about just the efficiency of a simple automatic logbook. The Odotrack technology is complete. It allows you to see the driver's travels; to note, in real time, with your mobile phone, the reason for travel and the expenses; and to generate, with one click, your tax and management reports.

When used for business, the Odotrack is tax deductible