

NO.: **IT-178R3 (Consolidated)**

DATE: See *Bulletin Revisions* section

SUBJECT: INCOME TAX ACT
Moving Expenses

REFERENCE: Section 62 (also sections 64.1, 67 and 250, paragraphs 56(1)(n) and 56(1)(o), subsection 115(2) and former section 63.1)

Latest Revisions – ¶s 12, 13 & 21

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Contents

Application

Summary

Discussion and Interpretation

Employees and Self-Employed Individuals (¶s 1-4)

Students Commencing Education (¶s 5-11)

Eligible Moving Expenses (¶s 12-17)

General (¶s 18-22)

Bulletin Revisions

Application

This bulletin is a consolidation of the following:

- IT-178R3 dated May 28, 1993; and
- subsequent amendments thereto.

For further particulars, see the “Bulletin Revisions” section near the end of this bulletin.

Summary

This bulletin explains the deduction allowed for moving expenses. Taxpayers moving to start a job or business or to begin full-time attendance at an educational institution may be entitled to claim eligible moving expenses. This bulletin describes the eligible expenses, as well as identifying the maximum amount that may be deducted and when that amount may be deducted. The special rules for students in full-time attendance at universities, colleges and similar institutions, both in Canada and abroad, are explained. Guidelines are set out for determining whether or not a student is in full-time attendance at an educational institution. The special situations of cooperative students and post-graduate students are discussed. In addition, the situation of taxpayers who are absent from Canada, but resident in Canada for tax purposes, is explained. The method for filing a claim is set out and other relevant publications are identified.

Discussion and Interpretation

Employees and Self-Employed Individuals

¶ 1. If an individual changes residences in Canada because of starting to carry on a business or to be employed at a new location, amounts paid for “eligible moving expenses” (see ¶s 12 to 17 below) incurred in moving from the old residence to the new residence may be deducted. However, the move **must** result in the taxpayer living at least 40 kilometres closer to the new work or business location and the deductibility of such expenses is subject to the limits discussed in ¶s 2 to 4 below. As determined by the Federal Court of Appeal, in the case of *Dianne M. Giannakopoulos v. MNR*, [1995] 2 CTC 316, 95 DTC 5477, the 40-kilometre distance is measured using the shortest normal route available to the travelling public.

Taxpayers who are absent from Canada, but resident in Canada for tax purposes, should also refer to ¶ 19 below.

¶ 2. When calculating income for the year, an employee or a self-employed taxpayer may deduct eligible moving expenses to the extent that:

- (a) they are not paid for by the employer (in the case of an employee);
- (b) they were not deductible under section 62 when calculating income for the prior taxation year;
- (c) they would not be deductible when calculating income under any provision other than section 62;
- (d) they are not more than income for the year from employment and from carrying on business at the new work location (see ¶ 3 below); and
- (e) any reimbursement or allowance received for such expenses has been included when calculating income.

¶ 3. In the case of an employee or a self-employed individual, eligible moving expenses must first be deducted in the year of the move; however, the amount claimed cannot be more than the income earned at the new work location. Any excess may be carried forward and deducted, but only in the year following the year of the move and only to the extent of such income earned at the new work location in that following year. Income earned at the new work location includes both income from employment and from carrying on business and may include income from more than one employment or business at the new location.

¶ 4. If an employer pays or reimburses an employee for only part of the moving expenses, the remainder is, in effect, deductible by the employee to the extent that it constitutes eligible moving expenses (subject to the comments in the preceding paragraphs). In the case of such a partial reimbursement, the employee is required to include the amount of the reimbursement in income (see ¶ 2(e) above) before claiming total eligible expenses. Where an employer pays or reimburses an employee for reasonable moving expenses which are not eligible for deduction under section 62, such reimbursement is not usually regarded as a

taxable benefit conferred on the employee (see the current version of IT-470, *Employees’ Fringe Benefits*, for more details).

Students Commencing Education

¶ 5. If a taxpayer changes residences and begins full-time attendance at a university, college or other post-secondary educational institution (whether or not in Canada), eligible moving expenses incurred in the course of moving from the old residence to the new residence may be deducted if the move results in the individual living at least 40 kilometres closer (measured using the shortest normal route available to the travelling public) to the institution. Any such deductibility is subject to the comments in ¶s 6 to 11 below. At least one of the residences (old or new) must be in Canada unless the taxpayer is absent from Canada, but resident in Canada for tax purposes, as discussed in ¶ 19 below.

¶ 6. A student who is in regular attendance at a university, college or other educational institution providing courses at a post-secondary school level is considered to be in full-time attendance. Similarly, a student who is participating in post-graduate studies on a regular basis in a particular month is ordinarily considered to be in full-time attendance if registered for the regular academic year even though the requirements for attendance in class for such studies are minimal. Therefore, such a student who spends much of the time in a laboratory or library engaged in research or writing a thesis, or who spends part of the academic year engaged in research elsewhere than at the university, would normally be regarded as being in full-time attendance at the institution where the student is registered.

¶ 7. Some universities provide “co-operative” courses which the student attends for an academic period and then works for a similar period in a business or industry relating to the student’s academic studies. The student is regarded as attending full-time only during those months in which university is attended and will begin full-time attendance at an educational institution at the beginning of each academic period.

¶ 8. Subject to ¶ 9 below, a student attending an educational institution is not considered to be in full-time attendance if that student is:

- (a) taking only a few subjects at evening classes or taking a course by correspondence; or
- (b) a day student, but is carrying only a minor course load, and at the same time is devoting so much time and energy to earning money or to other activities that they are clearly the student’s primary occupation. However, where the student holds a full-time job and at the same time takes a major course load that would qualify an individual as a full-time student at the educational institution, the student will normally be considered to be in full-time attendance.

¶ 9. A student registered in a particular session in courses of a program at an educational institution is considered to be in full-time attendance if the number of those courses is at least 60% of the number of courses which is the normal course load for the program in that session. For this purpose, “normal course load” is the number of courses which would be required to be taken in that session by a student who is completing the program without undue delay. In semester-length sessions, the normal course load would be expected to be at least five credit courses or their equivalents. In shorter sessions there may be a proportional reduction in the number of courses but, if so, there would also be an increase in the intensity of each course. Institutions which establish course loads otherwise than as a number of courses (e.g. credit hours) will apply the 60% factor in a comparable manner.

¶ 10. A student may deduct eligible moving expenses to the extent that:

- (a) they were not paid for by the student’s employer;
- (b) they were not deductible under section 62 when calculating income for the prior taxation year;
- (c) they would not be deductible when calculating income under any provision other than section 62;
- (d) they are not more than the total of amounts that the student must include when calculating income for the year under paragraphs 56(1)(n) and (o), if the student is resident in Canada, or under subparagraph 115(2)(e)(ii), if the student is a non-resident (see the current version of IT-75, *Scholarships, Fellowships, Bursaries, Prizes and Research Grants*, and ¶ 11 below); and
- (e) any reimbursement or allowance received for such expenses has been included when calculating income.

¶ 11. If a student begins full-time attendance at an educational institution, eligible moving expenses must first be deducted in the year of the move to the extent of the student’s income described in paragraphs 56(1)(n) and (o) or subparagraph 115(2)(e)(ii) for that year. If the eligible moving expenses are more than that income, any excess can be deducted in the following year to the extent of any such income in that year.

Eligible Moving Expenses

¶ 12. Under subsection 62(3), eligible moving expenses include any expense incurred as, or on account of,

- (a) travelling costs, including meals, lodging and vehicle expenses, in the course of moving the taxpayer and members of the household (see ¶ 13);
- (b) transportation (see ¶ 13) and storage costs for household effects (including items such as boats and trailers);
- (c) costs for up to 15 days of meals (see ¶ 13) and temporary accommodation near either residence;
- (d) costs of cancelling a lease for the old residence;
- (e) selling costs for the sale of the taxpayer’s old residence, including advertising, notarial or legal fees, real estate

commissions and mortgage prepayment or discharge fees incurred on the sale, but not including expenses for work done to make the property more saleable or any loss incurred on the sale;

- (f) legal fees in respect of the purchase of the taxpayer’s new residence, and any tax, fee or duty (other than GST/HST or value-added tax) imposed on the transfer or registration of title to the new residence, where the old residence is sold by the taxpayer or spouse as a result of the move. Generally for 2001 and subsequent years, this will also apply where the old residence is sold by the taxpayer’s common-law partner as a result of the move. Other types of expenses incurred when acquiring a new residence (e.g. house-hunting expenses) are not deductible;
- (g) interest, property taxes, insurance premiums and heating and utility costs, to a maximum of \$5,000, incurred after 1997 for the old residence during the period that reasonable efforts are being made to sell it, and it is neither rented out nor occupied by the taxpayer or a member of the taxpayer’s household; and
- (h) costs, incurred after 1997, of revising legal documents to reflect the address of the taxpayer’s new residence, replacing drivers’ licences and non-commercial vehicle permits, and utility connections and disconnections.

¶ 13. For the purposes of ¶s 12(a) and (c), an individual has the option for 1999 and subsequent years of choosing either a **detailed** or **simplified method** of determining meal and vehicle expenses incurred in the course of moving. This option is also available to calculate vehicle expenses where a taxpayer’s vehicle is used to transport household effects between the old and the new residence (see ¶ 12(b)).

If the **detailed method** is chosen, receipts and records for meal and vehicle expenses must be kept. Vehicle expenses include both operating and ownership expenses. Operating expenses consist of fuel, oil, tires, licence fees, insurance, maintenance and repairs. On the other hand, ownership expenses refer to depreciation, provincial tax and finance charges. The claim for vehicle expenses is calculated as follows: the kilometres travelled in the course of moving divided by the total kilometres driven in the year of the move, multiplied by the total vehicle expenses for the year. Consequently, it is also necessary for a taxpayer to keep a record of the total number of kilometres travelled during the year of the move, as well as those driven specifically in the course of moving. For example, if an individual drove 10,000 kilometres during the year, half of which was related to the move, then half of the total vehicle expenses for that year may be claimed as moving expenses.

Alternatively, if the **simplified method** of calculating meal and vehicle expenses is used, supporting receipts are not required. 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 our Tax Information Phone Service (T.I.P.S.) at **1-800-267-6999**, or on our Web page at: www.cra.gc.ca/travelcosts

¶ 14. The amount deductible under section 62 must be reasonable in the circumstances (section 67) and must have been paid by the taxpayer as, or on account of, moving expenses incurred in the course of moving from the old to the new residence.

¶ 15. Section 62 provides that eligible moving expenses are deductible only when the reason for the residential move is to begin employment or business at the new location or to begin full-time attendance at an educational institution. It is always a question of fact whether or not a move has been made for such reasons. However, eligible moving expenses may be claimed provided that the taxpayer begins one of these activities either before or after the move. In addition, if an employee is transferred to another location of an employer's business or if a self-employed individual relocates a business to another location in Canada, eligible moving expenses that are otherwise allowable may be deducted by the taxpayer.

¶ 16. If selling costs, which qualify as eligible moving expenses, are incurred on the sale of the former residence, either (but not both) of the following treatments of such costs is acceptable:

- (a) they may be taken into account in the usual way in the calculation of a gain or loss on the disposition of the property; or
- (b) they may be deducted under section 62.

¶ 17. The cost of moving a mobile home is ordinarily not deductible under section 62. However, where personal effects are in a mobile home when it is moved, the cost of moving the home is considered an eligible moving expense to the extent it is not more than the estimated cost of moving the personal effects separately.

General

¶ 18. A taxpayer is generally considered to have changed residences when the new residence is established as the place at which that individual ordinarily resides as a result of the move of that individual, members of the household and their possessions. Indications of such a move include the selling, renting or advertising for sale or rent of the former residence or cancelling a lease for the former residence.

¶ 19. After 1988, a taxpayer who is, throughout all or part of a taxation year, absent from Canada, but resident in Canada for tax purposes, is not subject to the "in Canada" requirements in ¶s 1 and 5 above (Section 64.1). Taxpayers absent from, but resident in Canada for tax purposes, would include both an individual deemed by section 250 to be a resident of Canada and an individual considered resident in Canada while abroad because of the retention of residential ties in Canada (see the current version of IT-221, *Determination of an Individual's Residence Status*). Before 1989, only a taxpayer deemed by section 250 to be a resident of Canada while abroad was not subject to the "in Canada" requirements referred to above (former section 63.1).

¶ 20. A taxpayer who is a deemed resident of Canada because of sojourning in Canada for more than 183 days is not entitled to claim moving expenses because that taxpayer would not *ordinarily reside* at both the old location before the move **and** the new location after the move as required by subsection 62(1).

¶ 21. As indicated in ¶ 13, if a taxpayer chooses to use the **detailed method** of calculating meal or vehicle expenses, receipts for those expenses are required. All other types of travel expenses claimed as eligible moving expenses must also be supported by receipts or other documents. In order to determine the amount of eligible moving expenses that may be deducted from the taxpayer's income in the year of the move, Form T1-M *Moving Expenses Deduction* (which may be obtained from any local tax services office) should be completed. Although neither the receipts nor Form T1-M are required to be submitted with the taxpayer's income tax return, they should be retained because they may be required at a later date to substantiate the claim. Additional information on moving expenses may be obtained from our T.I.P.S. telephone or online service.

¶ 22. In some cases, all eligible moving expenses may not have been incurred by the time a taxpayer's return for the year of the move is filed (e.g. sales commission on the delayed sale of the former residence). If additional moving expenses incurred are deductible from income earned at the new location in that year or in the following year, as outlined in ¶s 3 and 11 above, the taxpayer should provide particulars and available receipts to the local taxation office and request an adjustment of the tax returns.

Bulletin Revisions

¶s 2, 3, 4, 6, 7, 8, 9, 10, 11, 14, 15, 16, 17, 18, 19, 20 and 22 have not been revised since the issuance of IT-178R3 on May 28, 1993.

The last sentence of the first part of ¶ 1 was revised to reflect the decision of the Federal Court of Appeal in *Dianne M. Giannakopoulos v. MNR*, [1995] 2 CTC 316, 95 DTC 5477, with respect to the method of measuring the 40-kilometer distance for purposes of the moving expense deduction. [December 10, 1999]

The first sentence of ¶ 5 was revised as a consequence of the above-mentioned December 10, 1999 revision to ¶ 1. [December 10, 1999]

In ¶ 12, the following changes were made:

- ¶s 12(a) to (c) were revised to include a reference to ¶ 13 as a result of the February 28, 2001 change to that paragraph. [February 28, 2001]

- ¶ 12(f) was revised to reflect an amendment to paragraph 62(3)(f) of the *Income Tax Act* and to add the wording of former ¶ 13. [February 28, 2001]

- ¶s 12(g) and (h) were added in order to provide comments on the new paragraphs 62(3)(g) and (h) of the *Income Tax Act*. [February 28, 2001]

¶ 13 was revised to provide information about an alternative method of calculating certain moving expenses which was announced by the CCRA in the News Release dated December 14, 1999 entitled *Two options now available for calculating travel expenses for moving and medical expenses, and for northern residents deductions* and the corresponding Fact Sheet dated December 1999 entitled *Travel expenses for northern residents deductions, medical and moving expenses*. [February 28, 2001]

¶ 21 was revised as a consequence of the February 28, 2001 revision to ¶ 13 to refer to the **detailed method** of calculating meal and vehicle expenses outlined in revised ¶ 13 and to replace outdated information. [February 28, 2001]

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