

# INTRODUCTION TO BILL C-19

## Overview of the new Labour Mobility Deduction



### FEDERAL BUDGET APPROVAL

The new Labour Mobility Deduction (“LMD”) was introduced in the 2022 Federal Budget



### ROYAL ASSENT

Bill C-19 was given Royal Assent on June 23, 2022



### NEW INCOME TAX DEDUCTION

The enactment amends the Income Tax Act (Canada) to allow tradespersons and apprentices to deduct from their income amounts expended for travelling where they were employed in a construction activity at a job site located at least 150 km away from their ordinary place of residence.



# WHAT IS THE LMD?

Understanding what this means for tradespeople

(1)

## DEDUCTIONS FOR “ELIGIBLE TRADESPEOPLE”

Deductions available for certain transportation, meals and temporary lodging costs incurred for travelling for employment purposes

(2)

## DEDUCTION LIMIT

Claim up to \$4,000 per year in temporary relocation expenses to eligible tradespersons from January 1, 2022.

Must be incurred for an eligible temporary relocation

(3)

## OVERALL TAX REDUCTION

LMD will be claimed on your income tax and benefit return and will reduce your employment income



## WHO IS AN ELIGIBLE TRADESPERSON?

An eligible tradesperson is a tradesperson or an apprentice who:

- has income from employment
- performs their duties of employment in construction activities

*Construction activities include the erection, excavation, installation, alteration, modification, repair, improvement, demolition, destruction, dismantling or removal of all or any part of a building, structure, surface or sub-surface construction, or any similar property.*

## ELIGIBLE TEMPORARY RELOCATION

To qualify the relocation must be temporary in nature and meet all the following conditions:

- (1) Makes a **relocation** that enables them to obtain or maintain employment as an eligible tradesperson at a temporary work location(s)
- (2) Ordinarily resided prior to the relocation at a residence in Canada, and during the period of the relocation, took up **temporary lodging in Canada**
- (3) The temporary lodging must be **at least 150 kilometres closer** than the ordinary residence to the particular work location;
  - The particular work location **must be located in Canada**, and;
  - The temporary relocation must be for a **minimum duration of 36 hours**.

**Note:** The temporary relocation deduction is calculated in respect of each eligible temporary relocation. This means that you may have multiple temporary relocation deductions



## EXAMPLE

John is a tradesperson that ordinarily works and resides in Toronto, ON. John accepts a **3-week employment contract** with a new employer that will require him to work on a construction site in Thunder Bay, ON.

The **distance between John's ordinary residence in Toronto** and the work location in Thunder Bay is **1,300 km**. John rents a **short-term apartment in Thunder Bay that is 10 kilometres away** from the work location.

John's ordinary residence in Toronto is **more than 150 kilometres further from the work site than the temporary lodging** in Thunder Bay is from the work site. On the basis of this distance, the relocation will qualify as an eligible temporary relocation for purposes of the LMD.

# ELIGIBLE EXPENSES



An eligible temporary relocation expense for purposes of the LMD is a reasonable expense incurred by the eligible tradesperson during the taxation year, the previous taxation year or prior to February 1 of the following taxation year.

These expenses include:

- ▶ **Transportation costs for one round trip from the ordinary residence of the eligible tradesperson to the temporary lodging(s) for each eligible temporary relocation;**
- ▶ **Meals consumed by the eligible tradesperson during the round trip described above; and**
- ▶ **Temporary lodging costs, provided the eligible tradesperson maintains their ordinary residence as their principal place of residence throughout the eligible temporary relocation, and must be available to the eligible tradesperson and must not be rented to any other person.**

# RESTRICTIONS ON ELIGIBLE EXPENSES



- I. The expenses **must not be deducted** in any taxation year other than for the purposes of the LMD.
- II. The eligible tradesperson **must not be entitled to receive a reimbursement, allowance or any form of assistance** in respect of the expenses that is not included in their income
- III. For each eligible temporary relocation, the deduction is equal to the total eligible relocation expenses incurred to a **maximum of 50% of the total income for the year from employment as an eligible tradesperson at the temporary work location.**
- IV. Total of all temporary relocation deductions = LMD for the year (up to a **maximum of \$4,000 per taxation year**)
- V. May be situations where a taxpayer incurs **eligible expenses that cannot be deducted in the year because the taxpayer does not have sufficient income** from the temporary relocation in the year or because the taxpayer has **exceeded the \$4,000 annual cap.** In this case, eligible temporary relocation expenses **could be claimed in the following taxation year.**

## EXAMPLE #2

Josephine is a tradesperson whose ordinary residence is in Calgary, AB.

### January 2022

Josephine begins a six-month job in Kitimat, BC (**1,415 km away from her ordinary residence**) with a living out allowance that covers her transportation to the work site and lodging.

Josephine is not eligible to use the tax deduction for this job.

### August 2022

Josephine starts a four-month job in Kelowna, BC (**600km from her ordinary residence**) which covers her lodging, but not her transportation to the temporary work site.

Josephine can claim the expenses from one round-trip to the temporary work site in Kelowna.

She cannot claim her lodging.



# CLAIMING IT ON YOUR TAXES

The LMD can be claimed on your 2022 and future income tax and benefit returns and will reduce your employment income. The LMD will be calculated on form T777, **Statement of Employment Expenses**

## Statement of Employment Expenses

Use this form to calculate your total employment expenses on line 22900 of your Income Tax and Benefit Return or Income Tax and Benefit Return for Non-Residents and Deemed Residents of Canada.

For information on how to complete this form, including the capital cost allowance (depreciation) schedule for employees, see Guide T4044, Employment Expenses. Include a copy of this form with your return.

Expenses			
Accounting and legal fees	8862		1
Advertising and promotion	8520 +		2
Allowable motor vehicle expenses (see chart for line 3 on page 2)	9281 +		3
Food, beverages, and entertainment expenses	8523 +	× 50% =	4
Lodging	9200 +		5
Parking	8910 +		6
Office supplies (postage, stationery, ink cartridge, etc.)	8810 +		7
Other expenses (employment use of a cell phone, long distance calls for employment purposes, etc.) (specify):	9270 +		8
Tradesperson's tools expenses (maximum \$500)	1770 +		9
Apprentice mechanic tools expenses	9131 +		10
Labour mobility deduction (see chart for line 11 on page 2)	1771 +	(maximum \$4000)	11
Medical instrument expenses	1776 +		12
Capital cost allowance for musical instruments (see Part A on page 4)	1777 +		13
Artists' employment expenses	8973 +		14
Add lines 1 to 14.		Subtotal =	15
Work-space-in-the-home expenses (see chart for line 16 on page 3)	9945 +		16
Line 15 plus line 16			
Enter this amount on line 22900 of your return.		<b>Total expenses 9368 = 2,250</b>	17

### Line 3 – Calculation of allowable motor vehicle expenses

# RECORD KEEPING



You have to keep records for each year you claim eligible temporary relocation expenses. As applicable these records could include the following:

- a daily record of your expenses, together with your receipts and any cancelled cheques
- any ticket stubs for travel
- invoices
- tenancy agreements
- any monthly credit card statements
- a record of each motor vehicle you used for employment.

If you choose the detailed method, this record must show both the total kilometres you drove and the kilometres you drove for employment purposes in the year.

If you choose the simplified method, keep track of the number of kilometres driven during the tax year for your trips relating to eligible temporary relocation expenses.

You do not need to send your records or receipts with your tax return but keep them in case the CRA asks to see them. If you do not keep the necessary records, the CRA may reduce your claim.