



# Taxation on the Personal Use of Business Aircraft

Under new (2018) Canada Revenue Agency (CRA) guidance, the taxable benefit for shareholders or employees flying for personal purposes is calculated in one of the following three ways:

1. **When occupying a seat on an aircraft already flying for a business purpose** the taxable benefit is equivalent to the highest priced airline ticket available in that marketplace, e.g.: business or first class fare.
2. **When occupying a seat on an aircraft which IS NOT flying for a business purpose (i.e. the flight is for personal use only)** the value of the taxable benefit is equal to the prices of the charter of an equivalent aircraft for an equivalent flight.
3. **When the aircraft is used primarily for personal purposes relative to its total use** (calculated under the “primary purpose test”), the value is equal to the personal use portion of the aircraft operating costs, PLUS an imputed available-for-use amount.

*CBAA members are strongly encouraged to consult their professional tax advisors to ensure that they do not inadvertently end up in category 3.*

## What you need to know:

- **No retroactive audits:** With some exceptions, the new guidance should only apply to audits for taxation year 2017 onward. Contact CBAA if you are being audited and the CRA auditor uses a different interpretation.
- **Forward planning is essential:** Consult your own professional tax advisors to determine a suitable strategy to mitigate any tax risk.
- **Stay in contact with CBAA:** Contact CBAA directly to share areas of concerns and identify possible actions.
- **Dealing with issues as they occur:** CBAA meets with CRA regularly to ensure that issues identified during an audit are brought to the attention of senior CRA staff at national headquarters. Current issues:
  - Operators are challenged when determining an applicable charter rate for a prior year
  - Significant numbers of business aviation operators who have filed objections are waiting months – or years – to resolve their issues.

*CBAA tax policy subject matter experts can provide guidance directly to your tax advisors.*

## What's happening now:

- CBAA continues to consult with members to identify the best practices and strategies to mitigate the impact of this policy. Best practices will be shared among members and CBAA will bring your issues forward to CRA.
- CBAA is lobbying government directly to address the issue of CRA's unacceptably long wait times on filed objections.

*For more information, contact Lindsay Berndt, Membership & Communication Services Manager, lberndt@cbaa.ca or 613 236 5611 ex. 221*

**This document does not constitute legal advice**