

Deduction of Travel Expenses for Tradespersons



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Bill C-241, an Act to amend the Income Tax Act (deduction of travel expenses for tradespersons), proposed an amendment to provide tax recognition for travel and temporary relocation expenses to eligible tradespersons and apprentices that would be similar to the existing deduction in paragraph 8(1)(t) of that act. Under this amendment, the distance between the job site and the person's ordinary place of residence is at least 120km rather than the 150km in the existing deduction. Additionally, the amendment does not have a limit on the amount of eligible travel and temporary relocation expenses that can be claimed. This measure will apply to the 2022 tax year and any subsequent taxation years and this report considers the incremental cost associated with the proposed measure when compared with the existing measure.

5-Year Incremental Cost

\$ millions	2021-22	2022-23	2023-24	2024-25	2025-26	Total
Total cost	-	1	3	6	9	19

Notes

- Estimates are presented on an accrual basis as would appear in the budget and public accounts.
- A positive number implies a deterioration in the budgetary balance (lower revenues or higher spending). A negative number implies an improvement in the budgetary balance (higher revenues or lower spending).

Estimation and Projection Method

PBO used employment data from Statistics Canada and projected forward the eligible subset of tradespersons and indentured apprentices by considering the historical growth of employment in the construction industry and the PBO's projections of the labour force. To estimate the cost for eligible workers that temporarily relocate, we used estimates from Canada's Building Trades Unions to determine the number of eligible workers and their average eligible expenses. The annual cost was indexed to inflation. No behavioural effects were assumed.

Sources of Uncertainty

The main source of uncertainty relates to the assumptions used to determine the number of eligible workers and their average eligible expenses. A taxpayer does not qualify for the deduction if they received an allowance for these expenses from their employer or received an income tax deduction or tax credit under any other provision in the Act for the same expenses. Data on the percentage of construction workers that receive reimbursement was unavailable. Any consequential increases to income-tested benefits were not considered.

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Data Sources

Variable	Source
Number of construction workers	Statistics Canada
Percentage of eligible workers who relocate for work and average eligible expenses	Canada's Building Trades Union
CPI inflation, WTI, WCS, Labour Force	PBO's October 2022 EFO
Effective Federal Tax Rate	SPSD/M ¹

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¹ This analysis is based on Statistics Canada's Social Policy Simulation Database and Model (SPSD/M). The assumptions and calculations underlying the SPSD/M simulation results were prepared by the Office of the Parliamentary Budget Officer (PBO) and the responsibility for the use and interpretation of these data is entirely that of the PBO.