

Income Tax

IMP. 65-1/R3 Meal expenses
Date of publication: December 30, 2009

Reference(s): *Taxation Act* (R.S.Q., c. I-3), ss. 62, 63, 65, 421.1, 421.1.1, 421.2, 421.3 and 421.4

This version of interpretation bulletin IMP. 65-1 supersedes the version of December 30, 2008. The bulletin has been revised to take into account recent amendments to the Taxation Act.

This bulletin states the position of the Ministère du Revenu du Québec concerning the deductibility of meal expenses in computing an individual's income from an office or employment.

APPLICATION OF THE ACT

GENERAL

1. Subject to certain conditions and restrictions, section 62 of the *Taxation Act* (TA) allows an individual whose office or employment is connected with the selling of property or negotiating of contracts for the individual's employer to deduct, in computing the income from the individual's office or employment, the amounts expended by the individual in the year to earn that income.
2. Subject to certain conditions, section 63 of the TA allows an individual to deduct, in computing the individual's income from an office or employment, amounts expended by the individual in the year (other than motor vehicle expenses) for travelling in the course of performing the individual's duties.
3. Expenses that are deductible under sections 62 and 63 of the TA include meal expenses and may be deducted only if, among other conditions, the individual is required to perform all or part of the duties of the office or employment away from the employer's place of business, or, in the case of section 63 of the TA, away from the employer's place of business or in different places (see the current version of interpretation bulletin IMP. 62-1).

RESTRICTION

4. A restriction applies with regard to the deductibility of meal expenses in computing an individual's income. Section 65 of the TA provides (subject to the exception set forth therein in respect of a business meal that an individual referred to in section 62 of the TA consumed with a customer) that an individual may, when computing a deduction allowed under section 62 or 63 of

the TA, deduct an amount expended for a meal only if the meal was consumed during a period in which the individual was required by his or her duties to be away for at least 12 hours from the local municipal territory or the metropolitan area, as the case may be, where the employer's establishment to which the individual ordinarily reports for work is located.

5. The employer's establishment referred to in section 65 of the TA includes the employer's place of business, that is, the employer's permanent establishment (an office, a factory, a warehouse, a branch or a store, or an office on a major construction site) and may also include any place where the employer executes a contract. When the employer has more than one place of business to which an employee normally reports for work on a permanent basis, the establishment referred to in section 65 of the TA is the establishment where the employee reports most frequently. If more than one place of business of the employer is located on the same local municipal territory or in the same metropolitan area, all these places of business are considered to constitute a single establishment for the purposes of section 65 of the TA.

6. Where an employee must consume a meal with a customer of the employer, the Ministère is of the opinion that the cost of the customer's meal is deductible as an entertainment expense if the conditions provided for under section 62 of the TA are met.

7. To better recognize the expenses that an individual referred to in section 62 of the TA must incur to earn income, the second paragraph of section 65 of the TA sets aside the rule in the first paragraph (requirement for an individual to be away for at least 12 hours from the local municipal territory or the metropolitan area, as the case may be, where the employer's establishment to which the individual ordinarily reports for work is located) in respect of business meals consumed, after May 13, 2008, by commission employees whose office or employment is connected with the selling of property or negotiating of contracts on behalf of their employer. Consequently, the cost of the individual's own meal is also deductible where the conditions set out in section 62 of the TA are met.

50% LIMIT

8. Under section 421.1 of the TA, an amount paid or payable in respect of food, beverages or entertainment consumed or enjoyed by a person is (subject to section 421.1.1 of the TA) deemed to be equal to 50% of the lesser of the amount paid or payable and an amount that would be reasonable in the circumstances. Consequently, only this proportion of the entertainment expenses is eligible for the deduction provided for under section 62 of the TA and, if the conditions provided for in section 65 of the TA are met, only this proportion of the meal expenses incurred by the individual is deductible under section 62 or section 63 of the TA.

9. This 50% limit, however, does not apply to expenses related to the consumption of food and beverages served on board an airplane, a train or a bus during a trip, or to the entertainment offered during the trip, provided that the expenses are included in the price of the ticket.

10. Where the employer reimburses part of the amount paid by the employee for food, beverages or entertainment consumed or enjoyed by the employee, the Ministère considers that the 50% limit is computed on the balance, that is, the non-reimbursed expenses.

BASIC DATA

Amount of expenses pertaining to food consumed	\$100
Amount reimbursed by the employer	\$30
Non-reimbursed expenses (\$100 – \$30)	\$70

DETERMINATION OF THE DEDUCTIBLE AMOUNT

$$\$70 \times 50\% = \$35$$

Exception to the 50% limit for long-haul truck drivers during an eligible travel period

11. Under section 421.1.1 of the TA, an amount paid or payable by a long-haul truck driver in respect of the consumption of food or beverages by the driver during an eligible travel period of the driver is deemed to be equal to the amount obtained by multiplying the specified percentage in respect of the amount so paid or payable by the lesser of

- (a) the amount so paid or payable; and
- (b) a reasonable amount in the circumstances.

12. In section 421.1.1 of the TA,

“eligible travel period” in respect of a long-haul truck driver is a period of at least 24 continuous hours during which the driver is away from the municipality or metropolitan area where the specified place in respect of the driver is located for the purpose of driving a long-haul truck that transports goods to, or from, a location that is beyond a radius of 160 kilometres from the specified place;

“long-haul truck” means a truck or a tractor that is designed for hauling freight and that has a gross vehicle weight rating, within the meaning of subsection 1 of section 2 of the Motor Vehicle Safety Regulations made under the Motor Vehicle Safety Act (S.C. 1993, c. 16), that exceeds 11,788 kilograms;

“long-haul truck driver” means an individual whose principal business or principal duty of employment is driving a long-haul truck that transports goods;

“specified percentage” in respect of an amount paid or payable is

- (a) 60%, if the amount is paid or becomes payable after March 18, 2007 and before January 1, 2008;
- (b) 65%, if the amount is paid or becomes payable in the year 2008;
- (c) 70%, if the amount is paid or becomes payable in the year 2009;
- (d) 75%, if the amount is paid or becomes payable in the year 2010; and
- (e) 80%, if the amount is paid or becomes payable after December 31, 2010;

“specified place” means, in the case of an employee, the employer’s establishment to which the employee ordinarily reports for work and, in the case of an individual whose principal business is to drive a long-haul truck to transport goods, the place where the individual resides.