

Clearly Marked Emergency-Response Vehicles

Employees are required to include in their employment income the value of benefits derived from the personal use of automobiles provided by their employer. Where a motor vehicle is an “automobile” as defined in the *Income Tax Act* (the Act) and is available for the employee to use, the employee’s personal use of the automobile may result in a standby charge and/or operating expense benefit. A “clearly marked” emergency-response police or fire vehicle is, however, excluded from the definition of an “automobile” pursuant to paragraph (b.1) of the definition of “automobile” in subsection 248(1) of the Act. As such, there is no standby charge or operating expense benefit for these excluded vehicles. Instead, the taxable benefit is generally based on a reasonable estimate of the fair market value (including the GST/HST) of the employee’s actual personal use of the vehicle. In determining whether the vehicle in question is an “automobile” or “motor vehicle” for purposes of calculating the employee’s taxable benefit, one would have to look at the specific vehicle along with the definition of automobile contained in the Act and consider the explanation provided below.

Previous technical interpretations issued by the Canada Revenue Agency (CRA) (notably #2003-0029355 attached) have been clear in that unmarked police “ghost cars” are not considered “clearly marked” for the purposes of the Act even though they are equipped with emergency equipment, lighting and sirens. The CRA considers that a “clearly marked” emergency-response vehicle is one that is “readily identifiable by the general public because of symbols and/or lettering on the exterior of the vehicle”.

“Marked” police and fire emergency-response vehicles include a variety of design combinations. Some are emblazoned with large decals and external emergency lights so that they are clearly visible and recognizable. Other emergency-response vehicles are less conspicuous and may even be unmarked. As there is a broad range of possibilities between the two extremes, the Association of Fire Chiefs is asking for some clarification to help determine whether their fire vehicles meet the emergency-response vehicle exception to the definition of “automobile” outlined in the Act. We therefore offer the following comments:

Many emergency fire vehicles have a combination of lettering, official crest, colours and related markings that leave no doubt the vehicle is clearly marked. However, an emergency fire vehicle with smaller and less visible markings may be subject to uncertainty amongst the general public and would not be considered clearly marked. To illustrate this point, Figure A provides a graphic representation of some examples of distinctions between clearly marked emergency-response fire vehicles and ones that are not.

A clearly marked emergency-response vehicle will consist of a number of design features, such as an official crest and/or lettering prominent on both sides of the vehicle and possibly on the front and back as well. The crest and lettering may be accompanied by other markings with an overall design and colour scheme in line with that normally associated with the fire department. In contrast, an emergency-response fire vehicle that does not meet the clearly marked requirement will have much less prominent markings. For example, the third vehicle from the top labelled “not clearly marked” does have a crest on the side of the vehicle, but the markings are not displayed prominently to allow for obvious recognition as an emergency-response vehicle.

The crest is discrete and not clearly identifiable by the general public. Therefore, this vehicle would not be excluded from the definition of an “automobile”.

We hope this information will assist you with determining whether or not a vehicle is “clearly marked” and can therefore be excluded from the definition of an automobile for taxable benefit calculation purposes.

Figure A. Scope of “Clearly Marked” *



clearly marked



clearly marked



not clearly marked



not marked

* This image is for illustration purposes only and is not intended to represent any actual fire emergency vehicle.

Attachment Income Tax Ruling opinion #2003-0029355



Ghost cars_Clearly
marked 2003...