

Relocation Expenses *Guide*

Understanding & Managing Relocation Costs in Canada

A comprehensive reference for employees and HR teams managing relocation expenses — covering CRA eligibility rules, employer reimbursement frameworks, cross-border tax considerations, and practical claim guidance for Canada-wide moves.

Relocating Employees

HR & Corporate Teams

Canada-Wide

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PART A

Employee Guide

Understanding your moving expense deduction rights under the Canadian Income Tax Act

SECTION 1

What Are Moving Expenses Under the CRA?

Under Section 62 of the Income Tax Act (Canada), eligible individuals may deduct certain moving expenses from their employment or self-employment income earned at their new location. This deduction is not a tax credit – it reduces taxable income directly and can be carried forward if it exceeds income earned at the new location in the year of the move.

Who Qualifies?

- You moved to a new home in Canada to start working (employed or self-employed) at a new location.
- You moved to attend a post-secondary institution full-time (student deduction rules apply).
- Your new home is at least 40 kilometres closer to your new work or school location than your old home.
- The 40-km rule is measured by the shortest normal route – not straight-line distance.

[!] Important: Employer Reimbursements

If your employer reimburses all or part of your moving expenses, you cannot also deduct those same expenses on your personal tax return. Only unreimbursed eligible expenses are deductible. Keep reimbursement letters separate from your personal expense records.

Moving expenses are deducted on Line 21900 of your T1 Income Tax Return, using CRA Form T1-M (Moving Expenses Deduction). If your deductible expenses exceed your eligible income at the new location, the unused balance carries forward to the following tax year.

SECTION 2

Eligible vs. Ineligible Expenses

The table below summarizes what the CRA considers eligible moving expenses under s.62 of the Income Tax Act and what is specifically excluded. This is not exhaustive – always verify with CRA T4037 (Capital Gains) and IT-178R3 for edge cases.

ELIGIBLE MOVING EXPENSES	NOT ELIGIBLE
Transportation Reasonable cost to move household personal effects and family members	House-hunting trips Pre-move trips to find housing are not deductible
Temporary living Up to 15 days near old or new home; meals and accommodation	Home improvements Renovations or repairs to make old home easier to sell
Travel to new location Vehicle, plane, bus, or train costs for family members	Mail redirection Canada Post mail forwarding fees
Lease-break costs Penalties paid to cancel a lease at the old residence	Mortgage interest Interest costs on new or old home mortgages
Selling costs Legal fees, real estate commissions, mortgage penalty at old home	Security deposits Deposits for rentals at new location
Buying costs Legal fees and land-transfer taxes at new residence	Job search expenses Costs incurred looking for a new job
Licence & permit fees Driver's licence, auto permit transfer, and utility hook-up fees	New furniture Purchases made at the new location
Incidental costs Up to \$650 for costs incurred changing address on docs	Loss on home sale Any capital loss on the sale of old home
Storage costs Up to 15 days between leaving old home and entering new	Club memberships Transfer fees or new membership dues
Meal costs (15-day limit) Reasonable meals during travel; CRA flat rate or actuals	Excess storage Storage beyond the 15-day CRA limit

CRA Flat-Rate Meal Allowance (2024-2025)

Instead of tracking actual meal receipts, you may use the CRA simplified flat rate: \$23 per meal, maximum 3 meals per day (indexed periodically). This applies to meals during travel days only – not every day of the move. Keep a log of travel dates if using this method.

SECTION 3

The 40-Kilometre Rule Explained

To qualify for the moving expense deduction, your new home must be at least 40 kilometres closer to your new place of work or study than your old home – measured by the shortest normal route over public roads.

How to Calculate

Measurement	Distance (km)
Old home → New workplace	Example: 55 km
New home → New workplace	Example: 8 km
Difference (must be ≥ 40 km to qualify)	47 km -- Qualifies

- Use Google Maps (driving route) or MapQuest – save a screenshot as supporting documentation.
- Distances are measured from home to work, not city to city.
- If you move within the same city to be closer to a new employer, the rule still applies.
- Post-secondary students: the rule applies relative to the educational institution.
- Returning to a city you previously lived in (e.g., inter-provincial transfers) – the 40-km rule still applies for each qualifying move.

SECTION 4

How to Calculate and Claim Your Deduction (T1-M)

Follow these steps to correctly complete your moving expense claim on your Canadian T1 personal income tax return.

Step	Action	CRA Form / Reference
1	Confirm eligibility – you moved 40+ km closer to a new work or school location	CRA IT-178R3 / ITA s.62
2	Collect all receipts for eligible moving expenses (transport, travel, accommodation, etc.)	Keep originals or scanned copies
3	Separate eligible from non-eligible expenses (see Part A, Section 2)	No specific form – self-assessed
4	Identify the income source at new location (employment or self-employment income)	T4, T4A, or business income
5	Complete Form T1-M: Moving Expenses Deduction	CRA Form T1-M
6	Enter deduction amount on Schedule 1 of your T1 Income Tax Return	T1 Schedule 1, Line 21900
7	If expenses exceed income at new location, carry forward the unused amount to next tax year	Note on return; no special form
8	Retain all receipts for 6 years – CRA may request documentation during audit	CRA retention policy

Income Limitation Rule

Your moving expense deduction is limited to the amount of employment or self-employment income earned at or because of the new work location in the year of the move. Any excess is carried forward automatically to the next tax year – there is no limit on how many years you can carry forward, but the deduction must eventually be used against income earned at the new location.

SECTION 5

Receipts, Records & Audit Readiness

The CRA does not require you to submit receipts with your return, but you must retain all documentation for at least 6 years from the end of the tax year to which they relate. In the event of a review or audit, you will need to produce originals or certified copies.

Recommended Documentation by Category

Expense Category	Documents to Retain
Transportation / moving company	Signed contract, final invoice, proof of payment; insurance claim if applicable
Vehicle travel	Mileage log (dates, start/end address, km); gas receipts if using actuals
Accommodation (temporary)	Hotel folios or lease agreements with dates; credit card statements
Meals (actuals method)	Itemized receipts dated to travel days; note who was present
Real estate commissions / legal fees	Statement of adjustments from lawyer/notary; commission agreement
Lease cancellation	Written lease-break agreement with landlord; penalty payment receipt
Utility connection fees	Utility provider invoice with service address
Licence / permit fees	Provincial or municipal fee receipts; new licence copy
Employer reimbursement	Employer reimbursement letter/T4A – keep separate from deductible amounts

SECTION 6

Cross-Border Moves: Key Tax Considerations

Relocating to Canada from another country introduces additional tax complexity beyond the standard T1-M deduction. The considerations below apply to internationally educated professionals (IEHPs), intra-company transferees, and any employee moving from outside Canada.

Consideration	Detail	Action Required
Residency status change	Canadian tax residency begins on arrival date or when significant ties are established	File T1 for partial year; declare world income from date of residency
Foreign asset reporting (T1135)	Required if foreign property > CAD \$100,000 at any point during the year	File T1135 by tax deadline; penalties for non-filing are severe
Foreign pension / retirement plans	Non-Canadian plans (401k, NHS pension, etc.) may need RRSP treaty elections	Consult cross-border tax advisor before first Canadian return
Social Security / CPP coordination	Canada has tax treaties with 90+ countries; may affect CPP contribution obligations	Check applicable treaty; employer payroll must reflect correctly
Currency conversion for tax purposes	All Canadian income tax is in CAD; foreign income must be converted at Bank of Canada rate	Use BoC average annual rate or transaction-date rate as applicable
Home-country departure return	Many countries require a final return for the year of departure	File in home country for period up to departure date
RRSPs and home country pensions	RRSP contribution room begins accumulating once Canadian employment income is earned	Do not over-contribute; no retroactive room for pre-Canadian years

[] AHOM Note

AHOM-RMC is a relocation management company, not a tax advisor. The cross-border tax considerations on this page are provided for general awareness only. We strongly recommend engaging a cross-border tax professional (e.g., a CPA registered in both Canada and the relevant home country) before filing your first Canadian return. AHOM can refer you to vetted cross-border tax advisors upon request.

PART B

HR & Employer Reference

Building compliant relocation expense policies and managing taxable benefit reporting

SECTION 7

Building a Compliant Relocation Expense Policy

A well-designed relocation expense policy protects the organization from unexpected tax liabilities, sets clear expectations for incoming employees, and ensures CRA compliance. At minimum, every policy should address the following elements:

Scope & Eligibility

Define which positions, levels, and move types qualify. Distinguish domestic moves (within Canada) from international moves – the latter trigger additional compliance obligations including work permit, payroll, and treaty considerations.

Expense Categories & Caps

List each covered category explicitly with dollar caps or 'actuals with receipts' treatment. Ambiguity leads to disputes. Typical caps: household goods move (3 quotes), temporary accommodation (60 days), settling-in allowance (\$3,000–\$5,000 lump sum).

Taxable vs. Non-Taxable Classification

Each reimbursed category must be assessed for taxable benefit treatment under CRA guidelines. Non-compliant treatment exposes the employer to penalties, interest, and gross-up obligations. See Section 9 for the full T4 reporting matrix.

Repayment Clause

If the employee leaves within 12–24 months of the move, a prorated repayment clause protects the employer. Ensure the clause specifies the calculation method and whether it covers all or only selected expense categories.

Documentation & Approval Process

Require pre-approval for moves above a threshold. Establish a receipts submission timeline (e.g., 90 days post-move) and name a single HR/payroll owner responsible for processing and compliance review.

Currency & International Wire Policy

For international moves, specify whether reimbursements are made in CAD or the employee's home currency, and which exchange rate applies (Bank of Canada rate on date of payment is standard).

SECTION 8

Reimbursement Categories & Tax Treatment

The table below outlines common relocation expense categories, typical corporate policy coverage levels, and CRA tax treatment for employer-paid or employer-reimbursed amounts. This is a general guide – specific treatment may vary based on contract structure.

Expense Category	Typical Policy Coverage	Tax Treatment (Employer)	Notes
Household goods move	100% actuals (3 quotes)	Non-taxable (CRA allows)	Retain all receipts
Travel to new city	Economy airfare or mileage	Non-taxable	Family included
Temporary accommodation	Up to 60 days actuals	Non-taxable up to limits	Hotel or furnished rental
Lease-break penalty	Actuals, up to 3 months rent	Non-taxable	Requires written evidence
Home sale commission	Actuals (employer-paid)	Non-taxable if relocation-driven	Document employer directive
Home purchase costs	Legal fees & land transfer	Non-taxable	New location only
Settling-in allowance	Lump sum (e.g., \$3,000–\$5,000)	Taxable benefit – report on T4	Add to box 40
Spousal career support	Career coaching or job-search assist.	Taxable benefit	T4 reportable
Language/cultural training	Actuals	Non-taxable (business purpose)	Keep training receipts
School registration fees	Actuals for dependent children	Taxable benefit	T4 reportable
Home purchase incentive	Buy-down or forgivable loan	Complex – seek tax advice	May trigger T4 & T5

SECTION 9

Taxable vs. Non-Taxable Benefits: T4 Reporting

When an employer pays or reimburses relocation expenses, the amounts may constitute a taxable benefit that must be reported on the employee's T4 slip. Failure to report correctly can result in CRA reassessments, interest charges, and penalties for both the employer and employee.

Benefit Type	T4 Box	Taxable?	Notes
Household goods move (actual cost)	—	No	CRA views as non-taxable if bona fide relocation
Travel (employee + family)	—	No	Economy class standard; business class = taxable portion
Temporary accommodation (\leq 2 years)	—	No	Beyond 2 years becomes a taxable housing benefit
Settling-in lump sum allowance	Box 40	Yes	Add to Box 14; gross-up for tax if employer absorbs
Real estate commission (employer-paid)	—	No	Employer directive to sell must be documented
Home purchase incentive (buy-down)	Box 40 / Box 14	Complex	Seek CRA technical guidance or advance ruling
Spousal career support / coaching	Box 40	Yes	Considered a personal benefit
School/registration fees (dependants)	Box 40	Yes	T4 reportable; some employers gross up
Loss on home sale reimbursement	Box 40	Yes	Taxable – employee should deduct as moving expense
Forgivable loan for home purchase	Box 28 / Box 40	Yes	Interest benefit applies annually until forgiven
Language / cross-cultural training	—	No	Business purpose exemption; must be job-related

SECTION 10

Provincial Closing Costs Quick Reference

Closing costs vary significantly across Canada. HR teams building relocation budgets and employees planning home purchases should factor these provincial differences into their financial planning. All figures are approximate and subject to change.

Province	Land Transfer Tax	Notable Relocation Note
Ontario	0.5%–2.5% (tiered); Toronto adds extra municipal LTT	First-time buyer rebate available
British Columbia	1%–3% (tiered); additional 2% for > \$3M	PTT exemptions for new builds
Alberta	No land transfer tax (title transfer fee ~\$400–\$600)	Lowest housing transaction cost
Quebec	0.5%–3% (tiered, called 'Welcome Tax')	Notary required (vs. lawyer in other provinces)
Manitoba	0.5%–2%	Rebate for first-time buyers up to \$4,500
Saskatchewan	No land transfer tax (title fee only)	Very low closing cost province
Nova Scotia	1.5% (provincial) + municipal surtax in HRM	Halifax sees higher costs
New Brunswick	0.5%–1%	Flat graduated scale
Other provinces/territories	Varies; most under 1%	Confirm with local lawyer/notary

Note: Legal fees (lawyer or notary) typically add \$1,500–\$3,500 for a standard home purchase in most provinces. Home inspection fees (\$400–\$600) and title insurance (~\$300) apply broadly across Canada. Budget an additional 1.5%–4% of purchase price for total closing costs depending on province.

SECTION 11

Cross-Border Employer Obligations

When recruiting internationally educated professionals (IEHPs) or transferring employees from foreign operations, Canadian employers take on a set of compliance obligations that go beyond the standard domestic relocation checklist.

Payroll Setup & SIN

Employees must have a valid SIN (or temporary SIN if on a work permit) before payroll can be processed. Confirm SIN status before the first pay date — payroll errors that result in under-remitted CPP or EI attract CRA penalties.

Work Permit & LMIA Compliance

Employer-specific work permits tie the employee to your organization. Any change in title, duties, or location may require a permit amendment. LMIA-exempt streams (e.g., CUSMA/USMCA, ICT) have their own compliance requirements.

Tax Treaty Payroll Considerations

Some employees on short-term assignments may qualify for treaty exemptions from Canadian income tax withholding. However, this is complex — engage a cross-border payroll specialist rather than self-applying an exemption.

Provincial Health Insurance Waiting Periods

Most provinces impose a 3-month waiting period before provincial health coverage begins (exceptions: BC and Alberta waive it for new residents). Arrange private health insurance coverage for the gap period as part of your relocation package.

Record of Employment (ROE) Obligations

If the employee was previously employed in Canada and moves to your organization, ensure the previous employer issues a timely ROE. This affects EI entitlements.

Immigration-Employment Intersection

AHOM-RMC partners with licensed immigration consultants and can coordinate the housing timeline with permit approval milestones. Do not finalize housing commitments until the work permit is approved.

PART APPENDIX

Reference Materials

CRA forms, AHOM services, and key terminology

APPENDIX A

Key CRA Forms & Resources

T1-M — Moving Expenses Deduction

Complete this form to calculate and report your eligible moving expenses on Line 21900 of your T1.

<https://www.canada.ca/en/revenue-agency/services/forms-publications/forms/t1-m.html>

T1 Schedule 1 — Federal Tax

The main personal income tax return; moving expenses entered on Line 21900. <https://www.canada.ca/en/revenue-agency/services/forms-publications/tax-packages-years/general-income-tax-benefit-package.html>

T4037 — Capital Gains Guide

Relevant for employees selling their principal residence or foreign property in the move year.

<https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/t4037.html>

T1135 — Foreign Income Verification Statement

Required if you hold foreign property exceeding CAD \$100,000 in value at any time during the year.

<https://www.canada.ca/en/revenue-agency/services/forms-publications/forms/t1135.html>

NR73 / NR74 — Determining Residency Status (Leaving/Entering Canada)

AHOM hosts a guide to these forms. CRA uses NR73 for departing residents and NR74 for arriving residents.

<https://www.ahomrmc.com/determiningcanadiantaxresidency/r73/r74>

RC65 — Marital Status Change

Notify CRA of family status changes that may affect benefit entitlements during relocation.

<https://www.canada.ca/en/revenue-agency/services/forms-publications/forms/rc65.html>

APPENDIX B

AHOM-RMC Service Overview

AHOM Relocation Management Company (AHOM-RMC) is a Canada-wide relocation management company providing end-to-end housing and community placement services for individuals, families, and corporate HR teams.

[RE] AHOM Real Estate

Pre-arrival housing consultation, rental search, neighbourhood shortlisting, and step-up housing strategy for individual relocators.

[CO] AHOM-RMC Corporate

Bulk housing sourcing, group intake assessments, employer-linked relocation packages, and ongoing account management for HR teams and health authorities.

[SS] Settlement Support

Banking referrals, school and child-care research, transit orientation, and community integration across all provinces.

[CC] Compliance Coordination

Coordination with immigration consultants and cross-border tax advisors; permit-milestone-aligned housing timelines.

[C] Canada-Wide Coverage

[W] From Victoria to Halifax — placing health professionals, corporate transferees, and international families in every province and territory.

Visit www.ahomrmc.com or email info@ahomrmc.com to connect with an AHOM relocation advisor.

APPENDIX C

Glossary of Terms

40-Kilometre Rule

The CRA requirement that your new home be at least 40 km closer to your new workplace than your old home, measured by shortest normal road route.

Eligible Moving Expenses

Costs the CRA recognizes as deductible under s.62 of the Income Tax Act, including transport, travel, accommodation, and closing costs at the old and new locations.

Form T1-M

CRA form used to calculate the moving expense deduction and report it on Line 21900 of the T1 personal income tax return.

IEHP

Internationally Educated Health Professional – a health-care worker whose credentials were obtained outside Canada.

IRCC

Immigration, Refugees and Citizenship Canada – the federal department responsible for immigration, refugee protection, and Canadian citizenship.

Land Transfer Tax (LTT)

A provincial tax levied on the purchase of real property. Amounts vary by province; Alberta and Saskatchewan have no LTT.

LMIA

Labour Market Impact Assessment – a document from ESDC that may be required before some work permits are issued; demonstrates no Canadian worker is available for the role.

NR73 / NR74

CRA forms used to determine residency status for tax purposes when leaving or entering Canada.

Residency Ties

Factors the CRA uses to determine Canadian tax residency: primary ties (home, spouse, dependants) and secondary ties (property, bank accounts, driver's licence).

Settling-In Allowance

A lump-sum payment from an employer to help a relocated employee cover incidental costs. It is a taxable benefit and must be reported on the T4.

T4 Slip

Canadian employer-issued tax summary showing employment income and deductions. Box 40 is used to report taxable relocation benefits.

T1135

CRA form for reporting foreign income and assets exceeding CAD \$100,000. Mandatory for new Canadian residents with foreign property.

Taxable Benefit

An employment benefit received by an employee that the CRA considers part of income and therefore subject to income tax and payroll deductions.