



# Employers' Guide

# Taxable Benefits and Allowances

## Is this guide for you?

Use this guide if you are an employer and you provide benefits or allowances to your employees, including individuals who hold an office, for items such as:

- automobiles or other motor vehicles;
- board and lodging;
- gifts and awards;
- group term life insurance policies;
- interest-free or low-interest loans;
- meals;
- security options;
- tool reimbursement or allowance;
- transit passes; or
- tuition fees.

If you or a person working for you is not sure of the worker's employment status, either one of you can request a ruling to determine the status. If you are a business owner, you can use the "Request a CPP/EI ruling" service in My Business Account. For more information, go to [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount). You can also use Form CPT1, *Request for a Ruling as to the Status of a Worker*

*Under the Canada Pension Plan and/or the Employment Insurance Act*, and send it to your tax services office. For more information on employment status, see Guide RC4110, *Employee or Self-Employed?*

A benefit or allowance can be paid to your employee in cash (such as a meal allowance) or provided to your employee in a manner other than cash (such as a parking space or a gift).

You may have to include the value of a benefit or allowance in an employee's income, depending on the type of benefit or allowance and the reason you give it.

This guide explains your responsibilities and shows you how to calculate the value of taxable benefits or allowances.

For information on calculating payroll deductions, go to [www.cra.gc.ca/payroll](http://www.cra.gc.ca/payroll) or see Guide T4001, *Employers' Guide – Payroll Deductions and Remittances*.

For information on filing an information return, go to [www.cra.gc.ca/slips](http://www.cra.gc.ca/slips) or see the following guides:

- RC4120, *Employers' Guide – Filing the T4 Slip and Summary*
- RC4157, *Deducting Income Tax on Pension and Other Income, and Filing the T4A Slip and Summary*

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La version française de ce guide est intitulée *Guide de l'employeur – Avantages et allocations imposables*.

## What's new?

### Tickets

If you give tickets to your employee, the value of the tickets may be considered a taxable benefit and therefore may have to be reported on the employee's T4 slip. For more information on how to find out if the value of the tickets is considered a taxable benefit and how to report the value, see "Tickets" on page 31.

### Online services for businesses

You can now:

- authorize the CRA to withdraw an amount from your bank account on date(s) that you choose; and
- enrol for direct deposit, or update the banking information.

To access our online services, go to:

- [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount), if you are a business owner; or
- [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives), if you are an authorized representative or employee.

### Online services for representatives

Representatives can now register for online mail on behalf of their business clients by going to [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives).

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## Chapter 1 – General information

### Do you give your employee a benefit, an allowance, or an expense reimbursement?

Your employee is considered to receive a benefit if you pay for or give something that is personal in nature:

- directly to your employee; or
- to a person who does not deal at arm's length with the employee (such as the employee's spouse, child, or sibling).

A benefit is a good or service you give, or arrange for a third party to give, to your employee such as free use of property that you own. A benefit includes an allowance or a reimbursement of an employee's personal expense.

An allowance is a limited amount decided in advance that you pay to your employee on top of salary or wages, to help the employee pay for certain anticipated expenses without having him or her support the expenses. An allowance can be calculated based on distance or time or on some other basis such as motor vehicle allowance using the distance driven or a meal allowance using the type and number of meals per day.

A reimbursement is an amount you pay to your employee to repay actual expenses he or she incurred while carrying out the duties of employment. The employee has to keep proper records to support the expenses and give them to the employer.

### What are your responsibilities?

If you provide benefits to your employees, you always have to go through the same steps. If a step does not apply to you, skip it and go on to the next step:

- determine if the benefit is taxable;
- calculate the value of the benefit;
- calculate payroll deductions; and
- file an information return.

#### Note

In this guide, "employee" includes an "individual who holds an office," unless otherwise noted.

### Determine if the benefit is taxable

Your first step is to determine whether the benefit you provide to your employee is taxable and has to be included in his or her employment income when the benefit is received or enjoyed.

Whether or not the benefit is taxable depends on its type and the reason an employee or officer receives it. To determine if the benefit is taxable, see Chapters 2 to 4.

The benefit may be paid in **cash** (such as a meal allowance or reimbursement of personal cellular phone charges), or provided in a manner other than cash, such as a parking space or a gift certificate. For more information and

examples, go to "Pensionable and Insurable Earnings" at [www.cra.gc.ca/cppeexplained](http://www.cra.gc.ca/cppeexplained).

The manner in which you pay or provide the benefit to your employee will affect the payroll deductions you have to withhold. For more information, see "Calculate payroll deductions" below.

### Calculate the value of the benefit

Once you determine that the benefit is taxable, you need to calculate the value of the specific benefit.

The value of a benefit is generally its fair market value (FMV). This is the price that can be obtained in an open market between two individuals dealing at arm's length.

The cost to you for the particular property, good, or service may be used if it reflects the FMV of the item or service.

You must be able to support the value if you are asked.

### Goods and services tax/harmonized sales tax (GST/HST) and provincial sales tax (PST)

When you calculate the value of the taxable benefit you provide to an employee, you may have to include:

- the GST/HST payable by you; and
- the PST that would have been payable if you were not exempt from paying the tax because of the type of employer you are or the nature of the use of the property or service.

Use the "Benefits chart" on page 41 to find out if you should include GST/HST in the value of the benefit. Some benefits have further information about GST/HST in the topic specific section.

The amount of the GST/HST you include in the value of the taxable benefits is calculated on the gross amount of the benefits, before any other taxes and before you subtract any amounts the employee reimbursed you for those benefits.

You do not have to include the GST/HST for:

- cash remuneration (such as salary, wages, and allowances); or
- a taxable benefit that is an **exempt supply** or a **zero-rated supply** as defined in the *Excise Tax Act*.

For more information on exempt or zero-rated supplies, go to [www.cra.gc.ca/gsthst](http://www.cra.gc.ca/gsthst) or see Guide RC4022, *General Information for GST/HST Registrants*.

If you are a GST/HST registrant, you may have to remit the GST/HST for the taxable benefits you provide to your employees. For more information, see "Chapter 5 – Remitting the GST/HST on employee benefits."

#### Note

The GST/HST rates used in this guide are based on the current rates set under the *Excise Tax Act* and its regulations for taxable benefits provided in the 2015 tax year.

### Calculate payroll deductions

After you calculate the value of the benefit, including any taxes that may apply, add this amount to the employee's

income for each pay period or when the benefit is received or enjoyed. This gives you the total amount of income from which you have to make payroll deductions. You then withhold deductions from the employee's total pay in the pay period in the normal manner. The deductions you withhold, especially the employment insurance (EI) premiums, will depend on whether the benefit you provide is cash, non-cash, or near-cash.

#### Note

If you provide your employee with a monthly taxable benefit, you may include a prorated value in your employee's income in each pay period in the month.

### Cash benefits

Cash benefits include such things as:

- physical currency;
- cheques;
- direct deposit;
- allowances; and
- reimbursements to your employee for expenses he or she paid to a third party.

**Canada Pension Plan (CPP)** – When a cash benefit is taxable, it is also pensionable. This means you have to deduct CPP contributions from the employee's pay. It also means that you have to pay your employer's share of CPP to the Canada Revenue Agency (CRA).

If the **employment** is not pensionable under the CPP, then any taxable benefits paid in cash are not pensionable and CPP contributions should not be withheld. For more information, see "Employment, benefits, and payments from which you do not deduct CPP contributions" in Chapter 2 of Guide T4001, *Employers' Guide – Payroll Deductions and Remittances*.

**Employment insurance (EI)** – When a cash benefit is taxable, it is also insurable. This means you have to deduct EI premiums from your employee's pay. It also means that you have to pay the employer's share of EI to the CRA.

If the **employment** is not insurable under the *Employment Insurance Act*, then any taxable benefits paid in cash are not insurable and EI premiums should not be withheld. For more information, see "Employment, benefits, and payments from which you do not deduct EI premiums" in Chapter 3 of Guide T4001, *Employers' Guide – Payroll Deductions and Remittances*.

**Income tax** – When a cash benefit is taxable, you have to deduct income tax from the employee's total pay in the pay period.

### Non-cash or near-cash benefits

A non-cash (or "in kind") benefit is the actual good, service, or property that you give to your employee. This includes a payment you make to a third party for the particular good or service if you are responsible for the expense.

A near-cash benefit is one that functions as cash, such as a gift certificate or gift card, or something that can easily be converted to cash, such as a security, stock, or gold nugget.

For more information on near-cash benefits, see "Gifts, awards, and long-service awards" on page 20.

**CPP** – When a non-cash or near-cash benefit is taxable, it is also pensionable. This means you have to deduct CPP contributions from the employee's pay. It also means that you have to pay your employer's share of CPP to the CRA.

#### Note

Except for security options, if a non-cash taxable benefit is the **only** form of remuneration you provide to your employee in the year, there is no remuneration from which to withhold deductions. You do not have to withhold CPP contributions on the amount of the benefit, even if the value of the benefit is pensionable. Also, you do not have to remit your share of the CPP amounts.

Always report the value of the non-cash benefit in box 14 "Employment income," and box 26 "CPP/QPP pensionable earnings," of the T4 slip.

**EI** – A taxable non-cash or near-cash benefit is generally not insurable. Do not deduct EI premiums.

Exceptions to this rule are:

- the value of board and lodging an employee receives during a period in which you pay the employee a salary in cash. For more information, see "Board and lodging," on page 16; and
- employer-paid RRSP contributions when the employee can withdraw the amounts. For more information, see "Registered retirement savings plans (RRSPs)" on page 30.

**Income tax** – When a non-cash or near-cash benefit is taxable, you have to deduct income tax from the employee's total pay in the pay period. Except for security options, if a non-cash or near-cash benefit is of such a large value that withholding the income tax will cause undue hardship, you can spread the tax you withhold over the balance of the year. We consider undue hardship to occur if the required withholding results in your employee being unable to pay reasonable expenses related to basic family needs. Basic family needs are those related to food, clothing, shelter, health, transportation, and childcare.

#### Note

Except for security options, if a non-cash or near-cash taxable benefit is the **only** form of remuneration you provide to your employee, there is no remuneration from which to withhold deductions. You do not have to withhold income tax on the amount of the benefit, even if the value of the benefit is taxable.

For more information on calculating payroll deductions, go to [www.cra.gc.ca/payroll](http://www.cra.gc.ca/payroll) or see Guide T4001, *Employers' Guide – Payroll Deductions and Remittances*.

### Benefits chart

Use the "Benefits chart" on page 41 to find out if you should deduct CPP contributions and EI premiums on the **taxable** amounts, and which codes to use to report the taxable amounts on an employee's T4 slip. The chart also shows whether to include GST/HST in the value of the benefit for income tax purposes.

## File an information return

If you are an employer, report the value of the taxable benefit or allowance on a T4 slip in box 14, "Employment income." Also report the value of the taxable benefit or allowance in the "Other information" area at the bottom of the employee's slip and use code **40**, unless we tell you to use a different code.

If you are a third-party payer providing taxable benefits or allowances to employees of another employer, report the benefits in the "Other information" area at the bottom of the T4A slip. Use the code provided for the specific benefit.

If a benefit or allowance described in this guide is non-pensionable, non-insurable, and non-taxable, **do not** include it in income and do not report it on an information slip.

For more information on reporting benefits and allowances, go to [www.cra.gc.ca/slips](http://www.cra.gc.ca/slips) or see the following guides:

- RC4120, *Employers' Guide – Filing the T4 Slip and Summary*;
- RC4157, *Deducting Income Tax on Pension and Other Income, and Filing the T4A Slip and Summary*.

## Employee's allowable employment expenses

Your employee may be able to claim certain employment expenses on his or her income tax and benefit return if, under the contract of employment, the employee had to pay for the expenses in question. This contract of employment does not have to be in writing but you and your employee have to agree to the terms and understand what is expected.

### Examples

- You allow your employee to use his personal motor vehicle for business and pay him a monthly motor vehicle allowance to pay for the operating expenses and you include the allowance in the employee's employment income as a taxable benefit; or
- You have a formal telework arrangement with your employee that allows this employee to work at home. Your employee pays for the expenses of this work space on his or her own.

You have to fill out and sign Form T2200, *Declaration of Conditions of Employment* and give it to your employee so he or she can deduct employment expenses from his or her income. By signing the form, you are only certifying that the employee met the conditions of employment and **had to pay** for the expenses under his or her employment contract.

It is the employee's responsibility to claim the expenses on his or her income tax and benefits return and to keep records to support the claim.

For more information on allowable employment expenses, see:

- Guide T4044, *Employment Expenses*;

- Interpretation Bulletin IT-522, *Vehicle, Travel and Sales Expenses of Employees*;
- Interpretation Bulletin IT-352, *Employee's Expenses, Including Work Space in Home Expenses*;
- Information Circular IC73-21R9, *Claims for Meals and Lodging Expenses of Transport Employees*.

## Chapter 2 – Automobile and motor vehicle benefits and allowances

Information on the topics discussed in this chapter can be found at:

- [www.cra.gc.ca/automotor-benefits](http://www.cra.gc.ca/automotor-benefits);
- IT-63 *Benefits, Including Standby Charge for an Automobile, from the Personal Use of a Motor Vehicle Supplied by an Employer – After 1992*;
- IT-522 *Vehicle, Travel and Sales Expenses of Employees*;
- [www.cra.gc.ca/automotor-allowances](http://www.cra.gc.ca/automotor-allowances) and select "Facts about automobile and other vehicle benefits and automobile allowances."

## Definitions

Read through the following definitions. They will help you understand the terms and expressions we use in the information that follows.

### Automobile

An **automobile** is a motor vehicle that is designed or adapted mainly to carry individuals on highways and streets, and has a seating capacity of not more than the driver and eight passengers.

If the vehicle you provide to your employee is not included in the definition of automobile as described, see "Benefit for motor vehicles not defined as an automobile," on page 13.

An automobile **does not** include:

- an ambulance;
- clearly marked police or fire emergency response vehicles;
- clearly marked emergency medical response vehicles that you use to carry emergency medical equipment and one or more emergency medical attendants or paramedics;
- a motor vehicle you bought to use primarily (more than 50% of the distance driven) as a taxi, a bus used in a business of transporting passengers, or a hearse in a funeral business;
- a motor vehicle you bought to sell, rent, or lease in a motor vehicle sales, rental, or leasing business, except for benefits arising from personal use of an automobile;



- a motor vehicle (other than a hearse) you bought to use in a funeral business to transport passengers, except for benefits arising from personal use of an automobile;
- a van, pick-up truck, or similar vehicle that:
  - can seat no more than the driver and two passengers, and in the year it is acquired or leased is used primarily to transport goods or equipment in the course of business; or
  - in the year it is acquired or leased, is used 90% or more of the distance driven to transport goods, equipment, or passengers in the course of business; or
- pick-up trucks that you bought or leased in the tax year that:
  - you used primarily to transport goods, equipment, or passengers in the course of earning or producing income; and
  - you used at a remote work location or at a special work site that is at least 30 kilometres away from any community having a population of at least 40,000.

**Note**

If the back part or trunk of a van, pick-up truck, or similar vehicle has been permanently altered and can no longer be used as a passenger vehicle, it is no longer considered an automobile as long as it is used primarily for business.

**Employee**

While the information in this chapter relates to an employee, it may also apply to the following taxpayers:

- a person related to the employee;
- an individual who holds an office or person related to that individual;
- a partner or person related to the partner; or
- a shareholder or person related to the shareholder.

**Motor vehicle**

A motor vehicle is an automotive vehicle designed or adapted for use on highways and streets. It does not include a trolley bus or a vehicle designed or adapted for use only on rails. Although an automobile is a kind of motor vehicle, we treat them differently for income tax purposes.

**Personal driving (personal use)**

Personal driving is any driving by an employee, or a person related to the employee, for purposes not related to his or her employment.

An employee may use one of your owned or leased vehicles for purposes other than business or, an employee may use his or her personal vehicle to carry out employment duties and get an allowance for the business use of that vehicle. Whatever the situation, if your employee drives your vehicle for personal reasons or you reimburse your employee for the personal driving of his or her own vehicle, there is a taxable benefit that has to be calculated and included in his or her income.

Personal driving includes:

- vacation trips;
- driving to conduct personal activities;
- travel between home and a regular place of employment, other than a point of call; and
- travel between home and a regular place of employment even if you insist the employee drive the vehicle home, such as when he or she is on call.

**Regular place of employment**

A regular place of employment is any location where your employee regularly reports for work or performs the duties of employment. In this case, “regular” means there is some degree of frequency or repetition in the employee’s reporting to that particular work location in a given pay period, month, or year. This “place” does not have to be an establishment of the employer.

A regular place of employment may include:

- the office where your employee reports daily;
- several store locations that a manager visits monthly;
- a client’s premises when an employee reports there daily for a six month project; or
- a client’s premises if the employee has to attend biweekly meetings there.

Depending on the circumstances, your employee may have more than one location where he or she regularly reports for work. If your employee has multiple regular work locations and travels between home and several work locations during the day, only the trip from your employee’s home to the first work location or, the trip from the last work location to home is personal driving. Any travel by the employee between work locations is business related.

**Exceptions**

An employee’s travel between home and a regular place of employment may be “business” related (and not a taxable benefit) if:

- you need to provide your employees with transportation from pickup points to an employment location when public and private vehicles are neither allowed nor practical at the location because of security or other reasons; or
- you need to provide transportation to your employee who works at a special work site or a remote location. If so see “Board, lodging, and transportation – Special work sites and remote work locations,” on page 16.

**Point of call**

A point of call is a place the employee goes to perform his or her employment duties other than the employee’s regular place of employment.

We will consider the employee’s travel between his or her home to a point of call to be “business” driving (and not a taxable benefit) if you need or allow the employee to travel directly from home to a point of call (such as a salesperson visiting customers, going to a client’s premises for a

meeting, or making a repair call) or to return home from that point.

#### Note

It must be reasonable that the employee's travel to the point of call be made at that time and on the way to or from work. If it is unreasonable, then that distance is personal driving and is a taxable benefit.

## Vehicle

The term "vehicle" used in this chapter includes both automobiles and motor vehicles not defined as automobiles.

## Keeping records

You and your employees have to keep records on the usage of the vehicle so that you can properly identify the business and personal use amounts of the total kilometres driven in a calendar year by an employee or a person related to the employee. The records may contain information relating to the business destination such as the date, the name and address of the client, and the distance travelled between home and the client's place of business. For more information, go to [www.cra.gc.ca/records](http://www.cra.gc.ca/records).

## Calculating automobile benefits

The benefit for an automobile you provide is generally:

- a standby charge for the year; **plus**
- an operating expense benefit for the year; **minus**
- any reimbursements employees make in the year for benefits you otherwise include in their income for the standby charge or the operating expenses.

You can use the following tools to calculate the benefits:

- *Automobile Benefits Online Calculator* at [www.cra.gc.ca/autobenefits-calculator](http://www.cra.gc.ca/autobenefits-calculator).
- **Worksheet** – You can get Form RC18, *Calculating Automobile Benefits*, by going to [www.cra.gc.ca/forms](http://www.cra.gc.ca/forms) or by calling 1-800-959-5525.

## Calculating a standby charge for automobiles you own or lease

The standby charge is for the benefit your employee gets when your owned or leased automobile is made available for his or her personal use. Any reimbursements you receive from your employee, other than expenses relating to the operation of the automobile, will decrease the standby charge that has to be included in your employee's income.

The following information about personal use, availability and reducing the standby charge is the same whether you own the automobile or lease it.

### Availability and personal use

An automobile is available to your employee if he or she has access to or control over the vehicle. It includes any part of a day, weekends and holidays during the calendar year.

If your employee does not use your automobile for any personal driving, there is **no** taxable benefit, even if the automobile is available to your employee for the entire year. This applies as long as the kilometres driven by your employee were in the course of his or her employment duties **and** the vehicle is returned to your premises at the end of his or her work day.

### Reducing the standby charge

Calculate the standby charge at a reduced rate if **all** of the following conditions apply:

- you require your employee to use the automobile to perform his or her duties;
- the employee uses the automobile more than 50% of the distance driven for business purposes; and
- the kilometres for personal use is not more than 1,667 per 30-day period or a total of 20,004 kilometres a year.

Use one of the following tools to apply the reduced rate:

- the *Automobile Benefits Online Calculator*, for 2012 and subsequent years, at [www.cra.gc.ca/autobenefits-calculator](http://www.cra.gc.ca/autobenefits-calculator).
- the calculation of Form RC18, *Calculating Automobile Benefits*.

### Automobile you own

There are two methods to calculate the standby charge when you own the automobile – the simplified calculation and the detailed calculation.

The simplified calculation has certain conditions that the employee has to meet. If the conditions are not met, you have to use the detailed calculation. To find out which calculation method is better for your employee, use Form RC18, *Calculating Automobile Benefits*.

The following information will help you fill in Form RC18 and the *Automobile Benefits Online Calculator*.

#### 1) Your automobile costs

The cost of your automobile for determining the standby charge is the total of the following two amounts:

- the cost of the automobile when you bought it, including options, accessories, and the GST/HST and PST, but **not** including any reduction for a trade-in; and
- the cost of additions (including the GST/HST and PST) you made to the automobile after you bought it (that you add to the capital cost of the automobile to calculate the deduction for depreciation).

#### Note

Where the automobile was purchased from a non-arm's length person, the cost is generally equal to the fair market value when you bought it, including options and GST/HST or PST.

Specialized equipment you add to the automobile to meet the requirements of a disabled person or for employment (such as cellular phones, two-way radios, heavy-duty suspension, and power winches) are not considered to be part of the automobile's cost for purposes of calculating the standby charge.

If you operate a fleet or pool of automobiles, go to the heading "Fleet operations" below.

## 2) 30 day periods

When you divide the total days available by 30, round off the result to the nearest whole number if it is more than one.

### Examples:

20 days ÷ 30 = 0.67 (do not round off)

130 days ÷ 30 = 4.33 (round to 4)

135 days ÷ 30 = 4.50 (round to 4)

140 days ÷ 30 = 4.67 (round to 5)

## 3) Personal kilometres

See the section on "Personal driving (personal use)" on page 9.

## 4) Reimbursements

A reimbursement is an amount you receive from your employee to repay you for some of your automobile costs. The amount the employee reimburses you may be used to reduce the employee's taxable benefit.

## Fleet operations

You may operate a fleet or pool of automobiles from which an employee uses several automobiles during the year. If you assign an automobile to an employee from a fleet or pool on a long-term or exclusive basis, the cost of the automobile you have assigned to the employee should be used when you calculate his or her standby charge.

However, if the fleet is mostly the same or if you group it into a few similar groups, you can calculate the standby charge based on the average cost of the group from which you provide the automobile. You and your employee have to agree to this.

For more information on grouping automobiles by average cost, see Interpretation Bulletin IT-63, *Benefits, Including Standby Charge for an Automobile, from the Personal Use of a Motor Vehicle Supplied by an Employer – After 1992*.

## Automobile you lease

You must use the detailed calculation to calculate the standby charge for employer leased automobiles. The following information will help you fill in Form RC18 and the *Automobile Benefits Online Calculator*.

### 1) Your leasing costs

Leasing costs of your automobile used in calculating the standby charge include:

- the rental cost for the automobile; and
- any associated costs, such as maintenance contracts, excess mileage charges, terminal charges less terminal credits, and the GST/HST and PST that you pay to the lessor under the leasing contract.

### Note

Leasing costs do not include liability and collision insurance costs.

## 2) 30 day periods

When you divide the total days available by 30, round off the result to the nearest whole number if it is more than one.

### Examples:

20 days ÷ 30 = 0.67 (do not round off)

130 days ÷ 30 = 4.33 (round to 4)

135 days ÷ 30 = 4.50 (round to 4)

140 days ÷ 30 = 4.67 (round to 5)

## 3) Personal kilometres

See the section on "Personal driving (personal use)" on page 9.

## 4) Reimbursements

A reimbursement is an amount you receive from your employee to repay you for some of your automobile costs. The amount the employee reimburses you may be used to reduce the employee's taxable benefit.

## Lump-sum lease payments

Lump-sum amounts you pay the lessor at the beginning or end of a lease that are **not** a payment to buy the automobile will affect the standby charge for the automobile.

Prorate the lump-sum payment you make **at the beginning** of a lease over the life of the lease and add it to the leasing cost.

If you make a lump sum payment **at the end** of a lease, we consider it to be a **terminal charge**. This means your lease costs should have been higher and the standby charge for the automobile has been understated.

In this situation, you can use one of the following methods:

- add the terminal charge to the lease costs in the year you end the lease; or
- prorate the payment over the term of the lease and amend the T4 or T4A slip of the employee who used the automobile, as long as he or she agrees and can still ask for an income tax adjustment for the years in question.

Each employee can then write to any tax services office or tax centre and ask us to adjust his or her income tax and benefit returns for those years.

A lump sum payment **you receive from the lessor at the end of a lease** is considered to be a **terminal credit**. When this happens, the standby charge for the automobile has been overstated since the lease costs should have been lower. In this situation, you can use one of the following methods:

- deduct the terminal credit from the lease costs in the year you end the lease; or
- amend the T4 or T4A slip of the employee who used the automobile and provide a letter explaining the reduction, as long as the employee agrees and can still ask for an income tax adjustment for the years in question.

Each employee can then write to any tax services office or tax centre and ask us to adjust his or her income tax and benefit returns for those years.

Whichever method you use when you make or receive a lump sum payment at the end of the lease, include the GST/HST.

### Employees who sell or lease automobiles

You can modify the calculation of the standby charge for individuals you employ to sell or lease automobiles if all of the following conditions apply:

- you employ the individual mainly to sell or lease automobiles;
- you made an automobile you own available to that individual or to someone related to that individual; and
- you acquired at least one automobile during the year.

You can choose the rate of 1.5% instead of 2% for the automobile's cost to you, and calculate your automobile cost as the greater of the following two amounts:

- the average cost of **all new** automobiles you acquired in the year to sell or lease; or
- the average cost of **all** automobiles you acquired in the year to sell or lease.

#### Note

The cost of an automobile is generally equal to its fair market value at the time of acquisition, including GST/HST and PST.

### Calculating an operating expense benefit

When you (or a person related to you) provide an automobile to an employee and pay for the operating expenses related to personal use (including the GST/HST and PST), this payment is a taxable benefit for the employee.

Operating expenses include:

- gasoline and oil;
- maintenance charges and repair expenses, less insurance proceeds; and
- licences and insurance.

Operating expenses **do not** include:

- interest;
- capital cost allowance for an automobile you own;
- lease costs for a leased automobile; or
- parking costs, highway or bridge tolls.

If you pay any amount of operating expenses, you have to determine the operating expense benefit by using either the optional or fixed rate calculation.

#### Optional calculation

You can choose this method to calculate the automobile's operating expense benefit if **all** of the following conditions apply:

- You include a standby charge in your employee's income.

- Your employee uses the automobile more than 50% of the distance driven in the course of his or her office or employment.
- Your employee notifies you in writing before the end of the tax year to use this method.

If **all** of these conditions are met, calculate the operating expense benefit of the automobile at **half of the standby charge** before deducting any payments (reimbursements) your employee or a person related to your employee makes. In some cases, this optional calculation may result in a higher benefit amount than the fixed rate calculation.

#### Fixed rate calculation

The fixed rate for 2015 is 27¢ per kilometre of personal use (including the GST/HST and PST).

If the employee's main source of employment is selling or leasing automobiles, the fixed rate for 2015 is 24¢ per kilometre of personal use (including the GST/HST and PST).

Rates for previous tax years can be found in older versions of this guide or in section 7305.1 of the *Income Tax Regulations*.

#### Note

When you use the fixed rate calculation, you still have to keep records of this benefit.

### Reimbursement for operating expenses

If the employee reimburses you in the year or no later than 45 days after the end of the year for **all actual** operating expenses (including the GST/HST and PST) attributable to personal use, you do not have to calculate an operating expense benefit for the year.

If the employee reimburses you for **part** of the automobile's operating expenses in the year or no later than 45 days after the end of the year, deduct the payment from the operating expense benefit that you calculated.

#### Example

In 2015, you provided your employee with an automobile. She drove 30,000 kilometres during the year, with 10,000 kilometres for personal use.

You paid \$3,000 in costs associated with maintenance, licences, and insurance.

Calculate the part of the operating expenses that relates to her personal use of the automobile as follows:

$$\frac{10,000 \text{ km}}{30,000 \text{ km}} \times \$3,000 = \$1,000$$

If she reimbursed you for the **total** amount of \$1,000 in the year, or no later than 45 days after the end of the year, you do not have to calculate an operating expense benefit for her.

However, if she reimbursed you for **only** \$800 of the expenses you paid in the year, or no later than 45 days after the end of the year, the operating expense benefit is \$1,900, calculated as follows:

$$10,000 \text{ km} \times 27¢ = \$2,700$$

$$\$2,700 - \$800 = \$1,900$$

### Operating expenses paid by employee to third party

If you provide an automobile to an employee and you require your employee to pay a third party for part or all of the operating expenses, such as gas or oil changes, (including the GST/HST and PST) in the year, administratively, we will allow you to deduct the portion of the expenses paid by the employee that are attributable to personal use from the operating expense benefit that you calculated. Your records have to show that the employee paid the expenses directly to the third party.

#### Note

The portion of the operating expenses that relates to personal use is the percentage obtained by dividing the number of personal kilometres by the total number of kilometres driven by the employee during the year while the automobile was available to the employee.

Excess amounts cannot be deducted from the employee's standby charge that you calculated.

### Example

In 2015, you provided your employee with an automobile. He drove 36,000 kilometres during the year, 12,000 kilometres of which were for personal use.

You paid \$3,000 in associated insurance and maintenance during the year. Your employee paid \$1,500 for gas and oil changes. He did not reimburse you for any of your costs and you did not reimburse him for any of his costs.

1) Calculate the employee's operating expense benefit using the flat-rate calculation as follows:

$$12,000 \text{ km} \times 27¢ = \$3,240$$

2) Calculate the personal portion of the operating expenses that he paid to a third party as follows:

$$\frac{12,000 \text{ km}}{36,000 \text{ km}} \times \$1,500 = \$500$$

3) Calculate your employee's taxable operating expense benefit by subtracting the amount you calculated in step 2 from the amount you calculated in step 1, as follows:

$$\$3,240 - \$500 = \$2,740$$

## Benefit for motor vehicles not defined as an automobile

Even if the vehicle you provide to your employee is not included in the definition of automobile on page 8, there is still a taxable benefit for the employee for his or her personal driving.

You have to reasonably estimate the fair market value of your employee's personal use of your motor vehicle,

including the GST/HST. A reasonable estimate is considered to be the amount an employee would have had to pay in an arm's length transaction for the use of comparable transportation. It includes items such as the cost of leasing a comparable vehicle and any other related operating costs. For more information go to paragraph 23 in Interpretation Bulletin IT-63, *Benefits, Including Standby Charge for an Automobile, from the Personal Use of a Motor Vehicle Supplied by an Employer –After 1992*.

Although other methods of calculating the value of your employee's taxable motor vehicle benefit are acceptable, the CRA generally accepts that the employment benefit arising from the employee's personal use of the vehicle will be considered reasonable if it is calculated using the rates shown under "Reasonable allowance rates" on page 14.

#### Note

The standby charge and operating expense benefit calculations should not be used.

Depending on how your motor vehicle is used by your employee and the conditions that you place on the use of it, you may be able to calculate your employee's taxable benefit using the **Motor vehicle home at night policy** below.

### Motor vehicle home at night policy

Administratively, you can calculate the taxable benefit for your employee's personal use of the motor vehicle between home and work using the rates shown under "Fixed rate calculation" on page 12 as long as your employee meets **all** of the following conditions:

1. The motor vehicle is not an automobile as defined on page 9.
2. You tell your employee in writing that he or she cannot make any personal use of the vehicle, other than travelling between work and home.

#### Note

Your employee will have to maintain full logbooks of the vehicle's use as proof that there was no other personal use.

3. You have valid business reasons for making the employee take the vehicle home at night, such as:
  - it would not be safe to leave tools and equipment at your premises or on a worksite overnight; or
  - your employee is on call to respond to emergencies (see Note), and you provide the vehicle so the employee can respond more effectively to emergencies.
4. The motor vehicle is specifically designed or suited for your business or trade and is essential for the performance of your employee's duties. Just transporting the employee to the work location does not meet the condition of "essential in the performance of employment duties." The following examples meet both conditions:
  - The vehicle is designed, or significantly modified, to carry tools, equipment, or merchandise. Your employee has to have the vehicle to do his or her job.

- The vehicle, such as a pickup truck or a van, is suitable for and is consistently used to carry and store heavy, bulky, or numerous tools and equipment. It would be difficult to load and unload the contents. The vehicle is essential to your employee in performing his or her job.
- The vehicle is regularly used to carry harmful or foul-smelling material, such as veterinary samples or fish and game. The vehicle is essential to your employee in performing his or her job.
- Your employee is on call for emergencies (see Note), and has to use a vehicle which:
  - is a clearly marked emergency-response vehicle;
  - is specially equipped to respond rapidly; or
  - is designed to carry specialized equipment to the scene of an emergency.

**Note**

We generally consider an emergency to relate either to the health and safety of the general population or to a significant disruption to the employer’s operations.

For examples of situations where transportation to and from home is considered a taxable benefit, go to [www.cra-arc.gc.ca/tx/bsnss/tpcs/pyrll/bnfts/tmb1/frm/xmpls-eng.html](http://www.cra-arc.gc.ca/tx/bsnss/tpcs/pyrll/bnfts/tmb1/frm/xmpls-eng.html).

**Reporting automobile or motor vehicle benefits**

**Employee’s benefit**

Report the value of the benefit including the GST/HST that applies in box 14, “Employment income,” and in the “Other information” area under code 34 at the bottom of the employee’s T4 slip.

Also, report the benefit on a T4 slip when the individual is an employee/shareholder and you provide the vehicle to the individual (or a person related to that individual) in his or her capacity as an employee.

**Shareholder’s benefit**

Report the value of the benefit including GST/HST that applies using code 028, “Other income” in the “Other information” area at the bottom of the T4A slip if:

- The shareholder is not an employee.
- The individual is an employee/shareholder, and you provide the vehicle to the individual (or person related to that individual) in his or her capacity as a shareholder.

**Automobile and motor vehicle allowances**

An allowance is any payment that employees receive from an employer for using their own vehicle in connection with or in the course of their office or employment without having to account for its use. This payment is in addition to their salary or wages. An allowance is taxable unless it is based on a reasonable per-kilometre rate.

This section explains common forms of automobile and motor vehicle allowances.

Employees receiving a taxable allowance may be able to claim allowable expenses on their income tax and benefit return. For more information, see “Employee’s allowable employment expenses,” on page 8.

**Reasonable per-kilometre allowance**

If you pay your employee an allowance based on a per-kilometre rate that we consider reasonable, **do not** deduct CPP contributions, EI premiums, or income tax.

The type of vehicle and the driving conditions usually determine whether we consider an allowance to be reasonable. The per-kilometre rates that we usually consider reasonable are the amounts prescribed in section 7306 of the *Income Tax Regulations*. Although these rates represent the maximum amount that you can deduct as business expenses, you can use them as a guideline to determine if the allowance paid to your employee is reasonable.

We consider an allowance to be reasonable if **all** the following conditions apply:

- The allowance is based only on the number of business kilometres driven in a year.
- The rate per-kilometre is reasonable.
- You did not reimburse the employee for expenses related to the same use of the vehicle. This does not apply to situations where you reimburse an employee for toll or ferry charges or supplementary business insurance, if you determined the allowance without including these reimbursements.

When your employees fill out their income tax and benefit return, they do not include this allowance in income.

**Reasonable allowance rates**

For 2015, they are:

- 55¢ per kilometre for the first 5,000 kilometres driven; and
- 49¢ per kilometre driven after that.

In the Northwest Territories, Yukon, and Nunavut, there is an additional 4¢ per kilometre allowed for travel.

Rates for previous tax years can be found in older versions of this guide or in Section 7306 of the *Income Tax Regulations*.

**Per-kilometre allowance rates that we do not consider reasonable**

If you pay your employee an allowance based on a per-kilometre rate that we do not consider reasonable (because it is either too high or too low), it is a taxable benefit and has to be included in the employee’s income.

**Flat-rate allowance**

If you pay your employee an allowance based on a flat rate that is not related to the number of kilometres driven, it is a taxable benefit and has to be included in the employee’s income.

## Combination of flat-rate and reasonable per-kilometre allowances

If you pay your employee an allowance that is a combination of flat-rate and reasonable per-kilometre allowances that cover the **same use** for the vehicle, the total combined allowance is a taxable benefit and has to be included in the employee's income.

### Example 1

You pay an allowance to your employee as follows:

- a flat per-diem rate to offset the employee's fixed expenses for each day the vehicle is required; and
- a reasonable per-kilometre rate for each kilometre driven to offset the operating expenses.

The flat per-diem rate compensates the employee for some of the same use on which the reasonable per-kilometre allowance is based. That is, the fixed expenses incurred by the employee to operate the vehicle.

The combined amount is considered one allowance and therefore taxable, since it is not based only on the number of kilometres the vehicle is used for employment purposes.

### Example 2

You pay an allowance to your employee as follows:

- a flat-rate per month for travel inside the employment district; and
- a reasonable per-kilometre rate for employment-related travel outside the employment district.

Since the flat-rate allowance does not cover any of the same use of the vehicle on which the reasonable per-kilometre allowance is based, the allowances are considered separately.

The reasonable per-kilometre allowance paid for travel outside the district is **not included in income**. The amount based on a flat-rate paid for travel inside the district is **taxable**, since it is not based only on the number of kilometres for which the vehicle is used in connection with the employment.

Only the total of the monthly flat-rate allowance has to be reported in box 14, "Employment income," and in the "Other information" area under code 40 at the bottom of the employee's T4 slip.

## Reimbursement or advance for travel expenses

A **reimbursement** is a payment you make to your employees as a repayment for amounts they spent (such as gas and meals) while conducting your business. Generally, the employee completes a claim or expense report detailing the amounts spent. Do not include a reasonable reimbursement (which is part of your business expenses) in the employee's income.

An **advance** is an amount you give to employees for expenses they will incur on your business. An **accountable advance** is one that you give to an employee who has to

account for his or her expenses by producing vouchers and return any amount he or she did not spend.

Usually, a reimbursement or an accountable advance for travel expenses is not income for the employee receiving it unless it represents payment of the employee's personal expenses.

## Averaging allowances

To comply with the rules on reasonable per-kilometre allowances, employees have to file expense claims with you on an ongoing basis, starting at the beginning of the year.

A flat-rate or lump-sum allowance that is not based on the number of kilometres driven cannot be averaged at the end of the year to determine a reasonable per-kilometre rate and then be excluded from the employee's income.

We understand the administrative problems that can result from this. As a result, we are giving you a choice. If you make accountable advances to employees for vehicle expenses, you do not have to include them in the employee's income if **all** the following conditions are met:

- There is a pre-established per-kilometre rate that is not more than a reasonable amount.
- The rate and the advances are reasonable under the circumstances.
- You document this method in the employee's record.
- No other provision of the *Income Tax Act* requires you to include the advances in the employee's income.

Employees have to account for the business kilometres they travelled and any advances they received. They have to do so on the date their employment ends in the year, or by December 31, whichever is earlier.

**At that time, you have to pay any amounts you owe the employee and the employee has to repay any amount over actual expenses.** Where no repayment occurs, you cannot simply report the excess advances on the employee's T4 slip.

For more information on vehicle allowances, see Interpretation Bulletin IT-522, *Vehicle, Travel and Sales Expenses of Employees*.

## Reducing tax deductions at source on automobile or motor vehicle allowances

In many cases, allowances that are not based only on a reasonable per-kilometre rate can later be substantially offset by the employees' expense deductions on their income tax and benefit returns. In these situations, employees can ask to reduce their tax deductions on their remuneration by filling out and sending in a Form T1213, *Request to Reduce Tax Deductions at Source*, or a written request to any tax services office along with the following information:

- the type of employment for which the employee will receive the allowance;
- an estimate of the total vehicle allowances the employee will receive in the year;

- an estimate of the business kilometres the employee will drive in the year;
- an estimate of the employee's vehicle expenses for the year; and
- the amount for which the employee is requesting the waiver.

If you have a number of employees in the same situation, you can get a bulk waiver for the group. This way, every employee does not have to make an individual request.

### Reporting automobile or motor vehicle allowances on the T4 slip

If you provide an allowance that we consider to be taxable to your employee, you have to enter the yearly total of this allowance in box 14, "Employment income," and in the "Other information" area under code 40 at the bottom of the employee's T4 slip. Do not report any amount that we do not consider to be taxable.

## Chapter 3 – Other benefits and allowances

### Board and lodging

You may give your employee board and lodging which means that you provide him or her with accommodations and, in some cases, food. If you provide only meals to an employee, see "Meals," on page 26.

If you provide **free** lodging, or free board and lodging, to an employee, the employee receives a taxable benefit. As a result, you have to add to the employee's salary the fair market value of the board and lodging you provide. Report this amount in box 14, "Employment income," and in the "Other information" area under code 30 at the bottom of the employee's T4 slip.

If you provide **subsidized** lodging, or subsidized board and lodging, to an employee, the employee receives a taxable benefit. As a result, you have to add to the employee's salary the fair market value of the board and lodging you provide, **minus** any amount the employee paid. Report this amount in box 14, "Employment income," and in the "Other information" area under code 30 at the bottom of the employee's T4 slip.

### Exceptions to the rules

There are certain situations that can affect the value of the taxable benefit your employee gets if you provide free or subsidized board and lodging. The exceptions are as follows:

- If you provide board and/or lodging allowances to players on sports teams or members of recreation programs, see the next section.
- If you provide board, lodging and/or transportation to an employee who works at a special work site or a remote location, see "Board, lodging, and

transportation – Special work sites and remote work locations," on this page.

### Board and lodging allowances paid to players on sports teams or members of recreation programs

You can exclude up to \$344 (for 2015) per month from income for a board and lodging allowance for a participant or member of a sports team or recreational program if **all** of the following conditions are met:

- You are a registered charity or a non-profit organization.
- Participation with, or membership on, the team or in the program is restricted to persons under 21 years of age.
- The allowance is for board and lodging for participants or members that have to live away from their ordinary place of residence.
- The allowance is not attributable to any services, such as coaching, refereeing, or other services to the team or program.

Do not report the excluded income on a T4 slip.

### Board, lodging, and transportation – Special work sites and remote work locations

It is possible for an employee to work at a location that is both a special work site and a remote work location. However, the benefit can only be excluded from the employee's income **once**.

#### Note

If the special work site is in a **prescribed zone**, see "Board, lodging, and transportation at a special work site," on page 34.

### Special work sites

Generally, a special work site is an area where temporary duties are performed by an employee who keeps a self-contained domestic establishment at another location as his or her principal place of residence. Because of the distance between the two areas, the employee is not expected to return daily from the work site to his or her principal place of residence.

Usually, the GST/HST applies on meals and accommodations you provide to an employee. In certain cases, such as long-term residential accommodation of one month or more, no GST/HST applies. Where the GST/HST does apply, include it in the value of the benefit.

### Board and lodging

You can exclude from income the value of board and lodging, or the reasonable allowance for board and lodging, that you provide to an employee who works at a **special work site** if **all** the following conditions are met:

- The employee's duties required him or her to be away from his or her principal place of residence or to be at the special work site.



- The employee had to work at a special work site where the duties performed were of a temporary nature.
- The employee kept, at another location, a self-contained domestic establishment as his or her principal place of residence:
  - that, throughout the period, was available for the employee’s occupancy, and the employee did not rent it to any other person; and
  - to which, because of distance, the employee could not reasonably be expected to return daily from the special work site.
- The board and lodging, or the reasonable allowance for board and lodging, you provided to the employee had to have been for a period of at least 36 hours. This period can include time spent travelling between the employee’s principal place of residence and a special work site.

**Note**

You can **only** exclude from income a reasonable allowance paid to your employee for board and lodging if they incurred the expense.

**Transportation**

You can exclude from income:

- the value of free or subsidized transportation between the special work site and your employee’s principal place of residence; or
- a reasonable allowance paid to your employee for transportation expenses they incur.

This only applies if you provided board and lodging, or a reasonable allowance for board and lodging, to your employee for that period.

**Form TD4, Declaration of Exemption – Employment at a Special Work Site**

If an employee meets **all** of the conditions listed under “Board and lodging” above, you and the employee should fill out Form TD4, *Declaration of Exemption – Employment at a Special Work Site*. This allows you to exclude the benefit or allowance from the employee’s income. If you fill out Form TD4, **do not** include the amounts in box 14, “Employment income,” or in the “Other information” area under code **30** at the bottom of the employee’s T4 slip. After you fill out Form TD4 with the employee, keep it with your payroll records.

If the employee does not meet all of the above conditions, **do not** fill out Form TD4. Treat the total amounts as part of the employee’s income. Make the necessary deductions and report the amounts on the employee’s T4 slip. This also applies to any part of an allowance for board, lodging, and transportation that is more than a reasonable amount.

**Remote work locations**

We usually consider a work location to be remote when it is 80 kilometres or more from the nearest established community with a population of at least 1,000 people.

A location is considered an established community if it has essential services or those services are available within a reasonable commuting distance. Essential services may include access to:

- basic food store;
- basic clothing store, with merchandise in stock (not a mail-order outlet);
- accommodation;
- certain medical services; and
- certain educational facilities.

**Board and lodging**

You can exclude from income the value of board and lodging, or the reasonable allowance for board and lodging, that you provide to an employee who works at a **remote work location**, if **all** of the following conditions are met:

- The employee could not reasonably be expected to set up and maintain a self-contained domestic establishment because of the remoteness of the location and the distance from any established community.
- You did not provide a self-contained domestic establishment for the employee.
- The reasonable allowances were for a period of at least 36 hours when:
  - the employee had to be away from his or her principal place of residence because of his or her duties; or
  - the employee had to be at the remote work location.

**Transportation**

You can exclude from income the value of free or subsidized transportation. A reasonable allowance for transportation expenses can also be excluded.

To qualify, the transportation allowance paid to an employee must be for a period of at least 36 hours when:

- the employee had to be away from his or her principal place of residence; or
- the employee had to be at the remote work location.

You had to have paid the allowance for transportation between the remote work location and any location in Canada. If the remote work location is outside Canada, you can exclude the allowance for transportation between that location and any location in Canada, or another location also outside Canada.

If you need help determining whether a location qualifies as remote, see Interpretation Bulletin IT-91, *Employment at Special Work Sites or Remote Work Locations*.

**Form TD4, Declaration of Exemption – Employment at a Special Work Site**

When there is an exemption for board, lodging, or transportation allowances you pay to employees who work at a remote work location, **do not** fill out Form TD4.

## Payroll deductions

If you exclude a benefit for board, lodging, and transportation at a special work site or remote work location, it is not a taxable benefit. **Do not** deduct CPP contributions, EI premiums, or income tax.

## Cellular phone and Internet services

If you provide your employee with a cellular phone (or other handheld communication device) or Internet service at home to help carry out his or her duties, the business use is not a taxable benefit.

If part of the use of the phone or Internet service is personal, you have to include the value of the personal use in your employee's income as a taxable benefit. The value of the benefit is based on the fair market value (FMV) of the service, **minus** any amounts your employee reimburses you. You can only use your cost to calculate the value of the benefit if it reflects the FMV.

For cellular phone service only, we do not consider your employee's personal use of the cellular phone service to be a taxable benefit if **all** of the following apply:

- The plan's cost is reasonable.
- The plan is a basic plan with a fixed cost.
- Your employee's personal use of the service does not result in charges that are more than the basic plan cost.

You, as the employer, are responsible for determining the percentage of business use and the FMV. You have to be prepared to justify your position if we ask you to do so.

### Note

If you give your employee an allowance for cellular phone or Internet services, the allowance must be included in the employee's income.

## Child care expenses

Child care is not taxable only if **all** of the following conditions are met:

- The services are provided at your place of business.
- The services are managed directly by you.
- The services are provided to all of the employees at minimal or no cost.
- The services are not available to the general public, only to employees.

If not all of the conditions are met, the taxable benefit is the fair market value (FMV) **minus** any amount that the employee pays for the service.

When you subsidize a facility operated by a third party in exchange for subsidized rates for your employees, the amount of the subsidy is considered a taxable benefit for the employee.

## Counselling services

The fees you pay to provide services such as financial counselling or income tax preparation for an employee are usually considered a taxable benefit.

Employee counselling services are not taxable if they are for one of the following:

- an employee's re-employment;
- an employee's retirement; or
- an employee's mental or physical health (such as counselling for tobacco, drug, or alcohol abuse, stress management or employee assistance programs) or that of a person related to an employee.

### Note

This does not include amounts for using recreational or sporting facilities and club dues.

## Disability-related employment benefits

Benefits you provide to an employee who has a disability are generally not taxable.

Reasonable transportation costs between an employee's home and work location (including parking near that location) are not taxable if you pay them to or for an employee **who**:

- is legally blind; or
- has a severe and prolonged mobility impairment, which markedly restricts the individual's ability to perform a basic activity of daily living—generally, someone who is eligible to claim the disability tax credit.

These transportation costs can include an allowance for taxis or specially designed public transit and parking that you provide or subsidize for these employees.

You may have employees with severe and prolonged mental or physical impairments. If you provide reasonable benefits for attendants to help these employees perform their duties of employment, these benefits are not taxable for the employee. The benefits can include readers for persons who are blind, signers for persons who are deaf, and coaches for persons who are intellectually impaired.

## Payroll deductions

If you exclude a disability-related employment benefit from income, it is not a taxable benefit. **Do not** deduct CPP contributions, EI premiums, or income tax.

## Discounts on merchandise and commissions from personal purchases

If you sell merchandise to your employee at a discount, the benefit he or she gets from this is not usually considered a taxable benefit.

However, we consider discounts to be taxable in **all** the following situations:

- You make a special arrangement with an employee or a group of employees to buy merchandise at a discount.
- You make an arrangement that allows an employee to buy merchandise (other than old or soiled merchandise) for less than your cost.

- You make a reciprocal arrangement with one or more other employers so that employees of one employer can buy merchandise at a discount from another employer.

If you determine the discount is taxable or you sell merchandise to your employee **below cost**, the taxable benefit is the difference between the fair market value of the goods and the price the employees pay.

**Commissions** that sales employees receive on merchandise they buy for personal use are not a taxable benefit. Similarly, when life insurance salespeople acquire life insurance policies, the commissions they receive are not taxable as long as they own the policies and have to make the required premium payments. This only applies where the income received is not significant and the insurance policy has no investment component or business use.

**Note**

This policy does not apply to discounts on services.

## Education benefits

If you provide education benefits to your employee, it may be a taxable benefit to the employee in certain circumstances.

If you provide education benefits to a person other than the employee, such as employee's family member, you do not have to include the value of the benefit in the employee's income as long as you deal at arm's length with the employee and the education benefit is not a replacement for salary, wages or other remuneration. Although scholarships, bursaries, and free tuition for family members are no longer a taxable benefit to employees, the benefit may be income to the family member. For more information, see "Family members" on this page.

## Educational allowances for children

If you pay any amounts to an employee as an educational allowance for the employee's child, you have to include these amounts in the employee's income for the year.

However, if the employee and his or her family have to live in a specific location away from their home and the schools in the area do not meet the educational needs of the employee's children, the educational allowance **may not be taxable** if all of the following conditions are met:

- The education provided is in the official language of Canada primarily used by the employee.
- The school is the closest suitable one available in that official language.
- The child is in full-time attendance at the school.
- The subsidy you provide is reasonable.

## Subsidized school services

Subsidized school services are generally taxable. However, in remote areas, employers are often responsible for essential community services that municipalities usually provide.

If you provide free or subsidized school services in remote areas for your employee's children, the employee **does not**

receive a taxable benefit. Do not deduct CPP contributions, EI premiums, or income tax on these amounts.

**Note**

This **does not** include an educational allowance or educational costs you pay directly to your employee, as explained elsewhere in this section.

## Scholarships, bursaries, tuition, and training

### Employee

You may provide an employee, or former employee, with a scholarship or bursary on the condition that the employee returns to employment with you on completing the course. In this situation, the amount of the scholarship or bursary is considered to be employment income for the employee or former employee.

You have to report on a T4 slip any scholarships, fellowships, or bursaries you gave to an employee if they primarily benefit the employee. If you get any questions from your employee about the income, you can refer him or her to Income Tax Folio S1-F2-C3: *Scholarships, Research Grants and Other Education Assistance* or to Guide 5000-G, *General Income Tax and Benefit Guide*.

- **Specific employment-related training**

We generally consider that courses taken to maintain or upgrade employment-related skills are mainly for your benefit when it is reasonable to assume that the employee will resume his or her employment for a reasonable period of time after he or she finishes the course.

For example, tuition fees and other associated costs such as books, meals, travel, and accommodation that you pay for courses leading to a degree, diploma, or certificate in a field related to your employee's current or future responsibilities in your business are not a taxable benefit.

- **General employment-related training**

We generally consider that other business-related courses, although not directly related to your own business, are taken mainly for your benefit.

For example, fees you pay for stress management, employment equity, first aid, and language courses are not a taxable benefit.

- **Personal interest training**

We consider that courses for personal interest or technical skills not related to your business are taken mainly for the employee's benefit and, therefore, are a taxable benefit.

## Scholarship exemption, and tuition, education and textbook amounts

If you paid or reimbursed tuition fees to your employees and there is no taxable benefit according to these guidelines, the employees are **not** eligible to claim the scholarship exemption, tuition, textbook, or education tax credits on their individual returns. You should inform them of this.

If you paid or reimbursed education amounts that are reported on either a T4 or T4A slip, the individual may be eligible to claim the scholarship exemption, or tuition, textbook, and/or education tax credits on his or her

individual return. The individual may be able to fully exclude from his or her income tuition fees, scholarships, fellowships, and bursaries he or she received from you.

### Family members

If you provide a scholarship or bursary program for the family members of your employees, or, as an educational institution, offer free tuition to the family members of your employees, **do not** include any scholarship or bursary in an employee's income unless the education benefit is provided as a substitute for salary, wages or other remuneration, or you do not deal with the employee at arm's length. Instead, report the FMV of such amounts as a scholarship on a T4A slip for the family member.

If a family member meets certain criteria, he or she may be able to exclude the amount from income on his or her income tax and benefit return. If you get any questions, you can refer them to the *General Income Tax and Benefit Guide*.

For more information, see Income Tax Folio S1-F2-C3: *Scholarships, Research Grants and Other Education Assistance*.

## Employment insurance premium rebate

As an employer, you may be eligible for a reduction in the employer EI premium rate that you use to calculate your share of the EI premiums if you offer income protection coverage, such as a wage loss replacement plan or other income maintenance plan, to your employees that reduce the EI benefits payable to an employee. For more information, go to [www.cra.gc.ca/tx/bsnss/tpcs/pyrll/clcltng/ei/rdc-eng.html](http://www.cra.gc.ca/tx/bsnss/tpcs/pyrll/clcltng/ei/rdc-eng.html).

If you are granted an EI premium reduction, you will calculate your employer's EI premiums using a rate that is lower than the standard employer rate of 1.4 times the employees' EI premiums.

You have to return 5/12 of any savings to your employees' in the year in which you received the EI premium reduction. This savings can either be given to your employee in cash, such as a cash allowance or a cash rebate, or indirectly through increased employer contributions to an employee's health and welfare trust, group sickness or accident insurance plan, private health services plan, or in any other manner. These indirect benefits will only be tax-free (i.e. not included in the employee's employment income) if they are given to the employee in the form of a benefit specifically exempt from taxation under paragraph 6(1)(a) of the *Income Tax Act*.

#### Note

If the benefit is taxable or it is given back to the employee in cash, it must be included in the employees' income. For more information, see "Benefits chart" on page 41.

## Gifts, awards, and long-service awards

A gift or award that you give an employee is a taxable benefit from employment, whether it is cash, near-cash, or non-cash. However, we have an administrative policy that exempts non-cash gifts and awards in some cases.

Cash and near-cash gifts or awards are always a taxable benefit for the employee. A near-cash item is one that functions as cash, such as a gift certificate or gift card, or an item that can be easily converted to cash, such as gold nuggets, securities, or stocks. For more information, see "Rules for gifts and awards" and "Policy for non-cash gifts and awards," on this page.

### Example of a near-cash gift or award

You give your employee a \$100 gift card or gift certificate to a department store. The employee can use this to purchase whatever merchandise or service the store offers. We consider the gift card or gift certificate to be an additional remuneration that is a taxable benefit for the employee because it functions in the same way as cash.

### Example of a non-cash gift or award

You give your employee tickets to an event on a specific date and time. This may not be a taxable benefit for the employee since there is no element of choice, if the other rules for gifts and awards are met.

## Rules for gifts and awards

A **gift** has to be for a special occasion such as a religious holiday, a birthday, a wedding, or the birth of a child.

An **award** has to be for an employment-related accomplishment such as outstanding service, or employees' suggestions. It is recognition of an employee's overall contribution to the workplace, not recognition of job performance. Generally, a valid, non-taxable award has clearly defined criteria, a nomination and evaluation process, and a limited number of recipients.

An award given to your employees for performance-related reasons (such as performing well in the job he or she were hired to do, exceeding production standards, completing a project ahead of schedule or under budget, putting in extra time to finish a project, covering for a sick manager/colleague) is considered a **reward** and is a taxable benefit for the employee.

If you give your employee a non-cash gift or award for any other reason, this policy does not apply and you have to include the fair market value of the gift or award in the employee's income.

The gifts and awards policy does not apply to cash and near-cash items or to gifts or awards given to non-arm's length employees, such as your relatives, shareholders, or people related to them.

For more information on gifts and awards outside our policy go to [www.cra.gc.ca/gifts](http://www.cra.gc.ca/gifts) and click on "Gifts and awards outside our policy."

## Value

Use the **fair market value** (FMV) of each gift to calculate the total value of gifts and awards given in the year, **not** its cost to you. You have to include the value of the GST/HST.

## Policy for non-cash gifts and awards

You may give an employee an unlimited number of non-cash gifts and awards with a combined total value of

\$500 or less annually. If the FMV of the gifts and awards you give your employee is greater than \$500, the amount over \$500 must be included in the employee's income. For example, if you give gifts and awards with a total value of \$650, there is a taxable benefit of \$150 (\$650 – \$500).

Items of small or trivial value do not have to be included when calculating the total value of gifts and awards given in the year for the purpose of the exemption. Examples of items of small or trivial value include:

- coffee or tea;
- T-shirts with employer's logos;
- mugs; or
- plaques or trophies.

### Long-service awards

As well as the gifts and awards in the policy stated above, you can, once every five years, give your employee a non-cash long-service or anniversary award valued at \$500 or less, tax free. The award must be for a minimum of five years' service, and it has to be at least five years since you gave the employee the last long-service or anniversary award. Any amount over the \$500 is a taxable benefit.

If it has not been at least five years since the employee's last long-service or anniversary award, then the award is a taxable benefit. For example, if the 15 year award was given at 17 years of service, and then the next award is given at 20 years of service, the 20 year award will be a taxable benefit, since five years will not have passed since the previous award.

The \$500 exemption for long-service awards does not affect the \$500 exemption for other gifts and awards in the year you give them. For example, you can give an employee a non-cash long-service award worth \$500 in the same year you give him or her other non-cash gifts and awards worth \$500. In this case, there is no taxable benefit for the employee.

#### Note

If the value of the long-service award is less than \$500, you **cannot** add the shortfall to the annual \$500 exemption for non-cash gifts and awards.

You can answer a series of questions on our Web site to help you determine if there is a taxable benefit. For more information, go to [www.cra.gc.ca/gifts](http://www.cra.gc.ca/gifts), select "Rules for gifts and awards," then select the "Q&A" icon.

### Awards from a manufacturer

If a manufacturer of goods gives cash awards or non-cash awards **to the dealer** of the goods, the manufacturer does not have to report the awards on an information slip.

However, if the dealer passes on cash awards to an employee, the dealer has to report the cash payment in box 14, "Employment income," and in the "Other information" area under code **40** at the bottom of the employee's T4 slip. If the dealer passes on non-cash awards to an employee, the dealer may not have to report the awards in the employee's income if the other conditions of the awards policy are met.

If a manufacturer gives a cash award or a non-cash award **directly to the employee** of a dealer or other sales organization, the manufacturer has to report the value of the award as a benefit using code **154**, "Cash award or prize from payer," in the "Other information" area at the bottom of the T4A slip.

### Group term life insurance policies – Employer-paid premiums

This section applies to current, former, and retired employees.

#### Note

Premiums you pay for employees' group life insurance that is not group term insurance or optional dependent life insurance are also a taxable benefit.

A **group term life insurance policy** is one for which the only amounts payable by the insurer are policy dividends, experience rating refunds, and amounts payable on the death or disability of an employee, former employee, retired employee, or their covered dependants.

**Term insurance** is any life insurance under a group term life insurance policy other than insurance for which a lump-sum premium has become payable or has been paid. Life insurance for current employees would usually be term insurance, although it is sometimes provided for retired employees.

A **lump-sum premium** is a premium for insurance on an individual's life where all or part of the premium is for insurance for a period that extends more than 13 months after the payment of the premium (or more than 13 months after the time the premium became payable, if it is paid after it became payable).

### Calculating the benefit

If the premiums are paid regularly and the premium rate for each individual does not depend on age or gender, the benefit is:

- the premiums payable for term insurance on the individual's life;

#### plus

- the total of all sales taxes and excise taxes, excluding GST/HST that apply to the individual's insurance coverage;
- any provincial insurance levies (similar to sales tax) that employers have to pay on some insurance premiums.

#### minus

- the premiums and any taxes the employee paid either directly or through reimbursements to you.

In any other situation, a detailed calculation is required. For more information, call 1-800-959-5525.

### Reporting the benefit

Report the benefit for **current employees and employees who are on a leave of absence** (such as maternity leave) in box 14, "Employment income," and in the "Other

information” area under code **40** at the bottom of the employee’s T4 slip.

Except as indicated in the next paragraph, for former employees or retirees, report the benefit on a T4A slip using code **119** in the “Other information” area, regardless of the amount. The \$500 reporting threshold for T4A slips, which is described in Guide RC4157, *Deducting Income Tax on Pension and Other Income, and Filing the T4A Slip and Summary*, **does not** apply.

If you are the administrator or trustee of a multi-employer plan and you provided taxable benefits under the plan to employees, former employees, or retirees, report the benefit using code **119** in the “Other information” area at the bottom of the T4A slip if it is more than \$25.

## Housing or utilities

If the accommodation you provide to the employee is in a prescribed zone, see “Accommodation or utilities provided by the employer,” on page 34.

If your employee is a member of the clergy or a religious order or a regular minister of a religious denomination, he or she might be entitled to claim a clergy residence deduction. For more information, see “Clergy residence” on this page.

### Housing or utilities – benefit

If you provide an employee, including the superintendent of an apartment block, with a house, apartment, or similar accommodation rent free or for less than the fair market value (FMV) of such accommodation, there is a taxable benefit for the employee.

You have to estimate a reasonable amount for the housing benefit. It is usually the FMV for the same type of accommodation, **minus** any rent the employee paid.

In addition, the amount you pay on behalf of, or reimburse to your employee for utilities (such as telephone, hydro, natural gas, water, cable or internet) is also a taxable benefit. This is the amount that you include in the employee’s income as a utilities benefit.

If the employee occupies the accommodation for **at least** one month, the value of the accommodation is usually not subject to the GST/HST.

### Special circumstances that reduce the value of a housing benefit

The following two factors may reduce the value of a housing benefit you provide to your employee:

#### ■ Suitability of size

Your employee may have to occupy an accommodation that is larger than he or she needs (such as a single person in a three-bedroom house). To calculate the taxable housing benefit, you can reduce the value of the accommodation to equal the value of accommodation that is appropriate to your employee’s needs (in this case, a one or two bedroom apartment or house).

#### Note

If the accommodation you provide is smaller than your employee needs, we cannot allow any reduction in value.

#### ■ Loss of privacy and quiet enjoyment

If the accommodation you provide to your employee contains things like equipment, public access, or storage facilities that infringe on your employee’s privacy or quiet enjoyment of the accommodation, you can reduce the value of the housing benefit. The reduction has to reasonably relate to the degree of disturbance that affects your employee.

These two factors apply in the above order. If both circumstances apply to an accommodation, you should first reduce the value to equal the value of accommodation that suits your employee’s needs. Then, you should apply any reduction for loss of privacy and quiet enjoyment to that reduced value.

### Housing or utilities – allowance

If you give your employee an allowance to pay for rent or utilities, include the allowance in your employee’s income as a taxable housing and/or utilities benefit.

### Reporting the benefit

Report the taxable benefit for the utilities in box 14, “Employment income,” and in the “Other information” area under code **40** at the bottom of the employee’s T4 slip. Report the taxable benefit for housing in box 14 and in the “Other information” area under code **30**.

#### Note

Special rules apply if you pay for utilities (or provide them) for a member of the clergy. For more information, see “Code 30 – Board and Lodging” in Chapter 2 of Guide RC4120, *Employers’ Guide – Filing the T4 Slip and Summary*.

### Clergy residence

#### Clergy residence deduction

If your employee is a member of the clergy, he or she may be able to claim a deduction from income for his or her residence when filing a personal income tax and benefits return.

An employee who is a member of the clergy, a regular minister, or a member of a religious order can claim the clergy residence deduction if the employee is in one of the following situations:

- in charge of, or ministers to, a diocese, parish, or congregation; or
- engaged only in full-time administrative service by appointment of a religious order or denomination.

To claim the deduction, the employee has to fill out parts A and C of Form T1223, *Clergy Residence Deduction*. You have to fill out Part B and sign the form to certify that this employee has met the required conditions. The employee does not have to file the form with his or her income tax and benefit return, but has to keep it in case we ask to see it.

## Reducing remuneration from which you have to deduct income tax and CPP

### Employer provided or paid – benefit

If you provide your employee with free or low-rent accommodation, do not include the accommodation and utilities share of the benefit that is equal to the clergy residence deduction, in your employee's income when you calculate the income tax and CPP contributions to deduct as long as your employee:

- gives you a completed Form T1223, *Clergy Residence Deduction*; or
- tells you in writing he or she intends to claim the clergy residence deduction and tells you the amount of the deduction that will be claimed.

### Employee owned or rented – allowance

Your employee may own or rent the accommodation and pay for utilities either out of his or her own money or by using the allowance you paid to him or her. If your employee will be claiming the clergy residence deduction on his or her personal income tax and benefits return, he or she may get a letter of authority from a tax services office to reduce the income on which you have to deduct tax and CPP. When your employee provides you with a letter of authority from a tax services office, reduce the income by the amount stated in the letter.

#### Note

Although the clergy residence deduction and the utilities share of the benefit can be excluded from income for the purpose of calculating tax deductions and CPP, you still have to report it on your employee's T4 slip. Special rules apply if you pay for utilities (or provide them) for a member of the clergy. For more information, see "Code 30 – Board and Lodging" in Chapter 2 of Guide RC4120, *Employers' Guide – Filing the T4 Slip and Summary*.

For more information, see Interpretation Bulletin IT-141, *Clergy Residence Deduction*.

## Income maintenance plans and other insurance plans

Employers may offer various types of insurance plans to employees. The tax treatment of employer-paid premiums or contributions to these plans may differ depending on the nature of the plan, the type of benefits offered, and whether the plan is offered to individual employees (a non-group plan) or a group of employees (a group plan).

### Non-group plans

The premium or contribution is a taxable benefit if you pay it to a **non-group** plan that is:

- a sickness or accident insurance plan;
- a disability insurance plan; or
- an income maintenance insurance plan.

### Group sickness or accident insurance plans

Effective January 2013, premiums or contributions you pay to a group sickness or accident insurance plan are a taxable

benefit to your employee, unless it is in respect of a wage-loss replacement benefit payable on a periodic basis (not lump-sum). Examples of plans to where the premium is a taxable benefit include, but are not limited to, accidental death and dismemberment and critical illness insurance.

Include the taxable benefit in box 14, "Employment income," and in the "Other information" area under code 40 at the bottom of the employee's T4 slip. Report the retiree's taxable benefit using code 028, "Other income" in the "Other information" area at the bottom of the T4A slip.

#### Notes

The premiums that you pay **after March 28, 2012 and before the end of 2012**, which relate to coverage in 2013, are a taxable benefit to your employee in 2013.

A group plan may be considered a wage loss replacement plan if certain conditions are met. To see the conditions or to find out which deductions you have to withhold from wage loss replacement plan benefits, see Chapter 6 of Guide T4001, *Employers' Guide – Payroll Deductions and Remittances*.

## Employee-pay-all plans

If the plan is an employee-pay-all plan, any premium you pay on behalf of the employee, and any reimbursements made to your employee, are considered taxable benefits. A plan is an employee-pay-all plan where your employee is contractually responsible for paying the premiums to the third party that administers the plan, even where the plan allows you to pay the premiums on the employee's behalf and include the value of the premiums in your employee's income. For more information on employee-pay-all plans, go to [www.cra.gc.ca/cppeexplained](http://www.cra.gc.ca/cppeexplained) and choose "Wage Loss Replacement Plans" or see Interpretation Bulletin IT-428, *Wage Loss Replacement Plans*.

## Group disability benefits – insolvent insurer

Under subsection 6(17) of the *Income Tax Act* (ITA), a **top up disability payment** includes a payment made by an employer directly to an individual to replace all or part of the periodic payments that, because of an insurer's insolvency, are no longer being made to the individual under a disability policy for which the employer made contributions. This treatment allows the continued deduction of contributions made by the employee to be considered in determining the amount to be included in the employee's income from employment under paragraph 6(1)(f) of the ITA. This applies to any top up disability payment made after August 10, 1994.

A **disability policy** is a group disability insurance policy that provides periodic payments to individuals for lost employment income.

## Loans – interest-free and low-interest

You have to include in income any benefit that a person receives as a result of an interest-free or low-interest loan because of an **office, employment, or shareholding**.

The benefit is the amount of interest that the person would have paid on the loan for the year at the prescribed rates

(for more information, see “Prescribed interest rates,” on page 26), **minus** the amount of interest that he or she paid on the loan in the year or no later than 30 days after the end of the year.

Special rules apply to certain loans and to home-relocation loans. For more information, see “Exceptions,” below and “Home-relocation loans,” on page 25.

### Exceptions

There is no benefit to borrowers for the interest on loans they received because of an office, employment, or shareholding when either of the following occurs:

- The interest rate on the loan or debt equals, or is more than, the rate that two parties who deal with each other at arm’s length would have agreed on when the debt arose. This is the rate that would apply on a commercial loan received other than through an office, employment, or shareholding. This exception does not apply if someone other than the borrower pays any part of the interest from the loan or debt.
- You include all or part of the loan (such as, a loan or debt forgiven in whole or in part) in the income of a person or partnership.

#### Note

**Arm’s length** refers to parties that are not related in any way, other than as employer and employee.

### Loans received because of employment

An employee receives a taxable benefit if you give him or her a loan because of an office or employment or intended office or employment. We consider a loan received because of employment if it is reasonable to conclude that the loan would not have been received, or the conditions of the loan would have been different, had there been no employment or intended employment.

The loan can be received by the employee or by another person. A loan can include any other indebtedness such as the unpaid purchase price of goods or services, or an overpayment of salary that your employee repays you over a period of time.

The taxable benefit the employee receives in the tax year is the total of the following amounts:

- a) the interest on each loan and debt calculated at the prescribed rate for the periods in the year during which it was outstanding; and
- b) the interest on the loan or debt that was paid or payable for the year by you, the employer (for this purpose, an **employer** is a person or partnership that employed or intended to employ the individual and also includes a person related to the person or partnership);

**minus** the total of the following amounts:

- c) the interest for the year that any person or partnership paid on each loan or debt no later than 30 days after the end of the year; and
- d) any part of the amount in b) that the employee pays back to the employer no later than 30 days after the end of the year.

#### Note

Sometimes these rules do not apply. For more information, see “Exceptions,” on this page.

If the employee receives a loan or incurs a debt because of employment, report the benefit in box 14, “Employment income,” and in the “Other information” area, report the interest benefit under code 36. Report any forgiven loan principal amounts under code 40.

For information about similar taxable benefits resulting from loans received because of services performed by a corporation that carries on a personal services business, see Interpretation Bulletin IT-421, *Benefits to individuals, corporations and shareholders from loans or debt*.

#### Example

Joshua is your employee. He borrowed \$150,000 from you at the beginning of the year. The prescribed rate of interest for the loan is 3% for the first quarter, 4% for the second and third quarters, and 5% for the fourth quarter. Joshua paid you \$2,000 interest on the loan no later than 30 days after the end of the year. During the year, a company related to you paid \$1,000 interest on the loan for Joshua. Before the end of the same year, Joshua repaid the \$1,000 to the company.

Calculate the benefit to include in his income as follows:

a) Prescribed rate × loan amount for the year:			
$3\% \times \$150,000 \times 1/4 =$	$\$1,125$		
$4\% \times \$150,000 \times 2/4 =$	$\$3,000$		
$5\% \times \$150,000 \times 1/4 =$	$\$1,875$	.....	<b>\$6,000</b>
<b>plus</b>			
b) Amount paid by a third party.....			<u><b>\$1,000</b></u>
			<b>\$7,000</b>
<b>minus</b>			
c) Interest paid (\$2,000 + \$1,000) = .....			<b>\$3,000</b>
d) Amount Joshua repaid.....	<u><b>\$1,000</b></u>	<b>\$4,000</b>	
<b>Joshua’s taxable benefit</b> .....			<u><b>\$3,000</b></u>

### Loans received because of shareholdings

Loans received because of shareholdings are considered taxable benefits when **all** of the following conditions are met:

- The loan is received by a person or partnership (except when the person is a corporation resident in Canada or the partnership is one in which each partner is a corporation resident in Canada).
- The person or partnership is:
  - a shareholder of a corporation;
  - connected with a shareholder of a corporation; or
  - a member of a partnership or beneficiary of a trust that was a shareholder of a corporation.
- The person or partnership receives a loan from, or incurs a debt to, a corporation, a related corporation, or a partnership of which that corporation or any related



corporation was a member because of these shareholdings.

If these conditions are met, the person or partnership (for example, a shareholder) received a benefit in the tax year that is equal to:

- the interest on each loan and debt calculated at the prescribed rate for the period in the year during which it was outstanding;

#### minus

- the interest for the year that any party (such as the person or partnership) paid on each loan or debt in the year or no later than 30 days after the end of the year.

#### Note

A **person** may be an individual, a corporation, or a trust.

Include the shareholder's benefit under code **117**, "Other income," in the "Other information" area at the bottom of the T4A slip.

## Home-purchase loan

A home-purchase loan is any part of a loan to an employee that the employee used to get or repay another loan to buy a residence. The residence has to be for that employee or a person related to that employee. This also applies to a shareholder or a person related to a shareholder.

To calculate the benefit for a home-purchase loan, see "Loans received because of employment," on page 24.

Once a home-purchase loan is established, the prescribed interest rate remains in effect for a period of five years. The amount of interest you calculate as a benefit should not be more than the interest that would have been charged at the prescribed rate when the loan or the debt was established.

If the term of repayment for a home-purchase loan is more than five years, the balance owing at the end of five years (from the day the loan was made) is considered a new loan. Treat the outstanding balance as a new loan on that date. To calculate the benefit, use the prescribed rate in effect at that time.

## Home-relocation loans

A home-relocation loan is a loan you give to an employee or an employee's spouse or common-law partner when he or she meets **all** of the following conditions:

- The employee or the employee's spouse or common-law partner moves to start work at a new location in Canada.
- The employee or the employee's spouse or common-law partner uses the loan to buy a new residence that is at least 40 kilometres closer to the new work location than the previous home.
- The employee or the employee's spouse or common-law partner receives the loan because of the employee's employment.
- The employee designates the loan as a home-relocation loan.
- The loan is used to acquire a residence or a share of the capital stock of a co-operative housing corporation

acquired only to obtain the right to inhabit a residence owned by the corporation. The residence must be for the habitation of the employee and be his or her new residence.

To calculate the benefit for the home-relocation loan, see "Loans received because of employment," on page 24.

Include the amount of the taxable benefit in box 14, "Employment income," and in the "Other information" area under code **36** at the bottom of the employee's T4 slip.

The amount of interest you calculate as a benefit should not be more than the interest that would have been charged at the prescribed rate in effect when the employee made the loan or incurred the debt.

If the term of repayment for the home-relocation loan is more than five years, the balance owing at the end of five years (from the day the loan was made) is considered a new loan. Treat the outstanding balance as a new loan on that date. To calculate the benefit, use the prescribed rate in effect at that time.

## Calculating the employee home-relocation loan deduction

When you include in an employee's income a taxable benefit for a home-relocation loan the employee received because of employment, he or she can deduct whichever of the following amounts is the least:

- the benefit calculated for the home-relocation loan using the formula found in "Loans received because of employment," on page 24;
- the interest (calculated at the prescribed rates) as if the home-relocation loan were for \$25,000; or
- the benefit that you included in the employee's income for all loans received because of employment in the year.

Enter the result in the "Other information" area under code **37** at the bottom of the employee's T4 slip. This is the amount the employee can deduct on his or her income tax and benefit return as an Employee home relocation loan deduction.

#### Note

The deduction for the home-relocation loan is only available for the **first five years** of the loan.

## Forgiven loans

Where a loan to an employee is partly or fully forgiven, the amount is employment income for the employee in the year forgiven. For more information, see Interpretation Bulletin IT-421, *Benefits to individuals, corporations and shareholders from loans or debt*.

## Reporting the benefit

If an **employee** receives a loan or incurs a debt because of employment, report the benefit in box 14, "Employment income," and in the "Other information" area under code **36** at the bottom of the employee's T4 slip.

If a person or partnership that was a **shareholder** (or was related to a shareholder) receives a loan or incurs a debt, you generally have to report the benefit on a T4A slip. Enter

the amount under code 117, "Loan benefits," in the "Other information" area at the bottom of the T4A slip.

#### Note

The taxable benefit must be reported on a T4 or T4A slip even if the borrower is eligible to deduct the interest.

## Prescribed interest rates

To get the current prescribed rates of interest, go to [www.cra.gc.ca/interestrates](http://www.cra.gc.ca/interestrates).

## Loyalty and other points programs

Your employees may collect loyalty points, such as frequent flyer points or air miles, on their personal credit cards when travelling on business trips, even though you reimburse them for the amounts they spend. Usually, these points can be exchanged or cashed in for rewards (goods or services, including gift cards and certificates).

Your employees do not have to include in their income the value of the rewards they received or enjoyed from the points they collect on these business trips, unless any of the following applies:

- The points are converted to cash.
- The plan or arrangement between you and the employee seems to be a form of remuneration.
- The plan or arrangement is a form of tax avoidance.

If any of the conditions above are met, the employee has to declare the fair market value (FMV) of any personal rewards he or she received on an income tax and benefit return.

#### Note

If you control the points (such as when an employee uses a company credit card) you have to report on their T4 slip the FMV of any personal rewards he or she received from redeeming the points.

For examples of situations where loyalty and other points programs are considered taxable benefits, go to [www.cra-arc.gc.ca/tx/bsnss/tpcs/pyrll/bnfts/lylty/xmpls-eng.html](http://www.cra-arc.gc.ca/tx/bsnss/tpcs/pyrll/bnfts/lylty/xmpls-eng.html).

## Meals

### Overtime meals or allowances

If you provide overtime meals, or an allowance for overtime meals, there is no taxable benefit if **all** of the following conditions apply:

- The allowance, or the cost of the meal, is reasonable. We generally consider a value of up to \$17 (including the GST/HST and PST) to be reasonable. We will consider higher amounts reasonable if the relative cost of meals in that location is higher, or under other significant extenuating circumstances.
- The employee works two or more hours of overtime right before or right after his or her scheduled hours of work.
- The overtime is not frequent and is occasional in nature (usually less than three times a week).

If overtime occurs frequently or becomes the norm, we consider the overtime meals or allowances to be a taxable benefit, since they start to take on the characteristics of additional remuneration.

For examples of situations where overtime meals, or allowances for overtime meals, are considered taxable benefits, go to [www.cra-arc.gc.ca/tx/bsnss/tpcs/pyrll/bnfts/mls/llwncxmpls-eng.html](http://www.cra-arc.gc.ca/tx/bsnss/tpcs/pyrll/bnfts/mls/llwncxmpls-eng.html).

### Subsidized meals

If you provide subsidized meals to an employee (such as in an employee dining room or cafeteria), these meals are **not** considered a taxable benefit if the employee pays a reasonable charge. A reasonable charge is one that covers the cost of the food, its preparation, and service.

If the charge is not reasonable, the value of the benefit is the cost of the meals, **minus** any payment the employee makes.

Include the taxable benefit in box 14, "Employment income," and in the "Other information" area under code 40 at the bottom of the employee's T4 slip.

## Medical expenses

If you pay or provide an amount to pay for an employee's medical expenses in a tax year, these amounts are considered to be a taxable benefit for the employee.

Generally, there is no GST/HST to include in the value of this benefit. However, some medical expenses that qualify for the medical expense tax credit may be subject to the GST/HST. In such a case, include the GST/HST in the value of the benefit.

For more information on qualifying medical expenses, see:

- Income Tax Folio S1-F1-C1, *Medical Expense Tax Credit*
- Income Tax Folio S2-F1-C1, *Health and Welfare Trusts*;
- Guide RC4064, *Medical and Disability-Related Information*.

## Moving expenses and relocation benefits

When you transfer an employee from one of your places of business to another, the amount you pay or reimburse the employee for certain moving expenses is usually not a taxable benefit. This includes any amounts you incurred to move the employee, the employee's family, and their household effects. This also applies when the employee accepts employment at a different location from the location of their former residence. The move does not have to be within Canada.

Also, if you pay certain expenses to move an employee, his or her family, and their household effects out of a remote work location when his or her employment duties are finished, the amount you pay is not a taxable benefit.

If you paid allowances to your employee for incidental moving expenses that he or she does not have to account for, see "Non-accountable allowances," on page 27.

## Moving expenses paid by employer that are not a taxable benefit

The following expenses are **not** a taxable benefit to your employees if you paid or reimbursed them:

- the cost of house hunting trips to the new location, including child care and pet care expenses while the employee is away;
- travelling costs (including a reasonable amount spent for meals and lodging) while the employee and members of the employee's household were moving from the old residence to the new residence;
- the cost to the employee of transporting or storing household effects while moving from the old residence to the new residence;
- costs to move personal items such as automobiles, boats, or trailers;
- charges and fees to disconnect telephones, television or aerials, water, space heaters, air conditioners, gas barbecues, automatic garage doors, and water heaters;
- fees to cancel leases;
- the cost to the employee of selling the old residence (including advertising, notarial or legal fees, real estate commission, and mortgage discharge penalties);
- charges to connect and install utilities, appliances, and fixtures that existed at the old residence;
- adjustments and alterations to existing furniture and fixtures to arrange them in the new residence, including plumbing and electrical changes in the new residence;
- automobile licences, inspections, and drivers' permit fees, if the employee owned these items at the former location;
- legal fees and land transfer tax to buy the new residence;
- the cost to revise legal documents to reflect the new address;
- reasonable temporary living expenses while waiting to occupy the new, permanent accommodation;
- long-distance telephone charges that relate to selling the old residence; and
- amounts you paid or reimbursed for property taxes, heat, hydro, insurance, and grounds maintenance costs to keep up the old residence after the move, when all reasonable efforts to sell it have not been successful.

## Moving expenses paid by employer that are a taxable benefit

If you pay or reimburse moving costs that we do not list above, the amounts are generally considered a taxable benefit to the employee.

If you do not reimburse, or only partly reimburse, an employee for moving expenses, the employee may be able to claim some of the moving expenses when filing his or her income tax and benefit return.

For more information on the deduction for moving expenses that is available to your employees, see Interpretation Bulletin IT-178, *Moving Expenses*, and Form T1-M, *Moving Expenses Deduction*.

## Housing loss

If you pay or reimburse your employee for a housing loss, the amount is a taxable benefit for the employee.

However, there is an exception for amounts paid for an **eligible housing loss**. Generally, in these situations, only half of the amount that is more than \$15,000 is taxable.

### Note

If you compensated your employee with more than one payment spread over two years, you will need to include an amount on his or her T4 slips for both years.

Example 2 below shows how to calculate the taxable benefit.

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### Example 1

In March 2015, you compensated Clara, your employee, for a \$40,000 loss she incurred on the sale of her house. The loss was an eligible housing loss. Clara started to work at her new workplace in June 2015.

The taxable benefit you will report on Clara's 2015 T4 slip will be \$12,500, calculated as follows:

$$1/2 \times (\$40,000 - \$15,000)$$

### Example 2

In June 2014, you agreed to compensate Paul, your employee, for any eligible housing loss that he incurred on the sale of his house. Paul started to work at his new work location on December 1, 2014.

Paul's eligible housing loss amounted to \$65,000. You paid out the compensation in two payments: \$30,000 in September 2014 and \$35,000 in February 2015.

Paul's taxable benefit in 2014 was \$7,500 (half of the amount paid in 2014 that is more than \$15,000).

Paul's taxable benefit in 2015 is \$17,500. This is calculated as follows:

- half of the total of amounts paid in 2014 and 2015 that is more than \$15,000 ( $1/2 \times [\$65,000 - \$15,000] = \$25,000$ );

### minus

- the amount included in income in 2014 (\$7,500).

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For more information on moving expenses, see Interpretation Bulletin IT-470, *Employees' Fringe Benefits*.

## Non-accountable allowances

A non-accountable allowance is an allowance for which an employee does not have to provide details or submit receipts to justify amounts paid. We consider a non-accountable allowance for incidental relocation or moving expenses of **\$650 or less** to be a reimbursement of expenses that the employee incurred because of an employment-related move. Therefore, this type of allowance is not taxable. For us to consider it as a reimbursement for incidental expenses, the employee

has to certify in writing that he or she incurred expenses for at least the amount of the allowance, up to a maximum of \$650.

Do not report the amount of the reimbursement. Report any part of the non-accountable allowance that is **more than \$650** in box 14, "Employment income," and in the "Other information" area under code **40** at the bottom of the employee's T4 slip.

### Examples

- If you gave a non-accountable allowance of \$625 to an employee who certifies that he or she incurred expenses for the amount of the allowance, the employee will not be taxed on the amount received. Do not include this amount on the employee's T4 slip.
- If you gave a non-accountable allowance of \$750 to an employee who can certify the expenses, he or she will be taxed on \$100 only, which is the part of the amount that is more than \$650. Include the \$100 on a T4 slip in box 14, "Employment income," and in the "Other information" area under code **40** at the bottom of the employee's T4 slip.

## Municipal officer's expense allowance

A municipal corporation or board may pay a non-accountable expense allowance to an elected officer to perform the duties of that office.

If the expense allowance is **more than one-third** of the officer's salary and allowances, the excess amount is a taxable benefit. Enter it in box 14, "Employment income," and in the "Other information" area under code **40** at the bottom of the employee's T4 slip.

If the expense allowance is **not more than one-third** of the officer's salary and allowances **do not** include this amount in box 14, "Employment income," or in the "Other information" area under code **40** at the bottom of the employee's T4 slip.

In either of the above situations, you have to identify the non-taxable share of the allowance by entering the corresponding amount in the "Other information" area under code **70** at the bottom of the employee's T4 slip.

For more information, see Interpretation Bulletin IT-292, *Taxation of Elected Officers of Incorporated Municipalities, School Boards, Municipal Commissions and Similar Bodies*.

## Parking

Employer-provided parking is usually a taxable benefit for an employee, whether or not the employer owns the lot. The amount of the benefit is based on the fair market value of the parking, **minus** any payment the employee makes to use the space.

There are some exceptions to the taxability of parking:

- If your employee has a disability, the parking benefit is generally **not** taxable. For more information, see "Disability-related employment benefits," on page 18.

- There is no taxable benefit for your employee when **both** of the following conditions are met:

- You provide parking to your employee for business purposes.
- Your employee **regularly** has to use his or her own automobile or one you usually supply to do his or her duties.

### Note

Travel between work and home is not considered travel for business purposes.

We do not require you to include a benefit in your employee's income in the following situations:

- A business operates from a shopping centre or industrial park where parking is available to both employees and other people.
- You provide scramble parking (there are significantly fewer spaces available than there are employees who want parking). For more information on scramble parking, go to [www.cra.gc.ca/payroll](http://www.cra.gc.ca/payroll), and select the letter "P" and go to "Parking."

### Note

If you provide enough parking spaces for all employees who want parking, but do not assign the parking spaces to individual employees, this is not scramble parking. You must add the benefit to the employee's remuneration.

To determine if an employee has received a benefit, the facts of each case must be examined. If you are not sure if employer-provided parking is a taxable benefit, contact us.

You can answer a series of questions on our Web site to help you determine if there is a taxable benefit. For more information, go to [www.cra.gc.ca/payroll](http://www.cra.gc.ca/payroll) and select the letter "P" then select "Parking." Select the "Q&A" icon.

## Pooled registered pension plans (PRPP)

Contributions you make to a PRPP for your employees are **not** a taxable benefit if the plan has been accepted for registration by the Minister of National Revenue and that registration has not been revoked. Do not include these contributions in your employees' employment income.

On the other hand, if you contribute to a plan that is registered only under the *Pooled Registered Pension Plan Act* or a similar provincial act and the plan is **not** registered with the Minister of National Revenue, your contributions are a taxable benefit. They are considered to be paid in cash and are taxable, pensionable, and insurable. Deduct income tax, CPP contributions, and EI premiums.

For more information about PRPPs, go to [www.cra.gc.ca/tx/prpp-rpac/menu-eng.html](http://www.cra.gc.ca/tx/prpp-rpac/menu-eng.html).

## Power saws and tree trimmers

If you are an employer in the forestry business, you may have employees who, according to their contracts, have to use their own power saws or tree trimmers at their own expense.

Rental payments you make to employees for the use of their own power saws or tree trimmers are taxable benefits, and should be included in their income on a T4 slip. Their income should not be reduced by the cost or value of saws, trimmers, parts, gasoline, or any other materials the employee supplies.

## Premiums under provincial hospitalization, medical care insurance, and certain Government of Canada plans

You may be paying premiums or contributing to a provincial or territorial hospital or medical care insurance plan for an employee. The amount you pay is considered a taxable benefit for the employee. Report this benefit in box 14, "Employment income," and in the "Other information," area under code 40 at the bottom of the employee's T4 slip. If you have to make payments to such a plan for amounts other than premiums or contributions for the employee, they are not considered a taxable benefit for the employee.

If you are the former employer of an employee who has retired, any amount you pay as a contribution to a provincial or territorial health services insurance plan for the retired employee is a taxable benefit.

Report this benefit under code 118, "Medical premium benefits," in the "Other information" area at the bottom of the T4A slip.

Any amount that the federal government pays for premiums under a hospital or medical care insurance plan for its employees and their dependants serving outside Canada is a taxable benefit. This also applies to dependants of members of the Royal Canadian Mounted Police and the Canadian Forces serving outside Canada.

## Private health services plan premiums

If you make contributions to a private health services plan (such as medical or dental plans) for employees, there is no taxable benefit for the employees.

### Note

Employee-paid premiums to a private health services plan are considered qualifying medical expenses and can be claimed by the employee on his or her income tax and benefit return.

Include the amounts that the employee paid on a T4 slip in the "Other information" area under code 85. The use of code 85 is optional. If you do not enter code 85, we may ask the employee to provide supporting documents.

Use the T4A slip to report these amounts for former employees or retired employees. Enter the amount under code 135, "Recipient-paid premiums for private health services plans," in the "Other information" area at the bottom of the T4A slip.

For more information, see Interpretation Bulletin IT-339, *Meaning of 'private health services plan' (1988 and subsequent taxation years)*.

## Professional membership dues

If you pay professional membership dues for your employee and you are the primary beneficiary of the payment, there is no benefit for the employee.

Whether you or the employee is the primary beneficiary is a question of fact. If you pay or reimburse professional membership dues because membership in the organization or association is a condition of employment, we consider you to be the primary beneficiary and there is no taxable benefit for the employee.

When membership is not a condition of employment, you, as the employer, are responsible for determining the primary beneficiary. You have to be prepared to justify your position if we ask you to do so.

In all situations where you pay or reimburse an employee's professional membership dues and the primary beneficiary is the employee, there is a taxable benefit for the employee.

### Note

You should tell your employee that he or she cannot deduct from his or her employment income any non-taxable professional dues that you have paid or reimbursed.

For more information, see Interpretation Bulletin IT-158, *Employees' professional membership dues*.

## Recreational facilities and club dues

The use of a recreational facility or club is a taxable benefit for an employee in any of the following situations:

- You pay, reimburse, or subsidize the cost of a membership at a recreational facility, such as an exercise room, swimming pool, or gymnasium.
- You pay, reimburse, or subsidize the cost of memberships to a business or professional club (that operates fitness, recreational, sports, or dining facilities for the use of their members but their main purpose is something other than recreation).
- You pay, reimburse, or subsidize the cost of membership dues in a recreational facility of the employee's choice, up to a set maximum. In this case it is the employee who has paid for the membership, owns it, and has signed some kind of contract with the company providing the facility.
- You pay, reimburse, or subsidize the employee for expenses incurred for food and beverages at a restaurant, dining room lounge, banquet hall, or conference room of a recreational facility or club.
- You provide recreational facilities to a select group or category of employees for free or for a minimal fee, while other employees have to pay the full fee. There is a taxable benefit for employees who do not have to pay the full fee.

However, the use of a recreational facility or club **does not** result in a taxable benefit for an employee in any of the following situations:

- You provide an in-house recreational facility and the facility is available to **all** your employees. This applies

whether you provide the facilities free of charge or for a minimal fee.

- You make an arrangement with a facility to pay a fee for the use of the facility, the membership is with you and not your employee and the facility or membership is available to **all** your employees. Membership will be considered to be made available to all employees as long as each employee can use the membership even if an employee chooses not to.
- You provide your employee with a membership in a social or athletic club and it can be clearly demonstrated that you are the primary beneficiary of the membership. The membership is a taxable benefit to your employee if the membership in or use of the club's facilities provides only an indirect benefit to you. This would be the case where the employee becomes physically healthier as a result of using the club's facilities and becomes generally better able to perform his or her duties (for example, fewer sick days, less downtime, remain fit for duty).

For more information, see Interpretation Bulletins IT-470, *Employees' Fringe Benefits* and IT-148, *Recreational Properties and Club Dues*.

## Registered retirement savings plans (RRSPs)

Contributions you make to an employee's RRSP and RRSP administration fees that you pay for your employee are considered to be a taxable benefit for the employee. However, this does not include an amount you withheld from the employee's remuneration and contributed for the employee.

If the GST/HST applies to the administration fees, include it in the value of the benefit.

## Payroll deductions

Contributions you make to your employee's RRSPs are generally paid in cash and are pensionable and insurable. Deduct CPP contributions and EI premiums.

However, your contributions are considered non-cash benefits and are not insurable if your employees cannot withdraw the amounts from a group RRSP (except for withdrawals under the Home Buyers' Plan or Lifelong Learning Plan) before the employees retire or cease to be employed.

Although the benefit is taxable and has to be reported on the T4 slip, you do not have to deduct income tax at source on the contributions you make to an employee's RRSPs if you have reasonable grounds to believe that the employee can deduct the contribution for the year. For details, see Chapter 5 of Guide T4001, *Employers' Guide – Payroll Deductions and Remittances*.

Administration fees that you pay directly for an employee are considered taxable and pensionable. Deduct CPP contributions and income tax. These are considered a non-cash benefit, so they are not insurable. Do not deduct EI premiums.

## Security options

When a corporation agrees to sell or issue its shares to an employee, or when a mutual fund trust grants options to an employee to acquire trust units, the employee may receive a taxable benefit. The taxable benefit is the difference between the fair market value of the shares or units when the employee acquired them and the amount paid, or to be paid, for them, including any amount paid for the rights to acquire the shares or units. Also, a benefit can accrue to the employee if his or her rights under the agreement become vested in another person, or if they transfer or sell the rights.

The shares or trust units are considered to be acquired when legal ownership of the shares has been transferred and the vendor has entitlement to receive payment. In general, this would occur where the shares have been transferred to the employee/broker and paid for.

Include this benefit in box 14, "Employment income," and in the "Other information" area under code 38 at the bottom of the employee's T4 slip. Also, show the deductions the employee is entitled to in the "Other information" area of the T4 slip, as explained in the rest of this section.

For more information on security options, see Interpretation Bulletin IT-113, *Benefits to Employees – Stock Options*.

When an employee exercises security options of a public company, the employer is required to withhold and remit an amount in respect of the taxable security option benefit (excluding any security option deduction) to the same extent as if the amount of the benefit had been paid as an employee bonus. For more information, go to [www.cra.gc.ca/stockoptions](http://www.cra.gc.ca/stockoptions) or see Chapter 6 of Guide T4001, *Employers' Guide – Payroll Deductions and Remittances*.

## Cash outs

If the employee disposes of stock option rights to the employer for a cash payment or other in kind benefit, the employee can claim the security options deduction if eligible or the employer can claim the cash-out as an expense, but not both. If the employer chooses **not** to claim the cash-out as an expense, the employer must make an election to do so under subsection 110(1.1) by entering this amount under code 86, "Security options election," in the "Other information" area of the T4 slip. This would allow the employee to claim the deduction under paragraph 110(1)(d). The amount you report under code 86 may be different from the taxable benefit you have to include in the employee's income in box 14 and under code 38.

If code 86 of the T4 is not entered, this means that the employer decided to claim the expense and the employee would not be allowed to claim the deduction under paragraph 110(1)(d). For more information, go to [www.cra.gc.ca/payroll](http://www.cra.gc.ca/payroll).

### Note

You cannot elect to defer the security option.

## Security options deduction for the acquisition of shares or units of entities other than Canadian-controlled private corporation – Paragraph 110(1)(d)

Generally, the employee receives the benefit in the same year he or she acquired the shares or units. The employee can claim a deduction under paragraph 110(1)(d) of the *Income Tax Act* if **all** of the following conditions are met:

- A qualifying person agreed to sell or issue to the employee shares of its capital stock or the capital stock of another corporation that it does not deal with at arm's length, or agreed to sell or issue units of a mutual fund trust.
- The employee dealt at arm's length with these qualifying persons right after the agreement was made.
- If the security is a share, it is a prescribed share (as defined in the *Income Tax Regulations*) and if it is a unit, it is a unit of a mutual fund trust.
- The price of the share or unit is not less than its fair market value when the agreement was made.

The deduction the employee can claim is **one-half** of the amount of the benefit that results because shares were acquired or when rights for shares were transferred or otherwise disposed of in the year. Identify the amount of the deduction by entering it in the "Other information" area under code **39** at the bottom of the employee's T4 slip.

### Note

The effect of foreign exchange gains and losses is not relevant when determining if an individual is eligible for the security option deduction.

## Security options deduction for the disposition of shares or units of a Canadian-controlled private corporation – Paragraph 110(1)(d.1)

The employee receives the benefit in the year they dispose of the shares, but **not** in the year of acquiring them if **all** of the following conditions are met:

- When the agreement to sell or issue shares to the employee was concluded, the issuing or selling corporation was a Canadian-controlled private corporation.
- The employee acquired shares after May 22, 1985.
- The employee dealt at arm's length with the corporation or any other corporation involved right after the agreement was concluded.

In this case, the employee can claim a deduction under paragraph 110(1)(d.1) of the *Income Tax Act* if **all** of the following conditions are met:

- The shares are disposed of in the year.
- The employee has not disposed of the share (otherwise than as a result of the taxpayer's death) or exchanged the share within two years after the date the taxpayer acquired it.
- The employee did not deduct an amount under paragraph 110(1)(d) for the benefit.

The deduction the employee can claim is **one-half** of the amount of the benefit for the shares disposed of in the year. Identify the amount of the deduction by entering it in the "Other information" area under code **41** at the bottom of the employee's T4 slip.

## Social events

If you provide a free party or other social event to all your employees and the cost is \$100 per person or less, we do not consider it to be a taxable benefit. Additional costs such as transportation home, taxi fare, and overnight accommodation are not included in the \$100 per person amount. If the cost of the party is greater than \$100 per person, the **entire** amount, including the additional costs, is a taxable benefit.

If the benefit is all cash, **do not include the GST/HST**. However, if all or part of the taxable benefit is non-cash and is not an exempt or zero-rated supply, include the GST/HST in the value of that part of the benefit.

For more information, see Interpretation Bulletin IT-470, *Employees' Fringe Benefits*.

## Spouse's or common-law partner's travelling expenses

If a spouse or common-law partner accompanies an employee on a business trip, the amount you reimburse the employee for the spouse's or common-law partner's travelling expenses is a **taxable benefit** for the employee.

The reimbursement is **not** considered a taxable benefit if the spouse or common-law partner went at your request and was mostly engaged in business activities during the trip.

For more information, see Interpretation Bulletin IT-131, *Convention expenses*.

## Tax-free savings account (TFSA)

You may offer your employees and their spouses the opportunity to participate in a group TFSA. Contributions you make to an employee's TFSA for them, as well as TFSA administration fees that you pay for them, are considered to be a taxable benefit for the employee. However, this does not include any amount you withheld from the employee's remuneration and contributed for the employee.

Contributions you make to your employee's TFSA for them are generally paid in cash and are taxable, pensionable, and insurable. Deduct income tax, CPP contributions and EI premiums.

Administration fees that you pay directly for an employee are taxable and pensionable. Deduct CPP and income tax. These are considered a non-cash benefit, so they are not insurable. **Do not** deduct EI premiums.

If the GST/HST applies to the administration fees, include it in the value of the benefit.

## Tickets

Whether a ticket is a taxable benefit to the employee depends on whether the ticket is provided for personal or business use. Each case is different.

Generally, the value of tickets is considered a taxable benefit when an employer gives an employee tickets for personal use unless it is being given under the terms of the gifts and awards policy. This would also be the case if the employer gives tickets to a person with whom the employee does not deal at arm's length (such as a family member) for a non-business use.

There is no taxable benefit to an employee for the value of a ticket used for business purposes. Sometimes an employee needs a ticket to attend a game or event to be able to perform his or her employment duties. In these situations, the tickets are given to the employee for a business use.

Employment duties may include:

- promoting and marketing to suppliers or other business contacts;
- supervising and managing at an event; or
- performing other specific duties required during the event, including:
  - providing on-call, on-site emergency medical services;
  - conducting in-venue marketing promotions; or
  - training on a product.

An employer has to keep records to support the business use of tickets given to employees. These records should contain all of the following information:

- identification of the employee receiving the tickets;
- details of the personal or business use;
- number of tickets; and
- value of the tickets.

## Reporting the benefit

Employers have to include in the employee's income the value of all tickets, which are used for personal purposes, given to an employee during the year. Include the fair market value (usually the face value of the ticket, including applicable taxes) of the tickets in box 14, "Employment income," and in the "Other information" area under code 40 at the bottom of the employee's T4 slip.

## Tool reimbursement or allowance

If you reimburse or provide an allowance to your employees to offset the cost of tools that they need for their job or you pay for their tools, the amount of the payment is a taxable benefit and should be included in the employees' income.

When employed tradespersons (including apprentice mechanics) file their income tax and benefit return, they may be able to deduct part of the cost of eligible tools they bought to earn employment income as a tradesperson.

Employers have to fill out and sign Form T2200, *Declaration of Conditions of Employment*, to certify that the employee must acquire these tools as a condition of, and for use in, his or her employment.

For more information, see Guide T4044, *Employment Expenses*.

## Transit passes

If you pay for or provide your employee with public transit passes, it is usually a taxable benefit for the employee. Public transit includes transit by local bus, streetcar, subway, commuter train or bus, and local ferry.

If your employee pays for some of the cost of buying public transit passes (for example, through payroll deductions), he or she may be able to claim the Public Transit Tax Credit when filing his or her individual income tax and benefit return.

Report the taxable benefit on the employee's T4 slip in box 14, "Employment income," and in the "Other information" area under code 40 at the bottom of the slip.

Report the total of the taxable benefit (code 40) and the amount the employee paid to buy the transit pass (payroll deductions) in the "Other information" area under code 84 at the bottom of the employee's T4 slip.

## Transit passes – employees of a transit company

If your company is in the business of operating a bus, streetcar, subway, commuter train or bus, or ferry service, and you provide free transit passes to your employees or their families, special rules apply.

If you provide free or discounted passes to an employee or retired employee who works in one of the businesses mentioned above, and the passes are only for the employee's use, there is no taxable benefit for the employee.

### Note

To qualify as a non-taxable benefit under this special rule, ferry passes are limited to passenger (walk on) fares only.

If you provide free or discounted passes to a member of your employee's or retired employee's family, the fair market value (FMV) of the pass is a taxable benefit for the employee. Report the retiree's benefit using code 028, "Other income" in the "Other information" area at the bottom of the T4A slip.

### Note

If you provide free or discounted passes to an employee who works in an area other than the transportation business or its operations, their FMV is a taxable benefit for the employee. For example, if a city owns a transit company, the FMV of a pass given to an employee who works in the city's accounting department would be a taxable benefit, while a pass given to an employee who works in the accounting department of the transit business operations would not be a taxable benefit.

For examples of situations where transit passes are considered taxable benefits, go to [www.cra.gc.ca/tx/bsnss/tpcs/pyrll/bnfts/prvdd/trnst-mplys-xmpls-eng.html](http://www.cra.gc.ca/tx/bsnss/tpcs/pyrll/bnfts/prvdd/trnst-mplys-xmpls-eng.html).



## Travel allowance

### Part-time employee

You may give a part-time employee a reasonable allowance or reimbursement for travelling expenses incurred by the employee going to and from a part-time job. If so, and you and the part-time employee are dealing at arm's length, you do not have to include that amount in the employee's income. This applies to:

- teachers and professors who work part-time in a designated educational institution in Canada, providing service to you as a professor or teacher, and the location is not less than 80 kilometres from the employee's home; and
- a part-time employee who had other employment or carried on a business, and he or she did the duties at a location no less than 80 kilometres from **both** the place of the employee's home **and** the place of the other employment or business.

### Salesperson and clergy

You may pay a reasonable travel allowance for expenses other than for the use of an automobile (such as meals, lodging, per diem allowance) to a salesperson or member of the clergy. You do not have to include the allowance in the employee's income if it was for expenses related to the performance of duties of the office or employment and the employee is either:

- an agent selling property or negotiating contracts for the employer; or
- a member of the clergy.

### Other employees

You have to include reasonable travel allowances in the income of employees, other than a salesperson or member of the clergy, who travel to perform the duties of the office or employment, unless the allowances are received by the employee for travelling away from the municipality and the metropolitan area where the employer's establishment is located and where the employee ordinarily works or reports.

In some situations, you may provide an allowance to your employee for travel (other than an allowance for the use of a motor vehicle) within a municipality or metropolitan area so your employee can perform his or her duties in a more efficient way during a work shift.

This allowance is not a taxable benefit and can be excluded from the employee's income if **all** of the following conditions are met:

- The employee travels away from the office.
- The allowance is reasonable. We generally consider a value of up to \$17 for the meal portion of the travel allowance to be reasonable.
- You are the primary beneficiary of the allowance.
- The allowance is not an additional form of remuneration.

This means that you do not have to include this type of travel allowance if its main reason is so that your

employee's duties are performed in a more efficient way during a work shift.

For examples of situations where a travel allowance is considered a taxable benefit, go to [www.cra-arc.gc.ca/tx/bsnss/tpcs/pyrll/bnfts/llwncs/trvlxmpls-eng.html](http://www.cra-arc.gc.ca/tx/bsnss/tpcs/pyrll/bnfts/llwncs/trvlxmpls-eng.html).

### Reasonable travel allowances

Whether an allowance for travel expenses is reasonable is a question of fact. You should compare the reasonable costs for travel expenses that you would expect your employee to incur against the allowance you pay to the employee for the trip.

If the travel allowance is reasonable, you do not have to include it in your employee's income. If it is **not** reasonable, the allowance has to be included in your employee's income.

For more information, see paragraph 48 in Interpretation Bulletin IT-522, *Vehicle, Travel and Sales Expenses of Employees*.

Your employee may be able to claim certain employment expenses on his or her income tax and benefit return. For more information, see "Employee's allowable employment expenses," on page 8.

### Uniforms and special clothing

Your employee does not receive a taxable benefit if either of the following conditions apply:

- You supply your employee with a distinctive uniform he or she has to wear while carrying out the employment duties.
- You provide your employee with special clothing (including safety footwear and safety glasses) designed to protect him or her from hazards associated with the employment.

When you pay an accountable allowance (where receipts are required) to your employee to buy uniforms or protective clothing, this amount is considered to be a reimbursement of expenses, not a taxable benefit.

If you reimburse or pay a reasonable allowance to your employee for the cost of protective clothing he or she bought and you did not require receipts to support the purchases, the reimbursement is not taxable if **all** of the following conditions apply:

- The law requires the employee to wear the protective clothing on the work site.
- The employee bought the protective clothing.
- The amount of the reimbursement is reasonable.

You may pay a laundry or dry cleaner to clean uniforms and clothing for your employee or you may pay a reasonable allowance to your employee (when he or she does not have to provide a receipt). You may also reimburse the employee for these expenses when he or she presents a receipt. If you do either of these, the amounts you pay are **not** taxable benefits for the employee.

## Chapter 4 – Housing and travel assistance benefits paid in a prescribed zone

This chapter applies to you if you meet **both** of the following conditions:

- You are an employer or a third-party payer who provides employment benefits for board, lodging, transportation, or travel assistance.
- You provide these benefits to an employee who works or lives in locations that are in **prescribed zones** for purposes of the northern resident's deductions.

If your employee works at a special site or a remote work location that is **not** in a prescribed zone, this chapter does not apply to you. For more information, see "Board, lodging, and transportation – Special work sites and remote work locations," on page 16.

For a list of places in prescribed northern zones and prescribed intermediate zones, see [www.cra.gc.ca/northernresidents](http://www.cra.gc.ca/northernresidents).

### Accommodation or utilities provided by the employer

If you provide accommodation or utilities free of charge, it is a taxable benefit to your employee. The method you use to determine the value of the benefit depends on whether or not the place in a prescribed zone has a developed rental market.

#### Places with developed rental markets

Some cities and towns in prescribed zones have developed rental markets. When that is the case, you base the value of the benefit for any rent or utility you provide on its fair market value.

The cities and towns in prescribed zones that have developed rental markets are:

Whitehorse	Fort McMurray	Labrador City
Yellowknife	Grande Prairie	Wabush
Dawson Creek	Thompson	Fort St. John

#### Places without developed rental markets

In places in prescribed zones without developed rental markets, you have to use other methods to set a value on the housing benefit. The method you use depends on whether you own the residence or rent it from a third party.

If you provide both rent and utilities and can calculate their cost as separate items, you have to determine their value separately. Add both items to get the value of the housing benefit.

If your employee reimburses you for all or part of his or her rent or utilities, determine the benefit as explained below. Subtract any amount reimbursed by your employee and include the amount that remains in his or her income.

#### Accommodations you own

If you own a residence that you provide rent free to your employee, report as a benefit whichever of the following amounts is less:

- the fair market value of the rent; or
- the ceiling amount.

If you provide utilities using equipment (such as a generator) that you own, report as benefit for utilities whichever of the following amounts is less:

- the fair market value of the utilities; or
- the ceiling amount.

#### Accommodations you rent from a third party

If you rent a residence from a third party and provide it rent free to your employee, report as a benefit whichever of the following amounts is less:

- the amount you pay the third party; or
- the ceiling amount.

Similarly, the amount you have to report as benefit for utilities is whichever of the following amounts is less:

- the amount you pay the third party; or
- the ceiling amount.

#### Allowable ceiling amounts

There are allowable ceiling amounts for different types of accommodation. Use these ceiling amounts to help determine the value of the housing benefit that you provide in places in prescribed zones that do not have developed rental markets.

The amounts are considered to include any GST/HST that applies, so you do not have to calculate this amount. If the amount of the housing benefit you report is based on the fair market value, you have to calculate and report any GST/HST that applies. If the total of the fair market value, plus the GST/HST, is more than the allowable ceiling amount, report the allowable ceiling amount as the housing benefit.

For a list of the ceiling amounts for rent and utilities and definitions for different types of accommodation, see Publication RC4054, *Ceiling Amounts for Housing Benefits Paid in Prescribed Zones*.

#### Note

If more than one employee occupies the same accommodation, divide the total housing benefit by the number of occupants.

### Board, lodging, and transportation at a special work site

If an employee received a benefit or an allowance for working at a special work site that is excluded from income, this amount may affect his or her claim for a northern residency deduction.

If the employee worked at a special work site in a place in a prescribed zone and kept his or her principal place of

residence in a place outside of a prescribed zone, you will have to identify the exempt part of the board and lodging benefit or allowance on the employee's T4 or T4A slip.

In the "Other information" area of the T4 slip, enter under code **31**, the exempt part that is related to work sites within 30 kilometres from the nearest urban area with a population of at least 40,000 persons. **Do not** include this in box 14, "Employment income."

If you are a third-party payer and are completing a T4A slip for the employee of another employer, report the exempt part using code **124** "Board and lodging at special work sites," in the "Other information" area at the bottom of the T4A slip.

You have to do this even though you did not include the excluded amount in income. This way, the employee will have all the information required to correctly calculate his or her residency deduction.

### Example

You paid your employee \$4,000 for board and lodging at a special work site that is in a prescribed zone. You and the employee filled out Form TD4, *Declaration of Exemption – Employment at a Special Work Site*.

Since the benefit is not included as income, you did not enter the amount of the benefit in box 14, "Employment income," or in the "Other information" area under code **30** at the bottom of the T4 slip.

Of the \$4,000 you paid, \$1,200 relates to a special work site that was located 27 kilometres from a town with a population of 43,000 people (the 30-kilometre part).

You have to enter \$1,200 in the "Other information" area under code **31** at the bottom of the T4 slip, even though it was not entered in the "Other information" area under code **30**. The employee will then enter \$1,200 on his or her Form T2222, *Northern Residents Deductions*.

### Note

An amount that is not included as income for allowances at a remote work location does not affect the employee's claim for a northern residency deduction.

## Travel assistance benefits

If you provide an employee with travel assistance in a prescribed zone, the benefit is taxable unless it was for business travel. The travel assistance could be for such things as vacation, bereavement, medical, or compassionate reasons.

If employees travel using transportation that you own or charter, determine the value of the benefit by assigning a fair market value to the transportation.

When employees travel by some means other than air, the cost of travel may include automobile expenses, meals, hotel and motel accommodations, camping fees, taxi fares, and road and ferry tolls.

When you give employees travel assistance benefits other than cash or refundable tickets (such as travel warrants, vouchers, or non-refundable tickets), the employees do not

receive any benefit until they or members of their household take the trip. The benefit is income for the employees in the year the trip starts, and you should report it in that year.

There are many ways of providing travel assistance benefits. You can pay your employee a travel allowance before the trip, such as a certain amount per hour, or on some other periodic basis. You can also make lump-sum payments to your employee before or after the trip is taken. You should report such payments in your employee's income in the year he or she receives them, no matter when your employee or members of his or her household travel.

You have to report these benefits in box 14, "Employment income," and in the "Other information" area under code **32** at the bottom of the employee's T4 slip.

If you are a third party who supplies travel benefits to the employee of another employer, report these benefits under code **028** "Other income," in the "Other information" area at the bottom of the T4A slip.

An employee who qualifies for the northern residents travel deduction will use this amount to calculate his or her claim. An employee can claim two trips per year, unless the trips were for medical reasons. Therefore, you have to show the value of medical travel benefits separately on the slip, as explained below.

If the travel assistance is a taxable benefit, include any GST/HST that applies in the value of the benefit. Do not include the GST/HST in the value of the travel allowances.

## Medical travel assistance

Medical travel includes any trip your employee or members of his or her household take to get medical services that are not available in the area where they live. Medical travel benefits are considered to be the cost of transportation from the place in a prescribed zone to the place where medical treatment is available. This includes the transportation cost of an attendant if the patient needs one while travelling.

You have to identify the portion of the travel assistance that refers to the medical travel benefits you provide to your employee.

For a T4 slip, enter the entire travel assistance benefit under code **32** in the "Other information" area. Enter the medical part under code **33**.

For a T4A slip, enter the entire travel assistance benefit under code **028** "Other income," in the "Other information" area at the bottom of the slip. Enter the medical part under code **116** "Medical travel assistance."

### Notes

If you do not identify which part of the benefit was for medical travel, we will consider all travel assistance as vacation (or other) travel and the employee will not be entitled to claim a deduction for medical travel. As well, we will limit the deduction for the employee and the members of the household to two trips each.

Amounts you pay or reimburse your employee for medical travel or any associated cost under the terms of a private health services plan are not taxable benefits.

Payments you make due to an obligation you have under a collective agreement may be considered a private health services plan. These payments must only cover expenses that qualify for the medical tax credit. If this is the case, you should not report them on the employee's T4 slip.

For more information, see:

- Interpretation Bulletin IT-339, *Meaning of 'private health services plan' (1988 and subsequent taxation years)*;
- Income Tax Folio S1-F1-C1, *Medical Expense Tax Credit*;
- Guide RC4064, *Medical and Disability-Related Information*.

### Payroll deductions

When travel assistance benefits are in the form of non-refundable tickets or travel vouchers, you have to make payroll deductions when the benefit becomes taxable, i.e. when the employee or member of their household takes the trip. However, when you give travel assistance in the form of cash, we consider it to be a cash advance, and you have to make the payroll deductions when the advance is paid to the employee.

You may waive the requirement to deduct income tax from the full travel assistance payment you give to your employee who lives in a prescribed **northern** zone (or from 50% of the payment received by an employee who lives in a prescribed **intermediate** zone). To do this, the employee has to agree, in writing, to use the payment entirely for vacation or medical travel when he or she receives it. If the employee does not agree, you have to deduct income tax.

Whether or not you have to make income tax deductions, you have to deduct CPP contributions and EI premiums on cash payments. You have to deduct CPP contributions on non-cash benefits if the employee also receives cash remuneration from you during the year. If the non-cash benefit is the only form of remuneration you provide to your employee in the year you do not have to make payroll deductions. For more information about the non-cash benefits withholding policy, go to Chapter 1.

### Form TD1, *Personal Tax Credits Return*

Employees who live in a prescribed zone during a continuous period of at least six months (that begins or ends in the tax year) may be entitled to claim a residency deduction when filing their income tax and benefit returns. As a result, these employees can ask for a reduction in payroll deductions by completing the back of Form TD1, *Personal Tax Credits Return*.

The residency deduction is equal to whichever is less:

- 20% of their net income for the year; or
- the residency amount they can claim.

#### Note

Employees cannot claim a residency amount for both the principal place of residence and the special work site for the same period, even if they are both located in prescribed zones.

For 2015, an employee living in a prescribed **northern** zone can claim the total of:

- a basic residency amount of \$8.25 per day for each day he or she lives in the prescribed **northern** zone; and
- an additional residency amount of \$8.25 per day for each day he or she lives in and keeps a residence in that area, if during that time no one else is claiming a basic residency amount for living in the same residence for the same period.

For 2015, employees living in a prescribed **intermediate** zone can claim 50% of the total of the above amounts.

#### Note

Employees who receive board and lodging benefits from employment at a special work site in a prescribed zone have to reduce their residency amount by the value of the 30-kilometre part of the benefit they receive if they keep a principal residence that is not in a prescribed zone. The 30-kilometre part of the excluded benefit will be shown in the "Other information" area under code 31 at the bottom of the employee's T4 slip. For more information, see "Board, lodging, and transportation at a special work site," on page 34.

To calculate the amount of tax you should deduct if an employee is claiming a residency deduction on Form TD1:

- reduce the residency amount by 50% if the employee lives in a prescribed **intermediate** zone (if the conditions noted above apply, reduce the residency amount by the 30-kilometre part of the excluded board and lodging benefits from employment at a special work site);
- divide the employee's net deduction for the year (amount on the back of Form TD1, minus the above adjustments) by the number of pay periods in the year;
- subtract the result from his or her gross earnings for each pay period; and
- see the tax tables that apply.

## Chapter 5 – Remitting the GST/HST on employee benefits

This chapter discusses the GST/HST treatment of employee benefits.

The Canada Revenue Agency is responsible for administering the GST/HST. In Quebec, Revenu Québec administers the GST/HST. If the physical location of your business is in Quebec, contact Revenu Québec, at 1-800-567-4692. Also see the Revenu Québec publication IN-203, *General Information Concerning the QST and the GST/HST*, available at [www.revenuquebec.ca](http://www.revenuquebec.ca).

### Employee benefits

Salaries, wages, commissions, and other cash remuneration (including gratuities) you make to employees are not subject to the GST/HST.

However, the cost of benefits or non-cash compensation provided to an employee, commonly referred to as fringe

or employee taxable benefits may be subject to the GST/HST. For the most part, the GST/HST treatment of these benefits is based on their treatment under the *Income Tax Act*.

Generally, if a benefit is taxable for income tax purposes, we consider you to have made a supply of a good or service to the employee.

If the good or service that gives rise to the taxable benefit is subject to GST/HST, you are considered to have collected the GST/HST on that benefit. However, there are situations where you will not be considered to have collected the GST/HST on taxable benefits given to employees. These situations are explained below.

## Situations where you are not considered to have collected the GST/HST

You are not considered to have collected the GST/HST on taxable benefits provided to employees in any of the following situations:

- The goods or services that give rise to a taxable benefit are GST/HST exempt or zero-rated.
- A taxable benefit results from an allowance included in the income of the employee under paragraph 6(1)(b) of the *Income Tax Act*.
- You are restricted from claiming an input tax credit (ITC) for the GST/HST paid or payable on the goods and services that give rise to the taxable benefit. For more information, see “ITC restrictions,” on page 38.
- The goods or services that give rise to a taxable benefit are supplied outside Canada.

### Example

You, as an employer who is a GST/HST registrant, would like to reward an employee for outstanding performance, and you have agreed to pay for hotel accommodations and three meals a day, for one week, in London, England. An amount will be included in the income of the employee as a taxable benefit. However, you will not be considered to have collected tax in respect of the benefit provided to the employee, since the supplies were made outside of Canada.

Also, if the taxable benefit is for the standby charge or operating expense benefit of an automobile or aircraft, you are not considered to have collected the GST/HST on this benefit in the following situations:

- You are an **individual or partnership** and the passenger vehicle or the aircraft that you have **bought** is used less than 90% in the commercial activities of the business.
- You are **not an individual, a partnership, or a financial institution**, and the passenger vehicle or aircraft that you **bought** is used 50% or less in the commercial activities of the business.
- You are a **financial institution** and choose to treat the passenger vehicle or aircraft you **lease** or have **bought** as being used only in non-commercial activities of the business (see Note below).

- You are **not a financial institution** and you **lease** the passenger vehicle or aircraft which you use 50% or more in non-commercial activities of the business, and you choose to treat it as being used 90% or more in such non-commercial activities.

### Note

To make this choice, fill out Form GST30, *Election for Passenger Vehicles or Aircraft to be Deemed to be Used Exclusively in Non-Commercial Activities*, or state in writing the information required on the form. You do not have to file this form or statement, but you have to keep it with your records for audit purposes. For more information about this election, contact us at 1-800-959-5525.

## The date you are considered to have collected the GST/HST

You are considered to have collected the GST/HST on a taxable benefit subject to the GST/HST at the end of February in the year following the year in which you provided the benefit to the employee. This corresponds with the deadline for calculating employee taxable benefits for income tax purposes and for issuing T4 slips.

### Example

You are a GST/HST registrant and have a monthly reporting period. Although you calculated the taxable benefits, including any GST/HST and PST, for each applicable pay period provided to your employees during 2015, you are considered to have collected the GST/HST on the taxable benefits at the end of February 2016. In your February 2016 GST/HST return, you have to include the GST/HST relating to the taxable benefits provided to your employees in 2015. You have to file this return by the end of March 2016.

## How to calculate the amount of the GST/HST you are considered to have collected

The amount of the GST/HST you are considered to have collected on a taxable benefit is based on a percentage of the value of the benefit for GST/HST purposes. The percentage rate you use depends on whether or not it is for an automobile operating expense benefit **and** the province or territory in which the employee ordinarily reported to work.

### Value of the benefit

The value of the benefit for GST/HST purposes is the total of the following two amounts:

- the amount reported on the T4 or T4A slip for the benefit; and
- if the taxable benefit is for a **standby charge** or the **operating expense of an automobile**, the amount, if any, that the employee or the employee’s relative reimbursed you for that benefit.

## Note

When an employee or an employee's relative has **reimbursed** an amount equal to the entire taxable benefit for a standby charge or the operating expense of an automobile and, as a result, no benefit is reported on the T4 slip, the value of the benefit for GST/HST purposes is equal to the amount of the reimbursement.

## Automobile operating expense benefits

If the last establishment where your employee ordinarily worked or to which he or she ordinarily reported in the year is located in a **participating province** (Prince Edward Island, New Brunswick, Newfoundland and Labrador, Nova Scotia, or Ontario), you are considered to have collected an amount equal to a percentage of the value of the benefit for GST/HST purposes, based on one of the following rates:

- 10% for Prince Edward Island, or 6.5% if the registrant is a large business for the purposes of the recapture of input tax credits for the provincial part of the HST;
- 11% for Nova Scotia;
- 9% for New Brunswick, Newfoundland and Labrador;
- 9% for Ontario or 6.6% if you are a large business on December 31, 2015, for the purpose of the recapture of input tax credits for the provincial part of the HST.

If the last establishment where your employee ordinarily worked or to which he or she ordinarily reported in the year is located in a **non-participating province or territory** (the rest of Canada), you are considered to have collected 3% of the value of the benefit for GST/HST purposes.

## Benefits other than automobile operating expense benefits

If the last establishment where your employee ordinarily worked or to which he or she ordinarily reported in the year is located in a **participating province** (Prince Edward Island, New Brunswick, Newfoundland and Labrador, Nova Scotia, or Ontario), you are considered to have collected, for 2015, the GST/HST as a percentage of the value of the benefit as follows:

- 13/113 for Prince Edward Island;
- 14/114 for Nova Scotia;
- 12/112 for New Brunswick, Newfoundland and Labrador and Ontario;

If you are, or were, a large business, and the benefits relate to a motor vehicle that was subject to the recapture of input tax credits (RITC) for the provincial part of the HST paid or payable on that vehicle, for 2015 you are considered to have collected the GST/HST as a percentage of the value of the benefits as follows:

- 4/104, if the recapture rate was 100% on the last day of the reporting period in which you reported the RITC for the provincial part of the HST paid or payable on that motor vehicle, or
- 6/106, if the recapture rate was 75% on the last day of the reporting period in which you reported the RITC for the

provincial part of the HST paid or payable in Ontario on that motor vehicle.

If the last establishment where your employee ordinarily worked or to which he or she ordinarily reported in the year is located in a **non-participating province or territory** (the rest of Canada), you are considered to have collected 4/104 of the value of the benefit for GST/HST purposes as calculated above.

However, when an employee or an employee's relative has **reimbursed** an amount for a taxable benefit **other** than for a standby charge or the operating expense of an automobile, you are considered to have collected an amount equal to 5/105 for GST or one of the following for HST:

- 14/114 for Prince Edward Island;
- 15/115 for Nova Scotia;
- 13/113 for New Brunswick, Newfoundland and Labrador and Ontario.

In this situation, you have to include the GST/HST for this reimbursement in your GST/HST return for the reporting period that includes the date of the reimbursement.

## Input tax credits (ITCs)

As a registrant, you can claim an ITC to recover the GST/HST paid or payable on the purchases and operating expenses related to your commercial activities.

Generally, commercial activities include the making of supplies of taxable goods and services. For more information about what are considered to be commercial activities, see Guide RC4022, *General Information for GST/HST Registrants*.

For employee benefits, you can usually claim an ITC for the GST/HST paid or payable on goods and services you supply to your employees or their relatives as a benefit if it is related to your commercial activities.

However, in some situations, you will not be able to claim an ITC for the GST/HST paid or payable for property or services that give rise to taxable benefits you provide your employees. For information on these situations, read the rest of this section.

## ITC restrictions

Remember, if you cannot claim an ITC for the GST/HST paid or payable for property or services that give rise to a taxable benefit, you are not considered to have collected the GST/HST and, as a result, you do not have to remit the GST/HST on that benefit.

## Club memberships

You may pay or reimburse fees for membership to any club whose main purpose is to provide dining, recreational, or sporting facilities. In such cases, you cannot claim an ITC for the GST/HST paid or payable, regardless of whether the club membership fees or dues are a taxable benefit for the employee for income tax purposes.

### Exclusive personal use

You cannot claim an ITC for the GST/HST paid or payable on goods or services you acquire, import, or bring into a participating province for the exclusive personal consumption, use, or enjoyment (90% or more) of an employee or an employee's relative.

However, you can claim an ITC in the following situations:

- The consumption, use, or enjoyment of the good or service by the employee or their relative does not give rise to a taxable benefit for income tax purposes and no amounts were payable by the employee for this benefit. The most common type of a non-taxable benefit is the paying of moving expenses by an employer. Moving expenses that are considered non-taxable benefits are discussed in "Moving expenses and relocation benefits," on page 26.
- During the same GST/HST reporting period, you make a supply of a good or service to an employee or their relative for consideration that becomes due in that period and that is at fair market value plus the GST/HST.

### Property supplied by way of lease, licence, or similar arrangement

You cannot claim an ITC for the GST/HST paid or payable on property supplied by way of lease, licence, or similar arrangement that is more than 50% for the personal consumption, use, or enjoyment of one of the following:

- if you are **an individual**, yourself or another individual related to you;
- if you are **a partnership**, an individual who is a partner or another individual who is an employee, officer, or shareholder of, or related to, a partner;
- if you are **a corporation**, an individual who is a shareholder or another individual related to the shareholder; or
- if you are **a trust**, an individual who is a beneficiary or another individual related to the beneficiary.

However, you can claim an ITC if, during the same GST/HST reporting period, you make a taxable supply of the property to that individual for consideration that becomes due in that period and that is equal to its fair market value.

For more information on ITCs related to employee benefits, see GST/HST Memorandum 9.1, *Taxable Benefits (Other than Automobile Benefits)*.

### Property acquired before 1991 or from a non-registrant

If you acquired property before 1991, you did not pay the GST/HST. Also, you do not generally pay the GST/HST when you acquire property from a non-registrant. As a result, you cannot claim an ITC under these circumstances. However, if you make this property available to your employee and the benefit is taxable for income tax purposes, you may still be considered to have collected the GST/HST on this benefit.

### Example

You bought a passenger vehicle from a non-registrant and made it available to your employee throughout 2015. The passenger vehicle is used more than 90% in the commercial activities of your business. You report the value of the benefit, including the GST/HST and if applicable, the PST, on the employee's T4 slip. For GST/HST purposes, you will be considered to have collected the GST/HST on this benefit even if you could not claim an ITC on the purchase of the passenger vehicle.

## Summary

The following steps will help you determine whether you have to remit the GST/HST on employee benefits.

**Step 1** – Determine whether the benefit is taxable under the *Income Tax Act* and the *Excise Tax Act* (see the previous chapters). If the benefit is not taxable, you are not considered to have collected the GST/HST on the benefit. You will not have to remit the GST/HST for the benefit.

**Step 2** – For each taxable benefit, determine whether any of the "Situations where you are not considered to have collected the GST/HST," on page 37 applies. If one of these situations applies, you are not considered to have collected the GST/HST on this benefit and you will not have to remit any GST/HST on it.

**Step 3** – If you are considered to have collected the GST/HST on a taxable benefit, you have to calculate the amount of the GST/HST due. For more information, see "How to calculate the amount of the GST/HST you are considered to have collected," on page 37.

**Step 4** – Enter the amount of the GST/HST due on your GST/HST return and send your remittance, if applicable, with your GST/HST return for the reporting period that includes the last day of February 2016.

### Note

If the GST/HST is for a reimbursement made by an employee or an employee's relative for a taxable benefit other than a standby charge or the operating expense of an automobile, the amount may be due in a different reporting period. For more information, see the note under "How to calculate the amount of the GST/HST you are considered to have collected," on page 37.

### Employee does not pay the GST/HST on taxable benefits

The employee does not pay the GST/HST you have to remit on taxable benefits. As explained in previous chapters, an amount for the GST/HST has already been added to the taxable benefit reported on the employee's T4 slip.

## Examples

The following examples will help you apply the rules for remitting the GST/HST on employee benefits.

### Example 1 – Remitting the GST/HST on automobile benefits in a non-participating province

As a corporation registered for the GST/HST, you buy a vehicle that is used more than 50% in commercial activities and is made available to your employee during 2015. The last establishment where the employee ordinarily reported in the year for the corporation was located in **Manitoba**.

You calculated a taxable benefit (including GST and PST) of \$4,800 on the standby charge and an operating expense benefit of \$600. Your employee reimbursed you \$1,800 for the automobile operating expenses within 45 days of the end of 2015. You did not include this amount as a taxable benefit.

You claimed an input tax credit (ITC) for the purchase of the automobile and also on the operating expenses. Since the benefit is taxable under the *Income Tax Act*, and no situations described on page 37 (where you are not considered to have collected the GST on taxable benefits) apply, you calculate the GST remittance as follows:

#### Standby charge benefit

Taxable benefit reported on T4..... \$4,800

GST considered to have been collected on the benefit .....  $\$4,800 \times 4/104 = \$184.62$

#### Operating expense benefit

Taxable benefit reported on T4..... \$600

Employee's partial reimbursement of operating expenses..... \$1,800

**Total value of the benefit**..... \$2,400

GST considered to have been collected on the benefit .....  $\$2,400 \times 3\% = \underline{\$72.00}$

**Total GST to be remitted on the automobile benefit**..... \$256.62

You are considered to have collected the GST in the amount of \$256.62 at the end of February 2016. You have to include this amount on your GST/HST return for the reporting period that includes the last day of February 2016.

### Example 2 – Remitting the GST/HST on automobile benefits in a participating province

Using the same facts as in Example 1, assume that the last establishment to which the employee ordinarily reported in the year for the corporation was located in **New Brunswick**. In this case, you would calculate the HST remittance as follows:

#### Standby charge benefit

Taxable benefit reported on T4..... \$4,800

HST considered to have been collected on the benefit.....  $\$4,800 \times 12/112 = \$514.29$

#### Operating expense benefit

Taxable benefit reported on T4..... \$600

Employee's partial reimbursement of operating expenses ..... \$1,800

**Total value of the benefit**..... \$2,400

HST considered to have been collected on the benefit.....  $\$2,400 \times 9\% = \underline{\$216.00}$

**Total HST to be remitted on the automobile benefit** ..... \$730.29

You are considered to have collected HST in the amount of \$730.29 at the end of February 2016. You have to include this amount on your GST/HST return for the reporting period that includes the last day of February 2016.

### Example 3 – Long-service award

You bought a watch for \$560 (including the GST/HST and PST) for your employee to mark the employee's 25 years of service. It was the only gift or award provided to the employee in the year. You reported a taxable benefit of \$60 in box 14 and under code 40 on the employee's T4 slip.

You could not claim an ITC because you bought the watch for the employee's exclusive personal use and enjoyment. Since you cannot claim an ITC, you are not considered to have collected the GST/HST and, as a result, you will not have to remit the GST/HST on the benefit.

### Example 4 – Special clothing

You provided your employee with safety footwear designed to protect him or her from hazards associated with his or her employment. Since the footwear is not considered to be a taxable benefit for the employee, you are not considered to have collected the GST/HST on the footwear and you do not have to remit any tax. However, you can claim an ITC for any GST/HST that you paid for the footwear.



## Benefits chart

This chart indicates whether you need to deduct Canada Pension Plan (CPP) and employment insurance (EI) from the **taxable** allowances and benefits discussed in this guide, and shows which codes you should use to report them on the employee's T4 slip. The chart also indicates whether the GST/HST has to be included in the value of the **taxable** benefit for income tax purposes. Cash reimbursements and non-cash benefits are subject to GST/HST, unless they are for exempt or zero-rated supplies. Cash allowances are not subject to GST/HST.

Taxable allowance or benefit	Deduct CPP <sup>1</sup>	Deduct EI	Code for T4 slip	Include GST/HST
Automobile and motor vehicle allowances – in cash	yes	yes	40	no
Automobile standby charge and operating expense benefits – non-cash	yes	no	34	yes
Board and lodging, if <b>cash</b> earnings also paid	yes	<sup>2</sup>	30	<sup>3</sup>
Cellular phone and Internet services – in cash	yes	yes	40	yes
Cellular phone and Internet services – non-cash	yes	no	40	yes
Child care expenses – in cash	yes	yes	40	<sup>4</sup>
Child care expenses – non-cash	yes	no	40	<sup>4</sup>
Counselling services – in cash	yes	yes	40	<sup>5</sup>
Counselling services – non-cash	yes	no	40	<sup>5</sup>
Disability-related employment benefits – in cash	yes	yes	40	<sup>6</sup>
Disability-related employment benefits – non-cash	yes	no	40	<sup>6</sup>
Discounts on merchandise and commissions on sales – non-cash	yes	no	40	yes
Educational allowances for children – in cash	yes	yes	40	no
Employment insurance premium rebate – in cash	yes	yes	40	no
Gifts and awards – in cash	yes	yes	40	no
Gifts and awards – non-cash and near-cash	yes	no	40	yes
Group term life insurance policies – employer-paid premiums – non-cash	yes	no	40	no
Housing allowance, clergy – in cash	<sup>7</sup>	yes	30	no
Housing allowance – in cash	yes	yes	30	<sup>8</sup>
Housing benefit, clergy, rent-free or low-rent – non cash	<sup>7</sup>	<sup>9</sup>	30	<sup>8</sup>
Housing benefit, rent-free or low-rent – non cash	yes	<sup>9</sup>	30	<sup>8</sup>
Housing loss – in cash	yes	yes	40	no
Interest-free and low-interest loans <sup>10</sup>	yes	no	36	no
Loans – Home purchase	yes	no	36	no
Loans – Home relocation	yes	no	<sup>10</sup>	no
Loans – Forgiven – in cash	yes	yes	40	no
Meals – Overtime allowances – in cash	yes	yes	40	no
Meals – Overtime – in cash	yes	yes	40	yes
Meals – Overtime – non-cash	yes	no	40	yes
Meals – subsidized – non-cash	yes	no	40	yes
Medical expenses – in cash	yes	yes	40	<sup>11</sup>
Medical expenses – non-cash	yes	no	40	<sup>11</sup>

Continued on next page

<sup>1</sup> Except for security options, if a non-cash taxable benefit is the only form of remuneration you provide to your employee, there is no remuneration from which to withhold deductions. For more information, see "Calculate payroll deductions" on page 6.

<sup>2</sup> If no cash earnings are paid in a pay period, **do not** deduct EI premiums.

<sup>3</sup> Meals and short term accommodations are generally subject to the GST/HST. If taxable, include the GST/HST in the value of the benefit.

<sup>4</sup> Child care expenses are generally exempt of GST/HST. If taxable, include the GST/HST in the value of the benefit.

<sup>5</sup> Certain counselling services are subject to the GST/HST. If the services you pay are subject to the GST/HST, include the GST/HST in the value of the benefit.

<sup>6</sup> Disability-related employment benefits are generally taxable for GST/HST. If taxable, include the GST/HST in the value of the benefit.

<sup>7</sup> If you reduce the income used to calculate income tax deductions by the amount of the clergy residence deduction (including utilities), you may also reduce the pensionable earnings used to calculate CPP contributions by the same amount.

<sup>8</sup> Long-term accommodations are generally exempt of GST/HST and utilities are generally subject to the GST/HST. If taxable, include the GST/HST in the value of the benefit.

<sup>9</sup> If it is a non cash benefit, it is insurable if it is received by the employee in addition to cash earnings in a pay period. If no cash earnings are paid in the pay period, it is not insurable.

<sup>10</sup> Enter the taxable interest benefit under code 36 and enter the home relocation loan deduction under code 37.

<sup>11</sup> Some medical expenses are subject to the GST/HST. For more information, see page 26.

<b>Taxable allowance or benefit (continued)</b>	<b>Deduct CPP</b>	<b>Deduct EI</b>	<b>Code for T4 slip</b>	<b>Include GST/HST</b>
Moving expenses and relocation benefits – in cash	yes	yes	40	yes
Moving expenses and relocation benefits – non-cash	yes	no	40	yes
Moving expenses – non-accountable allowance over \$650 – in cash	yes	yes	40	no
Municipal officer's expense allowance	yes	no	<sup>12</sup>	no
Parking – in cash	yes	yes	40	no
Parking – non-cash	yes	no	40	yes
Pooled registered pension plan contributions (paid to a plan not registered with the Minister of National Revenue)	yes	yes	40	no
Power saws and tree trimmers; rental paid by employer for employee-owned tools – in cash	yes	yes	40	yes
Premiums for income maintenance plans and other insurance plans – non cash	yes	no	40	no
Premiums under provincial hospitalization, medical care insurance, and certain federal government plans – in cash	yes	yes	40	no
Premiums under provincial hospitalization, medical care insurance, and certain federal government plans – non-cash	yes	no	40	no
Professional membership dues – in cash	yes	yes	40	<sup>13</sup>
Professional membership dues – non-cash	yes	no	40	<sup>13</sup>
Recreational facilities (in house) – non-cash	yes	no	40	yes
Recreational facilities or club membership dues – in cash	yes	yes	40	yes
Registered retirement savings plan (RRSP) contributions – in cash	yes	<sup>14</sup>	40	no
Registered retirement savings plan (RRSP) administration fees – non-cash	yes	no	40	<sup>13</sup>
Scholarships and bursaries – in cash	yes	yes	40	no
Security options (including cash outs)	yes	no	<sup>15</sup>	no
Social events – in cash	yes	yes	40	no
Social events – non-cash	yes	no	40	yes
Spouse or common-law partner's travelling expenses – in cash	yes	yes	40	no
Spouse or common-law partner's travelling expenses – non-cash	yes	no	40	yes
Tax-Free Savings Account – contributions – in cash	yes	<sup>14</sup>	40	no
Tax-Free Savings Account – administration fees – non-cash	yes	no	40	<sup>13</sup>
Tickets	yes	no	40	yes
Tool allowance – in cash	yes	yes	40	no
Tool reimbursement – in cash	yes	yes	40	yes
Transit passes – in cash	yes	yes	40	yes
Transit passes – non-cash	yes	no	40	yes
Transportation to and from the job – in cash	yes	yes	40	yes
Transportation to and from the job – non-cash	yes	no	40	yes
Travel assistance in a prescribed zone – in-cash	yes	yes	32	yes
Travel assistance in a prescribed zone – non-cash	yes	no	32	yes
Travelling allowances other employees, unreasonable	yes	yes	40	no
Tuition fees – in cash	yes	yes	40	<sup>13</sup>
Tuition fees – non-cash	yes	no	40	<sup>13</sup>
Uniforms and special clothing – in cash	yes	yes	40	yes
Uniforms and special clothing – non-cash	yes	no	40	yes
Utilities allowance, clergy – in cash	<sup>7</sup>	yes	40	no
Utilities allowance – in cash	yes	yes	40	no
Utilities benefit, clergy – non cash	<sup>7</sup>	no	40	<sup>8</sup>
Utilities benefit, rent-free or low-rent – non cash	yes	no	40	<sup>8</sup>

<sup>12</sup> Enter the amount that is more than one third of the officer's salary and allowances under code 40. Enter the exempt amount under code 70.

<sup>13</sup> Certain fees and certain contributions are subject to the GST/HST. If the fees or the contributions you pay are subject to the GST/HST, include the GST/HST in the value of the benefit.

<sup>14</sup> You may not have to deduct EI premiums on some RRSP and TFSA contributions. For more information, see pages 30 and 31.

<sup>15</sup> Enter the taxable security option benefit under code 38. If eligible, enter the amount of the security options deduction under code 86 and either code 39 or 41, as applicable.

### Handling business taxes online

Save time using the CRA's online services for businesses. You can:

- authorize a representative, an employee, or a group of employees, who has registered with Represent a Client, for online access to your business accounts;
- request or delete authorization online through Represent a Client, if you are a representative;
- change addresses;
- file or amend information returns without a web access code;
- register for online mail, get email notifications, and view your mail online;
- authorize the withdrawal of a pre-determined amount from your bank account;
- provide a nil remittance;
- request the transfer of a misallocated credit;
- enrol for direct deposit, update banking information, and view direct deposit transactions;
- request a refund;
- view your account balance and transactions;
- register a formal dispute (Appeal);
- request a CPP/EI ruling; and
- do much more.

To register or log in to our online services, go to:

- [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount), if you are a business owner; or

- [www.cra.gc.ca/representatives](http://www.cra.gc.ca/representatives), if you are an authorized representative or employee.

For more information, go to [www.cra.gc.ca/businessonline](http://www.cra.gc.ca/businessonline).

### Receive your CRA mail online

You, or your representative (authorized at a level 2), can choose to receive most of your CRA mail for your business online.

When you or your representative registers for online mail, we will no longer mail most correspondence items. Instead, an email notification will be sent to the address(es) provided when there is new mail available to view online. To register, select the "Manage online mail" service and follow the easy steps.

Using our online mail service is faster and easier than managing paper correspondence.

### Authorizing the withdrawal of a pre-determined amount from your bank account

Pre-authorized debit (PAD) is an online, self-service, payment option. Through this option, you agree to authorize the CRA to withdraw a pre-determined payment from your bank account to pay tax on a specific date or dates. You can set up a PAD agreement using the CRA's secure My Business Account service at [www.cra.gc.ca/mybusinessaccount](http://www.cra.gc.ca/mybusinessaccount). PADs are flexible and managed by you. You can view historical records, modify, cancel, or skip a payment. For more information, go to [www.canada.ca/payments](http://www.canada.ca/payments) and select the "Pre-authorized debit."

## For more information

### What if you need help?

If you need more information after reading this guide, visit [www.cra.gc.ca](http://www.cra.gc.ca) or call 1-800-959-5525.

### Direct deposit

Direct deposit is a faster, more convenient, reliable, and secure way to get your refund directly into your account at a financial institution in Canada.

For more information, go to [www.cra.gc.ca/directdeposit](http://www.cra.gc.ca/directdeposit).

### Forms and publications

To get our forms or publications, go to [www.cra.gc.ca/forms](http://www.cra.gc.ca/forms) or call 1-800-959-5525.

### Related publications

- **GST/HST Memorandum 9.1**, *Taxable benefits (other than automobile benefits)*
- **GST/HST Memorandum 9.2**, *Automobile benefits*
- **RC4110**, *Employee or Self-Employed?*
- **RC4120**, *Employers' Guide – Filing the T4 Slip and Summary*
- **RC4157**, *Deducting Income Tax on Pension and Other Income, and Filing the T4A Slip and Summary*
- **T4001**, *Employers' Guide – Payroll Deductions and Remittances*
- **RC18**, *Calculating Automobile Benefits*

### Service complaints

You can expect to be treated fairly under clear and established rules, and get a high level of service each time you deal with the Canada Revenue Agency (CRA); see the *Taxpayer Bill of Rights*.

If you are not satisfied with the service you received, try to resolve the matter with the CRA employee you have been dealing with or call the telephone number provided in the CRA's correspondence. If you do not have contact information, go to [www.cra.gc.ca/contact](http://www.cra.gc.ca/contact).

If you still disagree with the way your concerns were addressed, you can ask to discuss the matter with the employee's supervisor.

If you are still not satisfied, you can file a service complaint by filling out Form RC193, *Service-Related Complaint*.

If the CRA has not resolved your service-related complaint, you can submit a complaint with the Office of the Taxpayers' Ombudsman.

For more information, go to [www.cra.gc.ca/complaints](http://www.cra.gc.ca/complaints) or see Booklet RC4420, *Information on CRA – Service Complaints*.

### Reprisal complaint

If you believe that you have experienced reprisal, fill out Form RC459, *Reprisal Complaint*.

For more information about reprisal complaints, go to [www.cra.gc.ca/reprisalcomplaints](http://www.cra.gc.ca/reprisalcomplaints).

### Addresses

#### Ottawa Technology Centre

875 Heron Road  
Ottawa ON K1A 1G9

#### Tax services offices

To find out where to send your requests, go to [www.cra.gc.ca/tso](http://www.cra.gc.ca/tso) or call 1-800-959-5525.

#### Tax centres

Jonquière Tax Centre  
2251 René-Lévesque Boulevard  
Jonquière QC G7S 5J1

Shawinigan-Sud Tax Centre  
4695 12e Avenue  
Shawinigan-Sud QC G9P 5H9

St. John's Tax Centre  
290 Empire Avenue  
St. John's NL A1B 3Z1

Sudbury Tax Centre  
1050 Notre-Dame Avenue  
Sudbury ON P3A 5C1

Summerside Tax Centre  
275 Pope Road  
Summerside PE C1N 6A2

Surrey Tax Centre  
9755 King George Boulevard  
Surrey BC V3T 5E1

Winnipeg Tax Centre  
66 Stapon Road  
Winnipeg MB R3C 3M2

### Tax information videos

We have a number of tax information videos for small businesses on topics such as business income and expenses, GST/HST, and payroll. To watch our videos, go to [www.cra.gc.ca/videogallery](http://www.cra.gc.ca/videogallery).

### Teletypewriter (TTY) users

TTY users can call 1-800-665-0354 for bilingual assistance during regular business hours.

### Electronic mailing list

We can notify you by email when new information on a subject of interest to you is available on our website. To subscribe to our electronic mailing lists, go to [www.cra.gc.ca/lists](http://www.cra.gc.ca/lists).