

Summary of Non-Taxable Benefits for Employees – 2015



In general, taxable benefits include any expenses paid by the employer on behalf of the employee, or any goods or services provided by the employer to the employee. The basic intent of the rule is to prevent employers from paying their employees with goods and services, and avoiding income tax.

The rules do allow for certain expenses to be paid for, or provided to, the employee on a tax-free basis. Generally, these are expenses incurred in the course of carrying out the employer's business. The following is a list of common non-taxable benefits. Please note that this listing is not all-inclusive.

- 1) Non-cash gifts and awards under \$500^{*1}
- 2) Christmas parties and other special events that are made available to all employees, provided the cost per employee is \$100 or less^{*2}
- 3) Overtime meals and allowances of up to \$17, where an employee works two or more hours of overtime before or after regular hours, and the overtime is infrequent or occasional
- 4) Reasonable travel allowance^{*3}
- 5) Travel expenses incurred by an employee's spouse, when his or her presence is required by the employer and he or she has a role to play in achieving the business objectives of the trip
- 6) Premiums under a private health services plan
- 7) Registered pension, supplementary unemployment benefit and deferred profit-sharing plans.
- 8) Discounts on merchandise granted to all employees
- 9) Subsidized meals, provided the employee is required to pay a reasonable amount for the cost of food
- 10) Uniforms, special clothing and safety equipment required for work
- 11) Use of Employer-provided recreational facilities
- 12) Membership dues to a sports club paid by the employer, provided it's principally for the employer's own advantage
- 13) Loyalty points collected on an employee's personal credit card for business expenses (where the employee is reimbursed for such expenses), as long as the points are not converted into cash and are not indicative of an alternative form of remuneration
- 14) Training, course or education that is primarily for employer's benefit^{*4}
- 15) Director's liability insurance
- 16) Relocation expenses^{*5}
- 17) Transportation to the work location where such transportation is provided by the employer for safety reasons
- 18) Meals, lodging and transportation when an employee is performing duties at a remote location or, in some circumstances, at a special work site
- 19) Certain transportation passes to employees of bus, rail or air companies
- 20) Counselling services relating to mental or physical health, re-employment or retirement of an employee
- 21) Employer-provided daycare facilities
- 22) Reimbursement of childcare expenses by an employer to an employee if the employee is required to work out of town at the request of the employer

Notes

***1 The Canada Revenue Agency (CRA) has the following administrative policies with respect to non-cash gifts and awards:**

- Non-cash gifts and non-cash awards to an arm's-length employee, regardless of number, will not be taxable to the extent that the total aggregate value of all non-cash gifts and awards to that employee is less than \$500 annually. The total value in excess of \$500 annually will be taxable.
- In addition to the above, once every five years, a non-cash long-service or anniversary award valued at \$500 or less to an employee will not be taxable. The award must be for a minimum of five years' service, and it has to be at least five years since the employee received the last long-service or anniversary award.
- Items of an immaterial or nominal value, such as coffee, tea, T-shirts with employer logos, mugs, plaques, trophies, etc., will not be considered a taxable benefit to employees and will not be included in the above \$500 threshold.
- Performance-related rewards (for example, for meeting a sales target) and cash and near-cash awards (such as gift certificates) will continue to fall outside the administrative policy and will be taxable to the employee.
- All gifts and awards to non-arm's-length employees will be taxable.

***2 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 cost, is a taxable benefit.

***3 Allowances could include a per km rate, a per diem rate for meals and hotels.** For a mileage allowance to be considered reasonable, it must be based on business km, supported by a travel log, and no other reimbursement is provided. The employee can deduct expenses incurred in excess of the allowance provided.

***4 Scholarships, bursaries and tuition fees** provided by employer to employees' family members are taxed to the family member.

***5 When an employee is required to move** by the employer and the employer subsequently reimburses the individual for the expenses incurred, the amounts reimbursed are generally not taxable. Those expenses can include:

- The cost of house-hunting trips to the new location.
- Moving costs and storage expenses.
- Real estate commissions and legal fees to purchase the new residence when the old residence has been sold.
- Mortgage prepayment and lease cancellation fees.
- Costs of disconnecting and reconnecting utilities.

If the employee is reimbursed for a loss incurred on the sale of their home, only ½ of the amount of the loss in excess of \$15,000 is taxable.

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