



Canada Revenue
Agency

Agence du revenu
du Canada

Employers' Guide Taxable Benefits and Allowances

Available electronically only

Find out if this guide is 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
- 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 at canada.ca/my-cra-business -account. If you are an individual, you can use the "Request a CPP/EI ruling" service in My Account at canada.ca/my-cra-account. You can also fill out and mail Form CPT1, Request for a CPP/EI Ruling – Employee or Self-Employed to the CPP/Rulings Division at the Tax Services Office in the province or territory of your residence or place of business. See the table found on Form CPT1 for the mailing addresses. For more information on employment status, go to canada.ca/cpp-ei-rulings.

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 canada.ca/payroll-calculate-deductions, and select "How to calculate."

For information on filing an information return, go to canada.ca/payroll-file, and select "When to file information returns."

The CRA publications and personalized correspondence are available in braille, large print, e-text, and MP3. For more information, go to canada.ca/cra-multiple-formats or call 1-800-959-5525.

Unless otherwise stated, all legislative references are to the Income Tax Act or, where appropriate, the Income Tax Regulations.

The Canada Revenue Agency uses the term **Indian** as it has legal meaning under the Indian Act.

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

What's new

Security options

For security options exercised of a non-CCPC or securities of a CCPC disposed of on or after June 25, 2024, the security options deduction the employee can claim has been reduced from one-half to one-third. Under proposed legislation which had not received Royal Assent before publication, the security options deductions under paragraphs 110(1)(d) and 110(1)(d.1) are being reduced for security options taxable benefits received on or after June 25, 2024. This will lead to reporting changes detailed in this guide both for security options taxable benefits and for the deductions under 110(1)(d) and 110(1)(d.1).

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Chapter 1 – General information

What is a benefit, an allowance, or a reimbursement

Benefit

Your employee has received a benefit if you pay for or give something that is personal in nature:

- directly to your employee
- 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.

Allowance

An allowance or an advance is any periodic or lump-sum amount that you pay to your employee on top of salary or wages, to help the employee pay for certain anticipated expenses without having them support the expenses. An allowance or advance is:

- usually an arbitrary amount that is predetermined without using the actual cost
- usually for a specific purpose
- used as the employee chooses, since the employee does not provide receipts

An allowance can be calculated based on distance, time or something else, such as a motor vehicle allowance using the distance driven or a meal allowance using the type and number of meals per day.

Reimbursement

A reimbursement is an amount you pay to your employee to repay expenses they incurred while carrying out the duties of employment. The employee must keep proper records (detailed receipts) to support the expenses and give them to you.

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"
- "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 their employment income when the benefit is received or enjoyed.

Whether or not a benefit is taxable depends on whether an employee or officer receives an economic advantage that can be measured in money, and whether that individual is the primary beneficiary of the benefit.

For more information, go to canada.ca/automotor-allowances.

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 canada.ca/cpp-ei-explained.

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" on page 7.

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 generally the amount the employee would have had to pay for the same benefit, in the same circumstances, if there was no employer-employee relationship.

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.

Calculate the GST/HST on taxable benefits

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
- 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 48 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)
- 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 canada.ca/cra-type-supply.

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, go to canada.ca/gst-hst-remitting-employee-benefits or see “Chapter 5 – Remitting the GST/HST on employee benefits” on page 42.

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

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 your employee has pensionable earnings above the annual maximum pensionable earnings, you will also have to deduct second additional CPP contributions (CPP2).

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, go to canada.ca/payroll-calculate-deductions, and select “How to calculate.”

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, go to canada.ca/payroll-calculate-deductions and select “How to calculate.”

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, 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 21.

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.

Notes

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, even if you did not have to deduct CPP/QPP contributions.

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
- Employer-paid RRSP contributions when the employee can withdraw the amounts. For more information, see “Registered retirement savings plans (RRSPs)” on page 31

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. The CRA considers 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 canada.ca/payroll-calculate-deductions.

Benefits chart

Use the “Benefits chart” on page 48 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 the CRA tells 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.

Example

If you are a third party who provides travel benefits (travel assistance in a prescribed zone) 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.

If a benefit or an 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:

- canada.ca/payroll-calculate-deductions
- canada.ca/payroll-file, and select “When to file information returns”
- canada.ca/deductions-credits-expenses
- canada.ca/cra-travel-allowance

Employee’s allowable employment expenses

Your employee may be able to claim certain employment expenses on their 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
- 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 their own

You have to fill out and sign Form T2200, Declaration of Conditions of Employment, and give it to your employee so they can deduct employment expenses from their 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 their employment contract.

It is the employee’s responsibility to claim the expenses on their income tax and benefits return and to keep records to support the claim.

For more information on allowable employment expenses, go to:

- canada.ca/deductions-credits-expenses
- canada.ca/cra-travel-allowance

Chapter 2 – Automobile and motor vehicle benefits and allowances

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

- canada.ca/taxes-auto-motor-benefits
- archived Interpretation Bulletin IT-63R5, Benefits, Including Standby Charge for an Automobile, from the Personal Use of a Motor Vehicle Supplied by an Employer – After 1992
- canada.ca/taxable-benefit

Definitions

Read through the following definitions. They will help you understand the terms and expressions the CRA uses 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.

Note

Zero-emission passenger vehicles (ZEPVs) are automobiles. For more information about ZEPVs, go to canada.ca/line-22900.

For more information on what is defined under automobile, go to canada.ca/automotor-allowances.

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, pickup truck, or similar vehicle that meets either of the following criteria:
 - can seat no more than the driver and two passengers, and in the year it is acquired or leased is used (50% or more of the distance driven) to transport goods or equipment in the course of business
 - in the year it is acquired or leased, it is used (90% or more of the distance driven) to transport goods, equipment, or passengers in the course of business
- pickup trucks that you bought or leased in the tax year that meet both of the following criteria:
 - are used (50% or more of the distance driven) to transport goods, equipment, or passengers in the course of earning or producing income
 - are 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**

If the back part or trunk of a van, pickup 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 who does not deal at arm's length with the employee
- an individual who holds an office or person who does not deal at arm's length with that individual
- a partner or person related to the partner
- 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, the CRA treats them differently for income tax purposes.

Zero-emission vehicles are cars and trucks powered by rechargeable electric batteries or hydrogen fuel cells.

For more information, go to canada.ca/line-22900.

Personal driving (personal use)

You may provide an automobile to your employee to use in performing their duties of office or employment. Personal driving is **any driving** done for purposes **not** related to employment.

Whatever the situation, if your employee drives your vehicle for personal reasons or you reimburse your employee for the personal driving of their own vehicle, there is a taxable benefit that has to be calculated and included in their 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
- travel between home and a regular place of employment even if you insist the employee drives the vehicle home, such as when they are on call

Business (employment-related) driving

- Travel between your employee's regular place of employment and a client's workplace (a point of call)
- Travel for business purpose errands
- Travel between home and a point of call, such as:
 - Salesperson visiting customers
 - Going to a client's premises for a meeting
 - Making a repair call

If your employee does not use the 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 their employment duties and the automobile is returned to your premises at the end of their work day.

To determine if you made the automobile available to your employee and if it was used for personal driving, go to canada.ca/automobile-motor-vehicle-benefits.

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.

Depending on the circumstances, your employee may have more than one location where they regularly report 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

Where you provide your employees with transportation to a regular place of employment, it may not be a taxable benefit if either of the following applies:

- 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
- 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 17

Point of call

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

The CRA will consider the employee’s travel between their 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. 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 canada.ca/taxes-records.

Calculating automobile benefits

An employee receives a taxable benefit if an automobile is made available because of the employee’s current, previous, or intended office or employment. 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 determine if the automobile benefit is taxable and calculate the benefits:

- Automobile Benefits Online Calculator at canada.ca/automobile-benefits-calculator
- **Worksheet** – You can get Form RC18, Calculating Automobile Benefits, by going to canada.ca/cra-forms-publications 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 their 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.

For more details on standby charges calculation and examples, go to canada.ca/automobile-motor-vehicle-benefits.

Availability and personal use

An automobile is available to your employee if they have 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 their employment duties **and** the vehicle is returned to your premises at the end of their 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 their duties
- the employee uses the automobile more than 50% of the distance driven for business purposes
- the kilometres for personal use are 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 2018 and subsequent years, at canada.ca/automobile-benefits-calculator
- 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
- 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 \div 30 = 0.67 (do not round off)

130 days \div 30 = 4.33 (round to 4)

135 days \div 30 = 4.50 (round to 4)

140 days \div 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 their 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 archived Interpretation Bulletin IT-63R5, 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 includes both of the following category:

- the rental cost for the automobile
- 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 \div 30 = 0.67 (do not round off)

130 days \div 30 = 4.33 (round to 4)

135 days \div 30 = 4.50 (round to 4)

140 days \div 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, the CRA considers the payment 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
- 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 they agree 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 the CRA to adjust their 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
- 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 the CRA to adjust their 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 and PST.

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
- 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
- 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
- licences and insurance

Operating expenses **do not** include:

- interest
- capital cost allowance for an automobile you own
- lease costs for a leased automobile
- 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 their 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 2024 is 33¢ 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 2024 is 30¢ 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 calculate.

Example

In 2024, 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 \$2,500, calculated as follows:

$$10,000 \text{ km} \times 33\text{¢} = \$3,300$$
$$\$3,300 - \$800 = \$2,500$$

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, the CRA 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. For more detailed information on operating expenses, go to canada.ca/automobile-motor-vehicle-benefits.

Notes

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 2024, 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:

$$12,000 \text{ km} \times 33\text{¢} = \$3,960$$

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:

$$\$3,960 - \$500 = \$3,460$$

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 their 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 and PST. 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 the archived Interpretation Bulletin IT-63R5, Benefits, Including Standby Charge for an Automobile, from the Personal Use of a Motor Vehicle Supplied by an Employer – After 1992 or go to canada.ca/automobile-motor-vehicle-benefits.

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 15.

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 (as defined on page 9) is not an automobile
2. You tell your employee in writing that they 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 at a worksite overnight
 - 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 their 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 their 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 their 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
 - is designed to carry specialized equipment to the scene of an emergency

Note

The CRA generally considers 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 canada.ca/examples-transportation. For more details on vehicle home at night policy, go to canada.ca/automobile-motor-vehicle-benefits.

Reporting automobile or motor vehicle benefits

Employee's benefit

Report the value of the benefit including the GST/HST and PST 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 their capacity as an employee.

Shareholder's benefit

Report the value of the benefit including GST/HST and PST that applies using code 028, "Other income" in the "Other information" area at the bottom of the T4A slip if either of the following applies:

- 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 their capacity as a shareholder
- for more information on payroll deductions and calculate the GST/HST related to the taxable benefit, go to canada.ca/automotor-allowances.

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, or go to canada.ca/automotor-allowances.

Reasonable per-kilometre allowance

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

The per-kilometre rates that the CRA usually considers 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. The type of vehicle and the driving conditions are other factors used to determine whether an allowance is considered to be reasonable.

The CRA considers an allowance to be reasonable if **all** of 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 2024, they are:

- 70¢ per kilometre for the first 5,000 kilometres driven
- 64¢ 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 are not considered reasonable

If you pay your employee an allowance based on a per-kilometre rate that is not considered 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
- 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
- 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 their expenses by producing vouchers and return any amount they 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.

The CRA understands the administrative problems that can result from this. As a result, the CRA is 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** of 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, go to canada.ca/taxable-benefit.

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
- 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 general 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 the CRA considers 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 the CRA does not consider taxable.

For more information, go to canada.ca/automotor-allowances.

Chapter 3 – Other benefits and allowances

Aircraft Benefits

If you give your employee access to an aircraft for personal purposes, the employee receives a taxable benefit. You have to add to the employee's salary the fair market value of the benefit, minus any amount the employee paid. The value of

the benefit is determined on the basis of what is reasonable in relation to the facts of the case and the manner in which the aircraft is used.

For more information about aircraft benefits, go to canada.ca/cra-taxable-benefit-personal-aircraft.

Board and lodging

You may give your employee board and lodging which means that you provide them with accommodations and, in some cases, food. If you provide only meals to an employee, see "Meals" on page 27.

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 allowances for board and lodging to players on sports teams or members of recreation programs, see the next section
- If you provide board, lodging, or transportation, or allowances for board, lodging, 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 page 17

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

You can exclude up to \$ 430 (for 2024) 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 in a prescribed zone" on page 40.

For more information, go to canada.ca/cra-board-lodging-transportation-worksite-zone.

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 their 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 their principal place of residence.

Note

A self-contained domestic establishment (SCDE) is a house, an apartment, or other similar place of residence where a person usually sleeps and eats. It is generally a living unit with restricted access that contains a kitchen, bathroom, and sleeping facilities. The SCDE must be separate from any other living unit in the same building. A room in a hotel, dormitory, boarding house, or bunkhouse is not ordinarily considered to be a SCDE.

Usually, the GST/HST and PST 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 and PST applies. Where the GST/HST and PST does apply, include it in the value of the benefit.

Board and lodging at a special work site

You can exclude from income the value of board and lodging, or an allowance (not in excess of a reasonable amount) for board and lodging, that you provide to an employee who works at a **special work site** if **all** of the following conditions are met:

- The employee's duties required them to be away from their 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 their 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
- 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 allowance (not in excess of a reasonable amount) 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 an allowance (not in excess of a reasonable amount) 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, or an allowance (not in excess of a reasonable amount) for transportation expenses, that you provide to an employee who works at a **special work site** if **all** of the following conditions are met:

- the free or subsidized transportation, or the allowance, was for transportation between the special work site and your employee's principal place of residence
- the employee's duties required them to be away from their principal place of residence or be at the special work site for a period of at least 36 hours
- you (or a third party) 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 **all** of the conditions listed under "Board and lodging" noted above are met, 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 all of the above-noted conditions are not met, **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 allowance for board, lodging, and transportation that is more than a reasonable amount.

Remote work locations

The CRA usually considers 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
- certain educational facilities

Board and lodging at a remote work location

You can exclude from income the value of board and lodging, or an allowance (not in excess of a reasonable amount) 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 board and lodging, or allowances (not in excess of a reasonable amount) for board and lodging, were for a period of at least 36 hours when one of the following situations applied:
 - The employee had to be away from their principal place of residence because of their duties
 - The employee had to be at the remote work location

Transportation

You can exclude from income the value of free or subsidized transportation, or an allowance (not in excess of a reasonable amount) for transportation expenses, that you provide to an employee who works at a remote work location if **all** of the following conditions are met:

- The employee's duties required them to be away from their principal place of residence or to be at the remote work location for a period of at least 36 hours
- The free or subsidized transportation, or the allowance, was 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 outside Canada
- You (or a third party) provided board and lodging, or a reasonable allowance for board and lodging, to your employee for that period

If you need help determining whether a location qualifies as remote, see archived Interpretation Bulletin IT-91R4, 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.

Cell phone and internet services

If you provide your employee with a cell phone (or other handheld communication device) that you own, to help carry out their employment duties, the fair market value (FMV) of the cell phone or device is not a taxable benefit.

However, if you reimburse your employee for the cost of their own cell phone (or other handheld communication device), the FMV of the cell phone or device is considered a taxable benefit to the employee. This is the case even if the employee used, lost, or damaged the cell phone or device while carrying out their employment duties.

If you pay for, or reimburse the cost of an employee's cell phone service plan, or Internet service at home to help carry out their employment duties, the portion used for employment purposes is not a taxable benefit.

If part of the use of the cell 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 FMV of the service attributable to personal use, **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, the CRA does 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 employment use and the FMV.

Note

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

For more information, go to canada.ca/cra-phone-internet.

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
- 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

If you provide benefits or allowances to an employee who has a disability, such as transportation costs or attendant services, the benefits may not be 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 to whom **either** of the following applies:

- Is blind
- 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.

For more information, go to canada.ca/taxable-benefit, and select "Benefits provided to an employee who has a severe or prolonged impairment (disability)."

Discounts on merchandise and commissions from personal purchases

If you sell merchandise to your employee at a discount, the benefit they get from this is not usually considered a taxable benefit.

However, the CRA considers discounts to be taxable in **all** of 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 employees **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 page 20.

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's child has to live away from your employee's home in the place, where the employee is required to live because of their employment, 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 them to canada.ca/taxable-benefit, and select "Scholarships, bursaries, tuition, and training."

Specific employment-related training

The CRA generally considers 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 their employment for a reasonable period of time after they finish 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

The CRA generally considers 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

The CRA considers 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 and tuition fees

If you paid for, or reimbursed, your employee's tuition fees and there is no taxable benefit according to these guidelines, the tuition fees will not qualify for the tuition tax credit. You should inform your employee of this.

If you paid for, or reimbursed, education amounts that are reported on either a T4 or T4A slip, these amounts may be eligible for the scholarship exemption. The individual may be able to fully exclude from their income tuition fees, scholarships, fellowships, and bursaries they received from you.

Family members

If you offer a program that provides free or reduced tuition fees to the family members of your employees, **do not** include the value of any benefit the employee's family member receives in your employee's income unless:

- the benefit is provided as a substitute for salary, wages or other remuneration
- you do not deal with the employee at arm's length

Instead, report the FMV of the scholarship or bursary on a T4A slip for the family member. If a family member meets certain criteria, they may not have to include the amount in income on their income tax and benefit return.

The same applies if you are an educational institution offering free or discounted tuition to your employees' family members.

If you get any questions, you can refer them to the canada.ca/fed-tax-information.

For more information on scholarships or bursaries provided in employment situations, go to canada.ca/taxable-benefit, and select "Scholarships, bursaries, tuition, and training."

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 canada.ca/cra-reduce-premium-rate.

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, or within the first four months of the following year. 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, you must include it in your employee's income in the year the employee received it. For more information, see "Benefits chart" on page 48.

Gifts, awards, and long-service awards

A gift or an award that you give an employee is a taxable benefit from employment, whether it is cash, near-cash, or non-cash. However, the CRA has 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, 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 page 21, or go to canada.ca/cra-gifts-awards-long-service.

Example of a near-cash gift or an 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. A \$100 gift card or gift certificate that does not meet the conditions under our administrative policy is considered as near-cash. The CRA considers 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.

Examples of non-cash gifts or awards

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.

You give your employee a voucher (which may be a ticket or a certificate) that entitles the employee to receive an item for a set value at a store. For example, you may give your employees a voucher for a turkey valued up to \$30 as a Christmas gift, and for convenience, you arrange for your employees to go to a particular grocery store and exchange the voucher for a turkey. The employees can only use the voucher to receive a turkey valued up to \$30 (no substitutes).

Vouchers and event tickets are generally considered non-cash gifts and awards.

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 they 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 or colleague) is considered a **reward** and is a taxable benefit for the employee.

If you give your employee a non-cash gift or an 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 the CRA's policy, go to canada.ca/cra-gifts-awards-long-service.

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 and PST in the FMV.

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
- plaques or trophies

Under the CRA's administrative policy, if you provide your employee with gift cards, the gift card is considered non-cash if all of the following apply:

- It comes with money already on it and can **only** be used to purchase goods or services from a **single retailer** or a **group of retailers identified on the card**
- The terms and conditions of the gift card clearly state that amounts loaded to the card **cannot be converted into cash**
- A log is kept to record gift card information containing **all** of the following:
 - Name of the employee
 - Date the gift card was provided to the employee
 - Reason for providing the gift card (part of social event, gift or award)
 - Type of gift card
 - Amount of the gift card
 - Name of the retailer(s)

This includes gift certificates, chip cards and electronic gift cards. If the gift card meets all these conditions, it is considered non-cash for the purpose of the CRA's administrative policy and can be used to provide gifts and awards as part of the \$500 limit. If the card does not meet these conditions, it is considered a near-cash benefit and is taxable.

You **must** review the terms and conditions of the gift card to make sure it meets the conditions of the CRA's administrative policy above. You **must** complete this review on a **case by case** basis.

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. Gift cards which meet the conditions under the 'Policy for non-cash gifts and awards' above can be used to give a non-cash long-service or anniversary award under this policy.

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 them 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.

For more information, go to canada.ca/cra-gifts-awards-long-service.

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 dependant 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 or sales tax (8% for Ontario, 7% for Manitoba, and 9% for Quebec) 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 on canada.ca/payroll-file, (select "When to file information returns"), **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.

Note

Effective January 2018, employers who pay Group Term Life Insurance premiums on behalf of retirees, when it's the only income reported on the T4A slip, are only required to report the premium if the amount is greater than \$50. Your former employee is still responsible for reporting the amount on their personal income tax and benefits return.

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 40.

If your employee is a member of the clergy or a religious order or a regular minister of a religious denomination, they 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 they need (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, the CRA does not 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 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**.

Notes

Special rules apply if you pay for utilities (or provide them) for a member of the clergy. You must add eligible utilities (electricity, heat, water, and sewer) for clergy members to the taxable benefit for housing under code **30**. Report all other utilities under code **40**.

For more information, go to canada.ca/cra-board-lodging-transportation-worksite-zone.

Clergy residence

Clergy residence deduction

If your employee is a member of the clergy, they may be able to claim a deduction from income for their 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
- 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 their income tax and benefit return, but has to keep it in case the CRA asks 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 does both of the following:

- gives you a completed Form T1223, Clergy Residence Deduction
- tells you in writing they intend 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 their own money or by using the allowance you paid to them. If your employee will be claiming the clergy residence deduction on their personal income tax and benefits return, they 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, go to canada.ca/taxes-slips.

For more information, see archived Interpretation Bulletin IT-141R, 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
- an income maintenance insurance plan

Group sickness or accident insurance plans

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 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.

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 canada.ca/cpp-ei-explained and choose "Wage Loss Replacement Plans" or see archived 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 may have to include in income any benefit arising from an interest-free or low-interest loan received, or debt incurred, by a person because of **an office, employment, or shareholding**.

If a person is both an employee and a shareholder, it is a question of fact whether a particular indebtedness arose because of shareholdings or because of an office or employment. For more information, see archived Interpretation Bulletin IT-119R4, Debts of Shareholders and Certain Persons Connected with Shareholders. See also “Loans received because of employment” or “Loans received because of shareholdings” on page 25.

The benefit is generally calculated as the amount of interest that the person would have paid on the loan or debt for the year at the prescribed rates (for more information, see “Prescribed interest rates” on page 27), **minus** the amount of interest that they 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 or debt and to home-relocation loans. For more information, see “Exceptions” on this page and “Home-relocation loans” on page 27.

Exceptions

A taxable benefit will not arise where a person receives a loan or incurs a debt 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 would have been agreed upon in an arm’s length transaction at the time the loan or debt arose if the creditor’s ordinary business included the lending of money. 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 or debt (such as, a loan or debt forgiven in whole or in part) in the income of a person or partnership. See “Forgiven loans” on page 27 for more information. Where only part of the loan or debt has been included in income, an interest benefit must still be calculated for the portion of the loan or debt that remains outstanding

Note

Arm’s length refers to a relationship or a transaction between unrelated persons who act in their own separate interests. An arm’s length transaction is generally a transaction that reflects ordinary commercial dealings between parties acting in their own separate interests.

For more information, see Income Tax Folio S1-F5-C1, Related Persons and Dealing at Arm’s Length.

Loans received because of employment

An employee receives a taxable benefit if you give any person or partnership a loan because of the employee’s current, previous, or intended office or employment. The CRA considers a loan received because of employment if it is reasonable to conclude that the loan would not have been received, or the terms of the loan would have been different, had there been no current, previous, or intended employment.

The loan can be received by the employee or any other person or partnership, including, for example, the employee’s spouse. A benefit can also arise from 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.

Under our administrative policy, if the loan is received or a debt is incurred because of employment, the interest benefit is not taxable if all of the following apply:

- Total amount of loans received is \$10,000 or less per calendar year (includes loans of different term durations and principal amounts)
- Term of the loan(s) is 60 days or less
- Loan is not received because of shareholdings

If the full principal of the loan is not repaid within 60 days, the interest benefit is taxable. If the term of the loan spans two calendar years, the loan will count as part of the \$10,000 limit for the year in which the loan was received.

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
- 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
- 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 page 25.

If the employee receives a taxable benefit on a loan or 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 archived Interpretation Bulletin IT-421R2, 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% × \$150,000 × 1/4 = \$1,125	
4% × \$150,000 × 2/4 = \$3,000	
5% × \$150,000 × 1/4 = \$1,875.....	\$6,000
plus	
b) Amount paid by a third party	<u>\$1,000</u>
	\$7,000
minus	
c) Interest paid (\$2,000 + \$1,000) =	\$3,000
d) Amount Joshua repaid	<u>\$1,000</u> <u>\$4,000</u>
Joshua's taxable benefit	<u>\$3,000</u>

Loans received because of shareholdings

Persons and partnerships are generally taxable on benefits received from a corporation of which they are a shareholder. Depending on the particular facts, where a person or partnership receives a loan or incurs a debt because of a shareholding:

- the amount of the loan or debt may be required to be included in the income of the person or partnership. For more information, see archived Interpretation Bulletin IT-119R4, Debts of Shareholders and Certain Persons Connected with Shareholders
- a taxable benefit may arise if no interest or a low rate of interest is charged on the loan or debt. These rules are explained in more detail below

A taxable benefit does not apply if the loan or debt is required to be included in the income of a person or partnership.

Therefore, a person or partnership should determine if the amount of the loan or debt is required to be included in income before considering whether a taxable benefit may arise. A taxable benefit cannot be included in income voluntarily to avoid any requirement to include the amount of a loan or debt in income.

Loans received or debts incurred because of shareholdings may give rise to a taxable benefit when **all** of the following conditions are met:

- the loan is received, or the debt is incurred, 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 one of the following:
 - a shareholder of a corporation
 - connected with a shareholder of a corporation
 - a member of a partnership or beneficiary of a trust that was a shareholder of a corporation
- because of these shareholdings, the person or partnership receives a loan from, or incurs a debt to:
 - the corporation,
 - a corporation related to that corporation
 - a partnership of which the corporation or the related corporation was a member

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

- the interest on the outstanding portion of 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. The calculation of the benefit is modified where one or more such loans are considered to have been made under a back-to-back shareholder loan arrangement. For more information on back-to-back shareholder loans, see www.budget.canada.ca/2016/docs/tm-mf/si-rs-en.html.

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 25.

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 they meet **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 their new residence

Note

Only a debt that is a loan can be a home relocation loan.

To calculate the benefit for the home-relocation loan, see "Loans received because of employment," on page 25.

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 received the loan.

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.

Note

For 2018 and later tax years, the home-relocation loan deduction has been eliminated.

Forgiven loans

A loan to an employee may be partly or fully forgiven (the employee does not have to repay the loan). In either case, the forgiven amount is considered employment income and is added to the employee's T4 slip for the year the amount is forgiven. For more information, see archived Interpretation Bulletin IT-421R2, Benefits to individuals, corporations and shareholders from loans or debt.

Reporting the benefit

If an **employee** or any person or partnership receives a loan or incurs a debt because of the employee's 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 canada.ca/taxes-interest-rates.

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 apply:

- 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 they 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 they received from redeeming the points.

For examples of situations where loyalty and other points programs are considered taxable benefits, go to canada.ca/taxes-loyalty-points-programs.

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. The CRA generally considers a value of up to \$23 (including the GST/HST and PST) to be reasonable. The CRA 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 their 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, the CRA considers 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 canada.ca/examples-overtime-meals-allowances.

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 and PST 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 and PST. In such a case, include the GST/HST and PST in the value of the benefit.

For more information on qualifying medical expenses, go to:

- canada.ca/taxable-benefit, and select "Benefits provided to an employee who has a severe or prolonged impairment (disability)"
- canada.ca/taxable-benefit, and select "Medical expenses"
- canada.ca/private-health-services-plan

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, their family, and their household effects out of a remote work location when their 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 they do not have to account for, see "Non-accountable moving allowances" on page 29.

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
- 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 the CRA does 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 their income tax and benefit return.

For more information on the deduction for moving expenses that is available to your employees, go to canada.ca/taxable-benefit, and select “Moving and relocation expenses.”

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 spread the payment over two years, you will need to include an amount on your employee’s T4 slip for each year. Example 2 below shows how to calculate the taxable benefit.

Example 1

In March 2024, 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 2024.

The taxable benefit you will report on Clara’s 2024 T4 slip will be \$12,500, calculated as follows:

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

Example 2

In June 2023, 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, 2023.

Paul’s eligible housing loss amounted to \$65,000. You paid out the compensation in two payments: \$30,000 in September 2023 and \$35,000 in February 2024.

Paul’s taxable benefit in 2023 was \$7,500 (half of the amount paid in 2023 that is more than \$15,000).

Paul’s taxable benefit in 2024 is \$17,500. This is calculated as follows:

- half of the total of amounts paid in 2023 and 2024 that is more than \$15,000 ($1/2 \times [\$65,000 - \$15,000] = \$25,000$)

minus

- the amount included in income in 2023 (\$7,500)

For more information on housing losses, go to canada.ca/taxable-benefit, and select “Moving and relocation expenses.”

Non-accountable moving allowances

A non-accountable moving allowance is an allowance for which an employee does not have to provide details or submit receipts to justify amounts paid. The CRA considers a non-accountable moving 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 the CRA to consider it as a reimbursement for incidental expenses, the employee has to certify in writing that they 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 moving 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 moving allowance of \$625 to an employee who certifies that they 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 moving allowance of \$750 to an employee who can certify the expenses, they 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.

For 2019 and later tax years, the full amount of this non-accountable allowance 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.

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 19
- 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 their own automobile or one you usually supply to do their duties

Note

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

The CRA does 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 a limited number of parking spaces where all of the following apply:
 - Not more than two parking spaces available for every three employees who want parking (scramble parking)
 - Parking spaces are not assigned (random or uncertain)
 - Parking spaces are offered to all employees who want parking

For more information on scramble parking, go to canada.ca/cra-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 the CRA.

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 under the Pooled Registered Pension Plan Act or a similar provincial act and **not** 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 canada.ca/taxes-pooled-registered-pension-plan.

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 their 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**, the CRA 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 on private health services plans, go to canada.ca/private-health-services-plan and see archived Interpretation Bulletin IT-339R2, 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, the CRA considers 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 the CRA asks 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 they cannot deduct from their employment income any non-taxable professional dues that you have paid or reimbursed to them.

For more information, see archived Interpretation Bulletin IT-158R2, 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 their duties (for example, fewer sick days, less downtime, remain fit for duty)

For more information, go to canada.ca/taxable-benefit, and select "Recreational facilities and club dues."

Registered retirement savings plans (RRSPs)

Contributions you make to your 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 your employee's RRSPs if you have reasonable grounds to believe that the employee can deduct the contribution for the year. For more information, go to canada.ca/taxable-benefit, and select "Registered retirement savings plan (RRSP)."

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

A security is a share of the capital stock of a corporation or a unit of a mutual fund trust that is a qualifying person.

Note

A qualifying person is a corporation or a mutual fund trust.

Many employers grant options to their employees as a form of compensation. These options give the employee of the employer or of a qualifying person with which the employer does not deal at arm's length, the right to acquire a security of the employer, or a security of another qualifying person with which the employer does not deal at arm's length.

Generally, options issued to employees will be provided under one of the following three types of plans:

- **Employee stock purchase plan (ESPP)** – This plan allows the employee to acquire shares at a discounted price, (i.e., for an amount that is less than the value of the stock at the time of the acquisition of the shares). Many ESPPs provide for a delay in the acquisition of the shares: an employee contributes a certain amount over a period of time and, at pre-specified periods, the employee can purchase shares at a discount using the accumulated contributions. The benefit is equal to the value of the shares, minus the amount paid.
- **Stock bonus plan** – Under this plan, an employer agrees to give the shares to the employee free of charge. In effect, the employer agrees to sell or issue shares to the employee for no cost.
- **Stock option plan** – This plan allows the employee to purchase shares of the employer's company or of a non-arm's length company at a pre-determined price.

Taxable benefit

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. Generally, the employee receives the taxable benefit in the same year they acquire the shares or units, or otherwise disposes of their rights under the option agreement. However, when certain conditions are met, the taxable benefit is deferred until the year the employee disposes of the shares. For more information, refer to "Security options deduction for the disposition of shares of a Canadian controlled private corporation – Paragraph 110(1)(d.1)."

The taxable benefit is the difference between the fair market value (FMV) 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 their 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 or units has been transferred and the vendor has entitlement to receive payment. In general, this would occur where the shares or

units 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.

As a result of proposed legislation to increase the inclusion rate for capital gains which had not received Royal Assent before publication, the reporting of the security option will change for benefits received on or after June 25, 2024. Report security options taxable benefits received on or after June 25, 2024 using code 90 instead of code 38.

For more information on security options, see archived Interpretation Bulletin IT-113R4, Benefits to Employees – Stock Options.

Cash-outs

An employer may allow an employee to receive cash instead of securities in exchange for their options. Generally, the cash paid is equal to the difference between the FMV of the securities at the time the options would have been exercised and the amount paid or to be paid for the securities. This difference is equal to the employment benefit the employee is deemed to have received.

If an employee relinquishes a stock option right to an employer in exchange 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).

Note

You cannot elect to defer the security option.

Payroll Deductions

Cash-outs

Deduct CPP Contribution, EI premiums and income tax.

Options

Security options are considered a non-cash benefit, so they are not insurable. In all cases do not deduct EI premiums. There is no CPP contribution or no income tax withholding requirement where a taxable benefit is received by an arms-length employee with respect to the disposition of Canadian-controlled private corporation shares.

In all other cases where a taxable benefit is received, 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.

As a result of proposed legislation to increase the inclusion rate for capital gains which had not received Royal Assent before publication, the deduction for benefits reported after June 25, 2024 will be reduced to 33.33%.

For more information, go to canada.ca/taxes-security-options or canada.ca/taxable-benefit, and select “Security options.”

When determining the amount of the security option benefit subject to income tax withholding, the CRA will permit the employer to reduce the benefit by 50% using the Security options deduction under paragraph 110(1)(d).

Security options deduction – Paragraph 110(1)(d)

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 (FMV) when the agreement was made
- There are additional conditions where an employee receives cash instead of acquiring securities (see “Cash-outs” section), and where the security options are granted on or after July 1, 2021 (see “Annual vesting limit” section).

The deduction the employee can claim is **one-half** of the amount of the resulting taxable benefit 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.

As a result of proposed legislation to decrease the security options deduction which had not received Royal Assent

before publication, the reporting of the security options deduction will change for benefits received on or after June 25, 2024. Report security options deductions for security options taxable benefits received on or after June 25, 2024 using code 91 instead of code 39. The deduction the employee can claim is one-third of the taxable benefit received on or after June 25, 2024.

Annual vesting limit

For security options granted on or after July 1, 2021 (other than options granted after June 2021 that replace options granted before July 2021), the employee is subject to a \$200,000 annual vesting limit under paragraph 110(1)(d) if the qualifying person meets **both** of the following conditions:

- is not a Canadian-controlled private corporation (CCPC)
- has, or is part of a consolidated group that has, gross revenues of more than \$500 million

How to determine the portion of the securities that are non-qualified securities

The portion of the securities that are non-qualified securities and not eligible for the deduction under 110(1)(d) is determined by the formula:

A/B

$A = C + D - \$200,000$ (if the result is negative, the amount is zero)

where

C = total FMV (at the time the agreement is entered into) of the securities to be sold or issued under the agreement for a particular vesting year

D = is the lesser of:

(i) \$200,000; and

(ii) the total FMV (at the time the agreements were entered into with the qualifying person, or another qualifying person that does not deal at arm’s length with the particular qualifying person) of the securities to be sold or issued in respect of other agreements (whether entered into previously or contemporaneously) for that particular vesting year

B = the amount determined for C

The qualifying person is required to fill out T2 Schedule 59 to report non-qualifying security options beyond the \$200,000 annual vesting limit.

Calculating examples – Annual vesting limit with single option			
Description	Situation 1	Situation 2	Situation 3
Situation 1 – Before July 1, 2021			
An employee receives the option to acquire 10,000 shares of their non-CCPC employer with gross revenues of more than \$500 million on July 15, 2020 for their fair market value (FMV) of \$40 per share. (10,000 shares x \$40 per share)	\$400,000		

The employee exercises all of their options on September 15, 2020 when the FMV of the shares were \$50 per share. (10,000 shares x \$50 per share)	\$500,000		
Situation 2 – On or after July 1, 2021			
An employee receives the option to acquire 10,000 shares of their non-CCPC employer with gross revenues of more than \$500 million on July 15, 2021 for their FMV of \$40 per share. (10,000 shares x \$40 per share)		\$400,000	
The employee exercises all of their options on September 15, 2021 when the FMV of the shares were \$50 per share. (10,000 shares x \$50 per share)		\$500,000	
Situation 3 – On or after July 1, 2021			
An employee receives the option to acquire 10,000 shares of their non-CCPC employer with gross revenues of more than \$500 million on July 15, 2021 for their FMV of \$40 per share. (10,000 shares x \$40 per share)			\$400,000
The employee exercises only 5,000 of their options on September 15, 2021 when the FMV of the shares were \$50 per share. (5,000 shares x \$50 per share)			\$250,000
Non-qualified securities			
FMV of the securities under this options agreement at the time of grant. (C) and (B)	N/A	\$400,000	\$400,000
Lesser of \$200,000 and the FMV of the securities under other options agreements with the qualifying person (or another qualifying person that does not deal at arm's length with the particular qualifying person) vesting within the same calendar year. (D)	N/A	\$0	\$0
A = C + D - \$200,000 (if the result is negative, the amount is zero)	N/A	= \$200,000	= \$200,000
Portion of the securities deemed non-qualified. (A/B)	N/A	= \$200,000/\$400,000 (50%)	= \$200,000/\$400,000 (50%)
Number of non-qualified securities, to be reported on T2 Schedule 59, line 500.	N/A	= 5,000 (10,000 x 50%)	= 5,000 (10,000 x 50%)
Taxable benefit			
FMV of the shares when exercised minus the amount paid by the employee to acquire the shares. (\$500,000 - \$400,000)	\$100,000	\$100,000	
FMV of the shares when exercised minus the amount paid by the employee to acquire the shares (5,000 shares x \$40 per share = \$200,000). (\$250,000 - \$200,000)			\$50,000
Security options deductions			
One-half of the amount taxable – 110(1)(d) (\$100,000 x 50%)	\$50,000		
One-half of the amount taxable – 110(1)(d) (\$200,000 vesting limit ÷ \$40 grant price per		\$25,000	

share = 5,000 shares eligible for the deduction) (5,000 shares x (\$50 - \$40) x 50%)			
One-half of the amount taxable – 110(1)(d) (\$200,000 vesting limit ÷ \$40 grant price per share = 5,000 shares eligible for the deduction.) (\$50,000 x 50%) Because only 5,000 shares were exercised, they all qualify for the deduction.			\$25,000
Amount to be included on the T4	2020 tax year	2021 tax year	2021 tax year
Box 14 (may include other income)	= \$100,000	= \$100,000	= \$50,000
Code 38	= \$100,000	= \$100,000	= \$50,000
Code 39	= \$50,000	= \$25,000	= \$25,000

Calculation examples – Annual vesting limit with multiple options			
Description	2022	2023	2024
On August 1, 2022 , an employee is first granted an option to acquire 70,000 shares of their non-CCPC employer with gross revenues of more than \$500 million for their FMV of \$2 per share. The first year they will be able to acquire those securities is in the 2024 calendar year. (70,000 x \$2)	\$140,000		\$140,000
On April 15, 2023 , the same employee is granted the option to acquire another 50,000 shares of the company's shares for their FMV of \$2 per share. The first year they will be able to acquire those securities is in the 2024 calendar year. (50,000 x \$2)		\$100,000	\$100,000
The employee exercised both sets of options on January 23, 2024 when they had a FMV of \$3 per share (70,000 x \$3) + (50,000 x \$3)			\$360,000
Non-qualified securities			
FMV of the securities under this options agreement at the time of grant. (C) and (B)	\$140,000	\$100,000	
Lesser of \$200,000 and the FMV of the securities under other options agreements with the qualifying person (or another qualifying person that does not deal at arm's length with the particular qualifying person) vesting within the same calendar year. (D)	\$0	\$140,000	
A = C + D - \$200,000 (if the result is negative, the amount is zero)	\$0	\$40,000	
Portion of the securities deemed non-qualified. (A/B)	\$0/\$140,000	\$40,000/\$100,000 (40%)	
Number of non-qualified securities, to be reported on T2 Schedule 59, line 500.	= 0	= 20,000 (50,000 x 40%)	
Taxable benefit			
FMV of the shares when exercised minus the amount paid by the employee to acquire the shares. (\$360,000 - \$240,000)			\$120,000

Security options deductions			
One-half of the amount taxable - 110(1)(d) (120,000 shares less the 20,000 non-qualified shares = 100,000 shares eligible for the deduction) (100,000 shares x (\$3 - \$2) x 50%)			\$50,000
Amount to be included on the T4			2024 tax year
Box 14 (may include other income)			= \$120,000
Code 38			= \$120,000
Code 39			= \$50,000

Note

As a result of proposed legislation to increase the inclusion rate for capital gains which had not received Royal Assent before publication, the reporting of the security option will change for benefits received on or after June 25, 2024. Report security options taxable benefits received on or after June 25, 2024 using code 90 instead of code 38.

Designation of non-qualified securities

Qualifying persons subject to the new rules will be able to designate securities to be issued or sold under a securities option agreement as non-qualified securities for purposes of the employee stock option rules. When this designation is made, employees will not be entitled to a stock option deduction, but the employer will be entitled to a deduction for the value of the benefit received by employees.

Notification requirements for non-qualified securities

Qualifying persons will be required to notify employees in writing no later than 30 days after the day the securities option agreement is entered into for non-qualified securities, and to report the issuance of securities options for non-qualified securities on Form T2 Schedule 59 with their tax return.

Charitable donations

An employee will be ineligible for the additional 50% stock option deduction if the employee donates to a qualified donee a publicly listed security acquired under a securities option that is a non-qualified security under the new stock option rules. The employee may, however, be eligible for the charitable donation tax credit.

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 of a Canadian-controlled private corporation (CCPC) – 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 CCPC

- 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:

- CCPC shares disposed of in the year where the employee dealt at arm's length with the corporation
- The employee has not disposed of the share (otherwise than as a result of the employee's death) or exchanged the share within two years after the date the employee 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 resulting taxable benefit 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.

As a result of proposed legislation to decrease the security options deduction which had not received Royal Assent before publication, the reporting of the security options deduction will change for benefits received on or after June 25, 2024. Report security options deductions for security options taxable benefits received on or after June 25, 2024 using code 92 instead of code 41. The deduction the employee can claim is one-third of the taxable benefit received on or after June 25, 2024.

Note

As a result of proposed legislation to increase the inclusion rate for capital gains which had not received Royal Assent before publication, the deduction for the charitable donation of securities will be increased from 50% to two-thirds for security option taxable benefits received on or after June 25, 2024.

Social events

If you provide a free party or other social event to all your employees and the cost is \$150 per person or less, the CRA does not consider it to be a taxable benefit. Additional costs such as transportation home, taxi fare, and overnight accommodation are not included in the \$150 per person amount. If the cost of the party is greater than \$150 per person,

the **entire** amount, including the additional costs, is a taxable benefit.

If you provide a virtual social event to your employees, the benefit is not taxable if all of the following apply:

- It is available to all employees
- If the virtual social event:
 - **Only** includes meals, beverages and delivery services, the total cost is **\$50 or less (including taxes) per employee**
 - Includes meals, beverages, delivery services and entertainment, the total cost is **\$100 or less (including taxes) per employee**
- If you provide gift cards to your employees for meals, beverages and delivery services, the card must meet the conditions for the card to be considered non-cash
- If you reimburse expenses or provide an accountable advance, the employee must send you receipts
- The event is within the maximum annual limit for social events (total of **six employer-paid** combined in-person and virtual social events)
- If you provide a combined in-person and virtual social event to your employees, the benefit is not taxable if all of the following apply:
 - It is available to all employees
 - Cost is **\$150 or less (including taxes) per person**:
 - persons includes spouses or common-law partners
 - ancillary costs (such as transportation home, taxi fare, and overnight accommodation) for **in-person** social event attendees, are not included in total cost limit for the event
- If you provide gift cards to your employees attending virtually for meals, beverages and delivery services, the card must meet the conditions for the card to be considered non-cash
- The event is within the maximum annual limit for social events (total of **six employer-paid** combined in-person and virtual social events)

If the benefit is all cash, **do not include the GST/HST and PST**. 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 and PST in the value of that part of the benefit.

For more information, go to canada.ca/taxable-benefit, and select "Social events and hospitality functions."

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 archived Interpretation Bulletin IT-131R2, 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 your employees' TFSA for them, as well as TFSA administration fees that you pay for them, are considered to be a taxable benefit for the employees. However, this does not include any amount you withheld from the employees' remuneration and contributed for the employees.

Contributions you make to your employees' 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 their 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
- performing other specific duties required during the event, including:
 - providing on-call, on-site emergency medical services
 - conducting in-venue marketing promotions
 - 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
- 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 their employment.

For more information, go to canada.ca/taxable-benefit, and select "Tool reimbursement, allowances and rental payments."

Transportation passes

Airline passes for employees and retirees of an airline company

If you provide standby airline passes to a current airline employee for their personal travel, there is no taxable benefit for the employee.

If you provide space-confirmed airline passes to a current airline employee for personal travel, the passes are a taxable benefit. The value of the benefit to be included in the employee's income is the fair market value of the pass (including any fees and taxes), less any amount paid by the employee.

If you provide standby or space-confirmed airline passes to a retired airline employee for their personal travel, there is no taxable benefit for the retired employee.

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.

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.

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 a current or a retired employee of one of the businesses mentioned above, and the passes are only for the employee's or the retiree's use, there is no taxable benefit for the employee or the retiree.

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 a current employee 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 a current employee in the city's accounting department would be a taxable benefit, while a pass given to a current employee 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 canada.ca/cra-transit-passes.

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
- part-time employees who had other employment or carried on a business, and they 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 of the following:

- an agent selling property or negotiating contracts for the employer
- 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 their 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. The CRA generally considers a value of up to \$23 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 canada.ca/examples-travel-allowance.

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 archived Interpretation Bulletin IT-522R, Vehicle, Travel and Sales Expenses of Employees.

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

Uniforms and protective clothing

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

- You supply your employee with a distinctive uniform they have to wear while carrying out the employment duties
- You provide your employee with protective clothing (including safety footwear and safety glasses) designed to protect them from hazards associated with the employment

If you reimburse or pay an accountable advance to your employee to buy uniforms or protective clothing and require receipts to support the purchases, the reimbursement or accountable advance is not a taxable benefit if the following conditions are met:

- the cost of the uniforms or protective clothing is reasonable
- by law, the employee has to wear the protective clothing on the work site

If you pay an allowance to your employee for the cost of protective clothing and did not require receipts to support the purchases, the allowance is not a taxable benefit if **all** of the following conditions apply:

- By law, the employee has to wear the protective clothing on the work site
- The employee used the allowance to buy protective clothing
- The amount of the allowance is reasonable

You may pay a laundry or dry cleaner to clean uniforms and protective clothing for your employee or you may pay a reasonable allowance to your employee (when they do not have to provide a receipt). You may also reimburse the employee for these expenses when they present 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 17.

For a list of places in prescribed northern zones and prescribed intermediate zones, go to canada.ca/line-25500.

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:

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

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 their rent or utilities, determine the benefit as explained below. Subtract any amount reimbursed by your employee and include the amount that remains in their 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
- the ceiling amount

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

- the fair market value of the utilities
- 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
- the ceiling amount

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

- the amount you pay the third party
- 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 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, go to canada.ca/taxes-payroll-allowable-ceiling-amounts.

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 in a prescribed zone

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 their claim for a northern residency deduction.

If the employee worked at a special work site in a place in a prescribed zone and kept their 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 their 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 their 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 they receive them, no matter when your employee or members of their household travel. For more information, go to canada.ca/housing-travel-prescribed-zone.

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 their 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 their 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, the CRA 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, the CRA 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. If this is the case, you should not report them on the employee's T4 slip.

For more information, go to:

- canada.ca/private-health-services-plan
- canada.ca/taxable-benefit, and select "Medical expenses"
- canada.ca/taxable-benefit, and select "Benefits provided to an employee who has a severe or prolonged impairment (disability)"

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, the CRA considers 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 they receive 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, see "Chapter 1 – General information" on page 6.

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 the northern residents deductions 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
- 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 2024, an employee living in a prescribed **northern** zone can claim the total of:

- a basic residency amount of \$11.00 per day for each day they live in the prescribed **northern** zone
- an additional residency amount of \$11.00 per day for each day they live 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 2024, 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 in a prescribed zone" on page 40.

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 their gross earnings for each pay period
- 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 unless you are a person that is a selected listed financial institution (SLFI) for GST/HST or QST purposes or both. 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 revenuquebec.ca/en.

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, the CRA considers you to have made a supply of a property or service to the employee.

If the property 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 can be found in the section titled “Situations where you are not considered to have collected the GST/HST” on this page.

Employee does not pay the GST/HST on taxable benefits

The employee does not pay the GST/HST that you have to remit on taxable benefits. However, as explained in previous chapters, an amount for the GST/HST has already been included in the taxable benefits you will report on your employee's T4 slip.

Find out if you have to remit GST/HST on employee taxable benefits

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

Step 1 – Determine whether the benefit is taxable under the Income Tax Act and the Excise Tax Act (see the previous chapters).

Step 2 – For each taxable benefit, determine whether any of the situations where you are not considered to have collected the GST/HST applies.

If none of the situations apply, you are considered to have collected the GST/HST on the taxable benefit and must calculate the amount of the GST/HST due. Go to Step 3.

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. More information on how to calculate the amount of GST/HST due can be found in the sections “Automobile operating expense benefits” and “Benefits other than automobile operating expense benefits” on page 44.

Step 4 – Include 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 2025.

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 “Benefits other than automobile operating expense benefits” on page 44.

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 property 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) in the situations described on page 46, in section “ITC restrictions” for the GST/HST paid or payable on the property and services that give rise to the taxable benefit
- The property 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 an aircraft, you are not considered to have collected the GST/HST on this benefit in the following situations:

- you are an **individual or a 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 (see Note below)

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 the CRA at 1-800-959-5525.

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:

- the province or territory in which the employee ordinarily reported to work
- if you were, at any time, a large business, for the purpose of the recapture of input tax credits (RITC) for the provincial part of the HST
- if the benefit is an automobile operating expense benefit or some other type of benefit

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
- 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 they 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:

- 11% for Nova Scotia, New Brunswick, Newfoundland and Labrador, and Prince Edward Island
- 9% for Ontario

If the last establishment where your employee ordinarily worked or to which they 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 they ordinarily reported in the year is located in a **participating province**, you are considered to have collected, for 2024, the GST/HST as a percentage of the value of the benefit as follows:

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

If you were, at any time, a large business, and the benefits relate to a motor vehicle that was subject to an RITC for the provincial part of the HST paid or payable on that vehicle you are considered to have collected, for 2024, 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 last reporting period in which you reported the RITC for the provincial part of the HST paid or payable on that motor vehicle
- 6/106, if the recapture rate was 75% on the last day of the last reporting period in which you reported the RITC for the provincial part of the HST paid or payable in Ontario on that motor vehicle
- 6.5/106.5, if the recapture rate was 75% on the last day of the last reporting period in which you reported the RITC for the provincial part of the HST paid or payable in Prince Edward Island on that motor vehicle
- 8/108, if the recapture rate was 50% on the last day of the last reporting period in which you reported the RITC for the provincial part of the HST paid or payable in Ontario on that motor vehicle
- 9/109, if the recapture rate was 50% on the last day of the last reporting period in which you reported the RITC for the provincial part of the HST paid or payable in Prince Edward Island on that motor vehicle
- 10/110, if the recapture rate was 25% on the last day of the last reporting period in which you reported the RITC for the provincial part of the HST paid or payable in Ontario on that motor vehicle
- 11.5/111.5, if the recapture rate was 25% on the last day of the last reporting period in which you reported the RITC for the provincial part of the HST paid or payable in Prince Edward Island on that motor vehicle
- 12/112, if the recapture rate was 0% on the last day of the last reporting period in which you reported the RITC for the provincial part of the HST paid or payable in Ontario on that motor vehicle
- 14/114, if the recapture rate was 0% on the last day of the last reporting period in which you reported the RITC for the provincial part of the HST paid or payable in Prince Edward Island on that motor vehicle

If the last establishment where your employee ordinarily worked or to which they ordinarily reported in the year is

located in a **non-participating province or territory**, 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, this reimbursed amount is consideration for a taxable supply. You are considered to have collected an amount equal to 5/105 for GST or one of the following for HST on a reimbursement:

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

Additional information on the GST/HST implications on taxable benefits (other than automobile benefits) can be found in GST Memorandum 9.1, Taxable Benefits (Other than Automobile Benefits).

When and how to report the GST/HST you are considered to have collected

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 after the year you provided the benefit to the employee. This corresponds with the deadline for issuing T4 slips.

Include the amount of the GST/HST due in your GST/HST return for the reporting period that includes the last day of February 2025.

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 2024, you are considered to have collected the GST/HST on the taxable benefits at the end of February 2024. In your GST/HST return for the reporting period that includes the last day of February 2025, you have to include the GST/HST for the taxable benefits given to your employees in the prior calendar year on line 103 (line 105 if filed electronically) of your GST/HST return.

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 “Benefits other than automobile operating expense benefits” on page 44.

Automobile benefits – standby charges, operating expense benefit, and reimbursements

The benefit for an automobile you provide is generally made up of a standby charge benefit plus an operating expense benefit minus any reimbursements employees make in the year for these benefits, as discussed in Chapter 2. When you are calculating the amount of GST/HST that you are considered to have collected on an automobile benefit you must take all three factors into consideration. The standby charge will be calculated at a certain percentage, and the operating expense benefit will be calculated at another. For more information, go to canada.ca/automobile-standby-charge.

In addition, the percentages used to calculate the amount of GST/HST will depend on the province or territory in which the automobile is provided as discussed above. Additional information on the GST/HST implications on automobile benefits can be found in GST Memorandum 9.2, Automobile 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 2024. 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 2024, so the operating expense benefit to be reported was reduced by this amount.

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 in “Situations where you are not considered to have collected the GST/HST” on page 43 apply, you calculate the GST remittance as follows:

Standby charge benefit	\$4,800
GST considered to have been collected on the standby charge benefit	$4,800 \times 4/104 = \$184.62$
Operating expense benefit	
Taxable benefit reported on T4.....	\$600
Employee’s partial reimbursement of operating expenses	<u>\$1,800</u>
Total value of the benefit.....	<u>\$2,400</u>
GST considered to have been collected on the operating expense benefit	$2,400 \times 3\% = $ <u>\$72.00</u>
Total GST to be remitted on the automobile benefit	<u>\$256.62</u>

You are considered to have collected GST in the amount of \$256.62 at the end of February 2025. You have to include

this amount on your GST/HST return for the reporting period that includes the last day of February 2025.

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**. The corporation has never been a large business for RITC purposes .

In this case, you would calculate the **HST** remittance as follows:

Standby charge benefit	\$4,800
HST considered to have been collected on the standby charge benefit.....	$\$4,800 \times 14/114 = \589.47
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 operating expense benefit.....	$\$2,400 \times 11\% = \264.00
Total HST to be remitted on the automobile benefit	<u>\$853.47</u>

You are considered to have collected HST in the amount of \$853.47 at the end of February 2025. You have to include this amount on your GST/HST return for the reporting period that includes the last day of February 2025.

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 property and services. For more information about what are considered to be commercial activities, go to canada.ca/gst-hst. For employee benefits, you can usually claim an ITC for the GST/HST paid or payable on property 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 due to the restrictions described in one of the following paragraphs, 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.

However, you can claim ITCs for the GST/HST paid or payable on such memberships if you acquire the memberships exclusively for supply in the ordinary course of a business of supplying them.

Exclusive personal use

You cannot claim an ITC for the GST/HST paid or payable on property 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 property 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 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 28
- During the same GST/HST reporting period, you make a supply of the property or service to an employee or their relative for consideration that becomes due in that period and that is equal to its fair market value

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
- 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 2024. 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.

Examples for remitting GST/HST on employee benefits

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

Automobile benefit – See examples in the section on “Automobile benefits – standby charges, operating expense benefit, and reimbursements” on page 45.

Motor vehicle benefit – A Prince Edward Island employer provided a motor vehicle to an employee who drove it for personal and business use. The employer has never been a large business for the RITC purposes. The taxable benefit for the personal use is \$5,100. As Prince Edward Island is a participating province, the HST considered to have been collected is calculated as follows:

HST considered to have been collected on the motor vehicle benefit = $\$5,100 \times 14/114 = \626.32

You are considered to have collected the HST in the amount of \$626.32 at the end of February 2025. You have to include this amount on your GST/HST return for the reporting period that includes the last day of February 2025.

Note

The calculation of the amount of GST/HST you are considered to have collected on the motor vehicle benefit differs from that of an amount calculated on an automobile benefit.

Subsidized Meals – An Ontario employer provides subsidized meals to employees (such as in an employee dining room or cafeteria), and the employee does not pay any amount for these meals. The cost of food, preparation and service per employee over the course of the year is \$2,052 including HST. The ITCs will not be restricted on property or services purchased to make supplies of meals if the employer is acquiring the property or service generally for the use of employees, but not specifically for any particular employee.

As Ontario is a participating province, the HST considered to have been collected is calculated as follows:

HST considered to have been collected on the subsidized meals benefit = $\$2,052 \times 12/112 = \219.86

You are considered to have collected the HST in the amount of \$219.86 at the end of February 2025. You have to include this amount on your GST/HST return for the reporting period that includes the last day of February 2025.

Cell phone – An employer located in Manitoba provides the general manager of the company with a cell phone both for business and personal use.

The value of the taxable benefit for personal use of the cell phone for the year is \$617. The employee reimbursed the employer \$200 for the cell phone in December. The amount of the benefit shown on the T4 is \$417.

As Manitoba is a non-participating province, the GST considered to have been collected is calculated as follows:

GST considered to have been collected on the cell phone benefit = $\$417 \times 4/104 = \16.04

GST collected for the reimbursement – $\$200 \times 5/105 = \9.52

In this situation you have to include the GST for the reimbursement in your GST return for the reporting period that includes the date of the reimbursement (December) = $\$200 \times 5/105 = \9.52 . You are considered to have collected the GST on the cell phone benefit in the amount of \$16.04 at the end of February 2025. You have to include this amount on your GST/HST return for the reporting period that includes the last day of February 2025.

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.

There is no GST considered to have been collected on the long service award.

In this situation, you cannot claim an ITC because you bought the watch for the employee's exclusive personal use and enjoyment. Therefore, there is no GST/HST to remit on the benefit.

Special clothing – You provided safety footwear designed to protect your employee from hazards associated with their employment. The footwear is not considered to be a taxable benefit for the employee, so 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.

There is no GST considered to have been collected on the special clothing.

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 ¹	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 earnings also paid	yes	²	30	³
Cellular phone and Internet services – in cash	yes	yes	40	yes
Child care expenses – in cash	yes	yes	40	⁴
Child care expenses – non-cash	yes	no	40	⁴
Counselling services – in cash	yes	yes	40	⁵
Counselling services – non-cash	yes	no	40	⁵
Disability-related employment benefits – in cash	yes	yes	40	⁶
Disability-related employment benefits – non-cash	yes	no	40	⁶
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	⁷	yes	30	no
Housing allowance – in cash	yes	yes	30	⁸
Housing benefit, clergy, rent-free or low-rent – non cash	⁷	⁹	30	⁸
Housing benefit, rent-free or low-rent – non cash	yes	⁹	30	⁸
Housing loss – in cash	yes	yes	40	no
Interest-free and low-interest loans	yes	no	36	no
Loans – Home purchase	yes	no	36	no
Loans – Home relocation	yes	no	36	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	¹⁰
Medical expenses – non-cash	yes	no	40	¹⁰

Continued on next page

¹ 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 7.

² If no cash earnings are paid in a pay period, do not deduct EI premiums.

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

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

⁵ 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.

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

⁷ 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.

⁸ 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.

⁹ 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.

¹⁰ Some medical expenses are subject to the GST/HST. For more information, see page 27.

Taxable allowance or benefit (continued)	Deduct CPP	Deduct EI	Code for T4 slip	Include GST/HST
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	40	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	¹¹
Professional membership dues – non-cash	yes	no	40	¹¹
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	¹²	40	no
Registered retirement savings plan (RRSP) administration fees – non-cash	yes	no	40	¹¹
Scholarships and bursaries – in cash	yes	yes	40	no
Security option (cash-outs)	Yes	Yes	¹³	no
Security options	yes	no	¹³	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	¹²	40	no
Tax-Free Savings Account – administration fees – non-cash	yes	no	40	¹¹
Tickets	yes	no	40	yes
Tool allowance – in cash	yes	yes	40	no
Tool reimbursement – in cash	yes	yes	40	yes
Transportation passes – in cash	yes	yes	40	yes
Transportation 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	¹¹
Tuition fees – non-cash	yes	no	40	¹¹
Uniforms and protective clothing – in cash	yes	yes	40	no
Uniforms and protective clothing – non-cash	yes	no	40	yes
Utilities allowance, clergy – in cash	⁷	yes	40	no
Utilities allowance – in cash	yes	yes	40	no
Utilities benefit, clergy – non cash	⁷	no	40	⁸
Utilities benefit, rent-free or low-rent – non cash	yes	no	40	⁸

¹¹ 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.

¹² You may not have to deduct EI premiums on some RRSP and TFSA contributions. For more information, see pages 30 and 33.

¹³ 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.

Digital services

Handle your business taxes online

My Business Account lets you view and manage your business taxes online.

Use My Business Account throughout the year to:

- make a payment online to the CRA with the My Payment service, create a pre-authorized debit (PAD) agreement or create a QR code to pay in person at Canada Post for a fee (for more information on how to make a payment, go to canada.ca/payments)
- request a payment search
- file or amend information returns without a web access code
- submit documents to the CRA
- manage authorized representatives and authorization requests
- register to receive email notifications and to view mail from the CRA in My Business Account
- manage addresses, direct deposit information, program account names, operating names, phone numbers, and business numbers in your profile
- view and pay account balances
- calculate and make instalment payments
- provide a nil remittance
- transfer a misallocated payment
- track the progress of certain files you have submitted to the CRA
- submit an audit enquiry
- download reports
- request relief of penalties and interest
- manage Multi-factor authentication settings

To sign in to or register for the CRA's digital services, go to:

- My Business Account at canada.ca/my-cra-business-account, if you are a business owner
- Represent a Client at canada.ca/taxes-representatives, if you are an authorized representative

For more information, go to canada.ca/taxes-business-online.

Receive your CRA mail online

Register for email notifications to find out when CRA mail, like your PD7A Statement of account for current source deductions and remittance voucher, is available in My Business Account.

For more information, go to canada.ca/cra-business-email-notifications.

Create a pre-authorized debit agreement for payments from your Canadian chequing account

A pre-authorized debit (PAD) is a secure online self-service payment option for individuals and businesses to pay their taxes. A PAD lets you authorize withdrawals from your Canadian chequing account to pay the CRA. You can set the payment dates and amounts of your PAD agreement using the CRA's secure My Business Account service at canada.ca/my-cra-business-account. PADs are flexible and managed by you. You can use My Business Account to view your account history and modify, cancel or skip a payment. For more information, go to canada.ca/pay-authorized-debit.

For more information

If you need help

If you need more information after reading this guide, go to canada.ca/taxes or call 1-800-959-5525.

Direct deposit

Direct deposit is a fast, convenient and secure way to receive your CRA payments directly in your account at a financial institution in Canada. For more information and ways to enrol, go to canada.ca/cra-direct-deposit or contact your financial institution.

Forms and publications

The CRA encourages you to file your return electronically. If you need a paper version of the CRA's forms and publications, go to canada.ca/cra-forms-publications or call 1-800-959-5525.

Electronic mailing lists

The CRA can send you an email when new information on a subject of interest to you is available on the website. To subscribe to the electronic mailing lists, go to canada.ca/cra-email-lists.

Related publications

- GST/HST Memorandum 9.1, Taxable Benefits (Other than Automobile Benefits)
- GST/HST Memorandum 9.2, Automobile Benefits

Tax Information Phone Service (TIPS)

For tax information by telephone, use the CRA's automated service, TIPS, by calling 1-800-267-6999.

Teletypewriter (TTY) and Video Relay Service (Canada VRS) users

If you use a TTY for hearing or speech impairment, call 1-800-665-0354.

If you use the Canada VRS application, call 1-800-561-6393.

If you use another **operator-assisted relay service**, call the CRA's regular telephone numbers instead of the TTY or Canada VRS numbers.

CRA service feedback and program

Service complaints

You can expect to be treated fairly under clear and established rules. You get a high level of service each time you deal with the CRA. For more information about the Taxpayer Bill of Rights, go to canada.ca/taxpayer-rights. You may provide compliments or suggestions and if you are not satisfied with the service you received:

1. Try to resolve the matter with the employee you have been dealing with or call the telephone number provided in the correspondence you received from the CRA. If you

do not have contact information for the CRA, go to canada.ca/cra-contact

2. If you have not been able to resolve your service-related issue, you can ask to discuss the matter with the employee's supervisor
3. If the problem is still not resolved, you can file a service-related complaint by filling out Form RC193, Service Feedback. For more information and to learn how to file a complaint, go to canada.ca/cra-service-feedback

If you are not satisfied with how the CRA has handled your service-related complaint, you can submit a complaint to the Office of the Taxpayers' Ombudsperson.

Reprisal complaints

If you have received a response regarding a previously submitted service complaint or a formal review of a CRA decision and feel you were not treated impartially by a CRA employee, you can submit a reprisal complaint by filling out Form RC459, Reprisal Complaint.

For more information, go to canada.ca/cra-reprisal-complaints.

Due dates

When a due date falls on a Saturday, Sunday or public holiday recognized by the CRA, your payment is considered on time if the CRA receives it on or it is processed at a Canadian financial institution on or before the next business day.

For more information, go to canada.ca/cra-remit-due-date.

Cancel or waive penalties and interest

The Canada Revenue Agency (CRA) administers legislation, commonly called the taxpayer relief provisions, that gives the CRA discretion to cancel or waive penalties and interest when taxpayers cannot meet their tax obligations due to circumstances beyond their control.

The CRA's discretion to grant relief is limited to any period that ended within 10 calendar years before the year in which a relief request is made.

For penalties, the CRA will consider your request only if it relates to a tax year or fiscal period ending in any of the 10 calendar years before the year in which you make your request. For example, your request made in 2024 must relate to a penalty for a tax year or fiscal period ending in 2014 or later.

For interest on a balance owing for any tax year or fiscal period, the CRA will consider only the amounts that accrued during the 10 calendar years before the year in which you make your request. For example, your request made in 2024 must relate to interest that accrued in 2014 or later.

Taxpayer relief requests can be made online using the CRA's My Account, My Business Account (MyBA) or Represent a Client digital services:

- **My Account:** After signing in, select “Accounts and payments,” then “Request relief of penalties and interest.”
- **MyBA or Represent a Client:** After signing in, on the MyBA overview page, select the appropriate program from the left menu and then select the account. Finally, select “Request relief of penalties and interest” from the right menu.

You can also fill out Form RC4288, Request for Taxpayer Relief - Cancel or Waive Penalties and Interest, and send it in one of the following ways:

- online using My Account: select “Submit documents” from the left menu select “Submit documents” again at the bottom of the next page; and follow the instructions
- online using MyBA or Represent a Client: for a new case select “Submit documents” from the left menu; then select “No case or reference number?”; and finally, select “Request taxpayer relief - cancel or waive penalties and interest (Form RC4288)”
- by mail to the designated office, as shown on the last page of the form, based on your place of residence

For information on the “Submit documents online” service, go to **canada.ca/cra-submit-documents-online**.

For more details on the required supporting documents, relief from penalties and interest and other related forms and publications, go to **canada.ca/penalty-interest-relief**.