

TAXABLE BENEFITS FOR EMPLOYEES

A taxable benefit is a payment from an employer to an employee that primarily benefits the employee. This includes gifts, awards / long-service awards and rewards. The benefit can be in the form of cash, near cash or non-cash. Deemed taxable benefits paid to employees are subject to statutory deductions. including Income tax (CIT), Canada Pension Plan (CPP) and Employment Insurance (EI).

On behalf of Queen's University, Payroll Services is responsible for the following:

- 1) Determining if the item is a taxable benefit in accordance with CRA policies
- 2) Calculating and deducting applicable taxes
- 3) Remitting both employee and employer shares of taxes to the Canada Revenue Agency (CRA), as well as, remitting employer premiums for Workplace Safety and Insurance Board (WSIB) and Employer Health Tax (EHT)
- 4) Reporting the taxable benefits on the employee's T4 tax slip

DEFINITIONS:

Gift: Recognition of:

- A personal event or milestone such as a birthday, marriage, birth or adoption of a child, or retirement
- A public/religious holiday where gifts are traditionally given such as Christmas or Chanukah

Award: Recognizes specific employment-related accomplishments such as:

- Awards of excellence – an employment-related accomplishment such as outstanding service or employee's suggestions
- In recognition of an employee's overall contribution to the workplace, **NOT** recognition of job performance (volunteering your time for the workplace charitable campaign)

Long Service Award: Recognizes an employee's long-time service to the employer

- Given every 5 years with a \$500 exemption

Reward: An incentive:

- An item given in lieu of additional wages
- A bonus, in cash or non-cash, for performance related accomplishments such as performing well in the job the employee was hired to do

Cash Benefits (Always taxable):

- Currency (money, cheque, direct deposit)

Near-cash gifts & awards Benefits (Always taxable):

- Items that can be easily converted to cash (gold nuggets, stocks, securities)
- Prepaid credit cards issued by financial institutions (Royal Bank Visa gift card)

Non-cash gifts & awards Benefits (Non-taxable with conditions for gift cards):

- Gift cards are now considered as non-cash, **NOT** near cash as per New Gift Cards Administrative Policy (2022); **except** for prepaid cards issued by financial institutions (Royal Bank Visa gift card)
- Items that are tangible goods or services provided to the employee but do not allow an element of choice (vouchers for a specific item, event tickets for a specific date and time)

Please refer to Canada Revenue Agency (CRA) T4130 Employers' Guide Taxable Benefits and Allowances for a complete list of benefits and additional information on CRA's newly created Gift Cards Administrative Policy effective January 1, 2022.

Taxable Benefits include:

- Cash gifts, cash awards and all types of rewards
- Near cash items that can be easily converted to cash (gold nuggets, securities, or stocks)
- A Gift or non-cash gift (gift card) for amounts in excess over the maximum exemption of \$500 per year for special occasions such as birthdays, religious holidays, weddings, or the birth of a child
- Long-Service awards you provide to your employees that do not meet all the conditions found under "Non-Taxable Benefits include" section for Long -Service awards
- Any Long-Service award amounts in excess over the maximum \$500 exemption
- The employer reimburses an employee for the purchase of a cell phone device
- Housing and/or Utilities Benefit
 - If an employer gives an employee an allowance to pay rent and /or utilities
 - If an employer provides an employee with a house, apartment or similar accommodations rent free or for less than the fair market value (FMV) of such an accommodation
 - If an employer pays on behalf of, or reimburses an employee for utilities such as telephone, hydro, natural gas, water, cable or internet
- Free Board and lodging or subsidized Board and Lodging (Fair market value less employee paid share)
- Employer-provided parking (*See Non Taxable Benefits below for exceptions*)
- Non-accountable moving Allowance over \$650 (allowance for which an employee does not have to provide details or submit receipts to justify amounts paid, but rather has to

certify in writing that they incurred expenses for at least the amount of the allowance, up to a maximum of \$650.)

- Employer paid tuition fees for employee's personal interest courses
- Social Events
 - If the event cost is more than \$150 per person, the entire amount, including the additional costs, is taxable (see section for social events under Non Taxable Benefits)

Non Taxable Benefits include:

Under the CRA's Gift Cards Administrative Policy:

- Non-cash gift (including gift cards) or an award, are eligible for a \$500 tax exemption if **all** the following conditions apply:
 - If the gift card provided to recognize a special occasion (religious holiday, birthday, wedding, or birth/adoption of a child)
 - If the gift card is for a single or group of retailers (coffee gift card or a gift card to a group of restaurants)
 - If the gift card is preloaded with a dollar amount that cannot be exchanged for cash
 - If the Employer records all gift cards provided to employees (**see Required information under Process)
- An award given to an employee in recognition of the employee's overall contribution in the workplace, **NOT** recognition of job performance. (The award must be clearly defined criteria, a nomination and evaluation process, and limited number of recipients)
- The employer pays professional membership dues for an employee
 - If the membership is a condition of employment
 - If the employer determines that the employer is the primary beneficiary of the benefit
- Long-Service awards (separate CRA policy):
 - If it is a non-cash gift or award and
 - If it is not a gift card and
 - If it is only in recognition of five or more years of services with the employer and
 - If it has been at least five years since the last time the employer gave the employee a long-term service award and
 - The Fair Market Value (FMV of the award is \$500 or less (including taxes)
- Employer owned cell phones primarily used for business. The cost does not exceed a basis (fixed-cost plan)
- Uniforms or Protective clothing required for employment duties
- Moving expenses and relocation* (See Moving expenses paid by employer that are not taxable benefits section of T4130)

- Includes Reasonable temporary living expenses (up to 15 days) while waiting to occupy the new permanent accommodation
- Employer-provided parking
 - When an employer provides a limited number of parking spaces for employees if:
 - Not more than 2 parking spaces available for every 3 employees who want parking (scrambled parking) AND
 - Parking spaces are not assigned (random or uncertain) AND
 - Parking spaces are offered to all employees who want parking
- Employer provided subsidized meals in an onsite cafeteria
 - If the employee pays a reasonable charge
- Employer paid tuition fees for employment-related training
- Social Events: CRA has amended the social events policy to recognize two different types of events that employers may provide:
 - **In-person events** remain non-taxable if all the following apply:
 - It is available to all employees
 - Cost is \$150 or less (including taxes) per person, not including additional costs such as transportation home, taxi fare, and overnight
 - Accommodation
 - Each event has a reasonable cost
 - The event is within the maximum annual limit for social events (a total of six paid combined in-person and virtual social events)
 - **Virtual events** may also be provided to employees, and the amount an employer pays or reimburses employees will be considered non-taxable if all of the following apply:
 - It is available to all employees
 - If the virtual social event only includes meals, the total cost is \$59 or less (including taxes) per employee, including the additional costs to deliver to the employee's home address and delivery charges

For more information:

<https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/payroll/benefits-allowances/social.html>

Process

When an employee receives a benefit (taxable or non-taxable), the employee's department is responsible to report this benefit to Payroll Services. To ensure timely processing, departments should refer to the payroll dates & cut off schedules found on the Financial Services website.

Payroll Services will determine the benefit to be taxable or non-taxable.

- If it is determined to be a taxable benefit, Payroll Services will upload and process these benefits with the regular pay process. Statutory deductions including CIT, CPP and EI will be calculated and deducted from the employee's pay. Employer shares of CPP and EI, EHT and WSIB premiums, will be charged to the employee's department who provided the taxable benefit. Taxable benefits are reported on an employee's T4 tax slip in Box 14, Employment Income and a secondary box depending on the taxable benefit received.
- If it is determined to be a non-taxable benefit in accordance with the new Gift Cards Administrative Policy (2022), Payroll Services will save the required information for CRA audit purposes only. Payroll Services will not upload the information; will not make statutory deductions; will not charge the department for employer costs and will not update the T4 tax slip. As per CRA, the employer must keep a log of all gift card for auditing purposes.

****Required information**

- Employee Name
- Date the gift card was provided
- Reason the gift card was provided
- Amount of the gift card
- Type of gift card
- Name of the retailer

Departments:

- Review the worksheet example to assist with the Benefit worksheet completion
- Review the payroll Calendar & Cutoff schedule on the Financial Services website
- Complete the Benefit worksheet
 - The worksheet should be reviewed by the department's Signing Officer (See Policy on Approval and Execution of Contracts and Invoices under Employment Contracts" on the University Secretariat and Legal Counsel website)
- Protect the worksheet with a password
- Send the password protected worksheet to 1) Payrollservices@queensu.ca and 2) cc the Signing Officer
 - Add "Benefit Worksheet" in the Subject

- Send the password in a separate email to 1) Payrollservices@queensu.ca and 2) cc the Signing Officer
 - Add “Benefit Worksheet” in the Subject
- For auditing purposes in accordance with CRA, save the worksheet and all relevant documentation for 7 years.