

TAXABLE BENEFITS FOR EMPLOYEES

A taxable benefit is a payment from an employer to an employee that primarily benefits the employee. The benefit can be in the form of cash or near cash or other types of payments.

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) Calculating and deducting applicable taxes on taxable benefits
- 2) 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)
- 3) Reporting the taxable benefits on the employee's T4 tax slip.

Below is a sample list of taxable benefits. Please refer to Canada Revenue Agency (CRA) T4130 *Employers' Guide Taxable Benefits and Allowances* for a complete list and additional information.

Taxable Benefits include:

- Cash gifts & cash awards
- Near cash gifts & awards – gift certificates, gift cards, or items that can be easily converted to cash (gold nuggets, securities or stocks)
 - An award given to an employee for performance-related reasons, considered to be a “reward”
- Long-Service gifts & awards over \$500
- The employer reimburses an employee for the purchase of a cell phone device
- The employer gives to the employee, gifts over \$500 per year for special occasions such as birthdays, religious holidays, weddings or the birth of a child
- 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

Non Taxable Benefits include:

- 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
- An award given to an employee in recognition of the employee's overall contribution in the workplace. (the award has to be clearly defined criteria, a nomination and evaluation process, and limited number of recipients)
- Long-Service gifts & awards under/equal to \$500, given in 5 year intervals
- 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
 - If an employee is required to use their car regularly (three or more days each week) for work purposes.
 - If an employee is provided a parking space in a lot where the spots are also available to the general public (a shopping mall, for example) or
 - Where the number of spaces is less than the number of drivers and spaces are used on a first-come basis
- Employer provided subsidized meals in an onsite cafeteria
 - If the employee pays a reasonable charge
- Employer paid tuition fees for employment-related training

Process

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

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.

Departments:

- Review the Worksheet Example to assist with the taxable benefit worksheet completion
- Review the payroll Calendar & Cutoff schedule
 - Financial Services>Resources>Payroll Services
- Complete the Taxable 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) Payroll.services@queensu.ca and 2) cc the Signing Officer
 - Add " Taxable Benefit Worksheet" in the Subject
- Send the password in a separate email to 1) Payroll.services@queensu.ca and 2) cc the Signing Officer
 - Add " Taxable Benefit Worksheet" in the Subject
- For auditing purposes, save the worksheet and all relevant documentation for 7 years as per CRA