



IF I DON'T PAY FOR IT, SHOULD I HAVE TO BE TAXED ON IT?

Without realizing it, a taxable benefit can arise in your business. Taxable benefits are non-cash benefits construed on an employee that are required to be added to their income. A taxable benefit occurs when there is a personal element incorporated in what would otherwise be considered a business-related expense. Taxable benefits are easy to miss and can lead to significant taxes and penalties if caught by the Canada Revenue Agency ("CRA"). Here are some common instances where you may find a taxable benefit lurking.

- Automobile and motor vehicle allowance
 - ◇ Do you pay or receive a vehicle allowance each month that is not based on usage? If so, there will be a taxable benefit that needs to be included on a T4 slip at the end of the year. Allowances are typically flat rate amounts that are paid by a company. They are paid to cover the cost of driving and operating a personal vehicle. The challenge with a flat rate allowance is that the CRA views these as amounts that are taxable to you, as they are not based on actual usage of the vehicle.
 - ◇ For an amount from your employer to not be considered a taxable benefit, the payments should be based on the actual usage of the vehicle. One method of doing this is to be reimbursed a per kilometre charge for the business use travelled. The CRA publishes prescribed rates each year that can be applied to the business related mileage. <http://www.cra-arc.gc.ca/tx/bsnss/tpcs/pyrll/bnfts/tmbll/wnc/rts-eng.html>

EMPLOYEE BENEFITS



Our goal is to provide updates on topical accounting and tax issues. Information contained in this newsletter is not meant to be a comprehensive summary of the issues raised. Rather, we wish to bring what we believe to be important issues to the attention of our valued clients and readers. We would be pleased to discuss any questions that you, the reader, might have in greater detail.

- ◇ If a flat rate allowance continues to be paid, you must report the taxable benefit on your T4 and then are able to claim your business related automobile expenses on your personal tax return.
- Automobile stand-by charge and operating expense benefits
 - ◇ Does the company own or lease the vehicle you drive? If so, there will be a taxable benefit that needs to be included on a T4 slip at the end of the year if you have personal use of the vehicle.

Also, if the company pays for the operating costs including but not limited to: fuel, maintenance, insurance and/or licencing this will get included in the taxable benefit for the amount that relates to the personal usage of the vehicle. An often-missed rule is that travelling between your home and your place of business is considered personal usage of a vehicle.

- ◇ A taxable benefit may not arise if the vehicle is left each night and weekend at your place of business (that is not your home).

- Gifts and awards
 - ◇ Did you give your employees any gifts or awards during the year? If you have provided an employee with non-cash gifts for the year that total under \$500, there is not a taxable benefit to your employee.
 - ◇ If you have provided a cash or near-cash gift (i.e. Gift cards), then the total amount received (there is no minimum) is considered a taxable benefit.
 - ◇ Note there are special rules for gifts for length of service that can add to this limit.

- Group term life insurance
 - ◇ If you as an employer pay for 100% of the group insurance benefits, the life insurance premiums will need to be added to the employee's T4 as a taxable benefit. If this does not occur, the life insurance proceeds will be considered taxable when they are paid out.
 - ◇ If you as an employer pay for a portion of the group insurance benefits, ensure that the portion that the employee pays for (is deducted off of their paycheque) is allocated to disability and life insurance amounts. If this is done, the benefits paid upon a disability or life insurance proceeds will not be taxable when received.

Some other common items that **may** give rise to a taxable benefit include:

- Fitness club memberships,
- Employer paid cellphones, and
- Free or discounted rent for superintendents.

If any of these situations apply and a taxable benefit is reported source deductions will be required to be paid, if they have not already been considered in the employment income of you or your employees, in your first source deduction remittance of January 2017. These can include CPP, EI and income taxes and can increase EHT premiums.

These are some common examples of taxable benefits. If any of these apply to your company and you would like additional information or assistance in calculating the applicable benefits, please contact our office.

Source: <http://www.cra-arc.gc.ca/tx/bsnss/tpcs/pyrll/bnfts/bnchrt-eng.html>



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