

The CORPORATE Toolkit

Taxable Benefits

Have you ever wondered what constitutes a taxable benefit?
Outlined are some examples of different types of taxable benefits.

What is a Taxable Benefit?

Taxable benefits are benefits provided to employees in addition to salary and wages. These benefits are taxable and are added to employment income with very few exceptions. Taxable benefits are calculated according to a specific set of rules and are subject to payroll deductions.

What Benefits Are Taxable to Employees?

Some specific taxable benefits include:

- Personal use of employer's motor vehicle(s) (use worksheet)
- Flat rate auto allowances (not based on number of kilometres driven)
- Unreasonable per kilometre auto allowances
- Combined flat rate and reasonable per kilometre auto allowances
- Transportation provided to and from work
- Overtime meals or meal allowances (provided on a frequent basis)
- RRSP contributions and administration fees
- Premiums for life insurance policies, group sickness or accident insurance including critical illness and accidental death and dismemberment
- Medical premiums paid to a public medical insurance plan or public hospitalization plans
- Recreational facilities and club dues (limited exceptions)
- Tuition Fees (unless courses are for the purpose of maintaining or upgrading employment-related skills and are mainly for the employer's benefit)
- Benefits from interest-free or low-interest loans
- Clothing allowances
- Personal travel benefits
- Personal income tax return preparation fees
- Financial counselling fees
- Cash and non-cash awards (from manufacturers to dealers that are passed on to employees of the dealer)

What Benefits Are Not Taxable to Employees?

Some exceptions are specifically provided for; they include:

- Reasonable per-kilometre auto allowances based on the number of kilometres driven in the year (subject to conditions)
- Parking provided by the employer where parking is available to both employees and non-employees **or** the employer provides scramble parking

- Parking provided to employees for business purposes (where employees have to use their own automobiles or an employer-provided automobile to perform their duties)
- Contributions to registered pension plans
- Premiums under private health services plans (medical and/or dental)
- Employee Counselling fees (if they relate to the wellness, mental or physical health of the employee or persons related to the employee)
- Financial counselling fees for the employee's re-employment or retirement
- Professional Membership Dues (where the membership is a condition of employment)
- Social events provided to all employees (limited to 6 per year) where the cost is not more than \$150 per person (if the cost exceeds \$150 per person, the entire amount is a taxable benefit)
- Gifts – up to two, non-cash, gifts per year for special occasions (limited to a total cost of \$500 – including taxes)
- Awards – up to two, non-cash, awards per year for employment-related accomplishments (limited to a total cost of \$500 – including taxes)
- Discounts on employee merchandise (some exceptions)
- Subsidized meals provided at a reasonable cost (where the cost of the food, its preparation and service is covered)
- Moving expenses paid or reimbursed (qualifying expenses)
- Protective clothing and uniforms (some limitations)
- Most disability-related employee benefits that relate to parking and transportation to and from work

Other Things You Must Consider

- GST calculations on taxable benefits
- Taxable benefits are subject to CPP withholdings
- Some taxable benefits and all cash-paid benefits are subject to EI withholdings

Special Rules Apply

- Board and lodging
- Rent free or low-rent housing
- Stock and security options
- Compensation for eligible housing losses

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