

NO.: **IT-470R (Consolidated)**

DATE: *See Bulletin Revisions section*

SUBJECT: **INCOME TAX ACT**
Employees' Fringe Benefits

REFERENCE: Paragraph 6(1)(a) (also sections 118.8 and 118.9; subsections 5(1), 6(3), 6(6), 6(19) to (22), and 118.5(1); paragraph 18(1)(l) and subparagraph 6(1)(b)(ix)).

Latest Revisions – ¶s 6, 7, 9, 18, 19, 37, 46 & 47

Revenue Canada's income tax interpretation bulletins (ITs) provide technical interpretations and positions regarding certain provisions contained in income tax law. Due to their technical nature, ITs are used primarily by departmental staff, tax specialists, and other individuals who have an interest in tax matters. For those readers who prefer a less technical explanation of the law, the Department offers other publications, such as tax guides and pamphlets.

While the comments in a particular paragraph in an IT may relate to provisions of the law in force at the time they were made, such comments are not a substitute for the law. The reader should, therefore, consider such comments in light of the relevant provisions of the law in force for the particular taxation year being considered, taking into account the effect of any relevant amendments to those provisions or relevant court decisions occurring after the date on which the comments were made.

Subject to the above, an interpretation or position contained in an IT generally applies as of the date on which it was publicized, unless otherwise specified. If there is a subsequent change in that interpretation or position and the change is beneficial to taxpayers, it is usually effective for future assessments and reassessments. If, on the other hand, the change is not favourable to taxpayers, it will normally be effective for the current and subsequent taxation years or for transactions entered into after the date on which the change is publicized.

If you have any comments regarding matters discussed in an IT, please send them to:

***Director, Business and Publications Division
Income Tax Rulings and Interpretations Directorate
Policy and Legislation Branch
Revenue Canada
Ottawa ON K1A 0L5***

This electronic version of this document is the official version.

**On November 1, 1999, Revenue Canada
will begin operations as the
Canada Customs and Revenue Agency.**

Contents

Application

Summary

Discussion and Interpretation

INTRODUCTION (¶s 1-3)

PART A – AMOUNTS TO BE INCLUDED IN INCOME

Board and Lodging (¶s 4-5)

Rent-Free and Low-Rent Housing (¶ 6)

Travel Benefits (¶ 7)

Personal Use of Employer's Motor Vehicle (¶ 8)

Gifts (Including Christmas Gifts) (¶ 9)

Holiday Trips, Other Prizes and Incentive Awards (¶s 10-13)

Frequent Flyer Program (¶ 14)

Travelling Expenses of Employee's Spouse (¶ 15)

Premiums under Provincial Hospitalization and Medical Care Insurance Plans (¶s 16-17)

Employer-Paid Educational Costs (¶ 18-22)

Cost of Tools – Reimbursement (¶ 23)

Wage Loss Replacement Plans (¶ 24)

Interest-Free and Low-Interest Loans (¶ 25)

Financial Counselling and Income Tax Return Preparation (¶ 26)

PART B – AMOUNTS NOT TO BE INCLUDED IN INCOME

Discounts on Merchandise and Commissions on Sales (¶ 27)

Subsidized Meals (¶ 28)

Uniforms and Special Clothing (¶s 29-30)

Subsidized School Services (¶ 31)

Transportation to the Job (¶ 32)

Recreational Facilities (¶s 33-34)

Removal Expenses (¶s 35-38)

Premiums under Private Health Services Plans (¶s 39-40)

Employer's Contribution under Provincial Hospitalization and Medical Care Insurance Plans (¶ 41)

Transportation Passes (¶s 42-44)

Public Office Holders (¶ 45)

Employee Counselling Services (¶ 46)

Professional Membership Fees (¶ 47)

Bulletin Revisions

Application

This bulletin is a consolidation of the following:

- IT-470R dated April 8, 1988, as revised by Special Release dated December 11, 1989; and
- subsequent amendments thereto.

For further particulars, see the “Bulletin Revisions” section near the end of this bulletin.

Summary

This bulletin discusses various common types of “fringe benefits” and indicates whether or not their values should be included in income. Part A of the bulletin deals with amounts to be included in income while Part B deals with amounts not to be included in income.

Discussion and Interpretation

INTRODUCTION

¶ 1. The information herein refers to cases where there is an employee-employer relationship but does not necessarily apply if the employee is also a shareholder or relative of the owner of the business.

¶ 2. Except where the Act provides otherwise, taxpayers are generally taxable on the value of all benefits they receive by virtue of their employment. The more common “fringe benefits” are discussed below and have been classified generally as taxable benefits or as non-taxable privileges. In the second group there may well be a point beyond which the “privilege” concept is no longer valid, i.e., the advantage to the employee is, in fact, a form of extra remuneration. Then the “fringe benefit” is viewed as a taxable benefit.

¶ 3. Where an amount in respect of a taxable benefit should be included in income, the employer must determine its value or make a reasonable estimate of it and include that value in the box provided on form T4 Supplementary under the heading “Employment Income Before Deductions” and also in the appropriate box in the area entitled “Taxable Allowances and Benefits”.

PART A – AMOUNTS TO BE INCLUDED IN INCOME

Board and Lodging

¶ 4. The *Income Tax Act* refers specifically to board and lodging as a benefit derived from employment. This includes board and lodging regularly furnished as a perquisite of the employment, as is common for hotel employees and domestic and farm help. The value placed on this benefit should approximate its fair market value. Where subsidized board and lodging is provided to an employee the value of the benefit for “board” is determined on the basis described for subsidized meals (See ¶ 28 below); the “lodging” benefit will be valued at the fair market value of the accommodation less the amount charged to the employee.

¶ 5. However, by virtue of subsection 6(6), an exception to the above rules is made in respect of board and lodging received by an employee whose duties are performed at a remote location or, in some circumstances, at a special work site. This exception is discussed in IT-91R3, “Employment at Special or Remote Work Sites”.

Rent-Free and Low-Rent Housing

¶ 6. When an employer provides a house, apartment, or similar accommodation to an employee rent-free or for a lower rent than the employee would have to pay someone else for such accommodation, the employee receives a taxable benefit. The employer is responsible for reasonably estimating the amount of such a benefit, which would normally be considered to be the fair market rent for equivalent accommodation had the employee rented from a third party, less any rent paid. However, section 110.7 provides a deduction for living accommodation for an individual who resides in an area that is either a “prescribed northern zone” or a “prescribed intermediate zone”. See the current version of Interpretation Bulletin IT-91, *Employment at Special Work Sites or Remote Work Locations*, for information on the northern residents deductions.

Travel Benefits

¶ 7. An amount received, or the value of a benefit received or enjoyed, by virtue of employment in respect of travelling expenses incurred by an employee, the employee’s family or both is a taxable benefit, unless the amount is an allowance which falls within the exceptions in paragraph 6(1)(b) or is an amount described in subsection 81(3.1) or otherwise excluded from income under subsection 6(6). However, an individual may be eligible for the northern residents deduction in subsection 110.7 in respect of certain travel benefits received by the individual or the individual’s family from an employer who deals at arm’s length with the individual, to the extent the value of the benefits is included in the individual’s income for the taxation year from employment and not otherwise deducted. See the current version of Interpretation Bulletin IT-91, *Employment at Special Work Sites or Remote Work Locations*, for information on the northern residents deductions.

Personal Use of Employer’s Motor Vehicle

¶ 8. The current version of IT-63 should be consulted.

Gifts (Including Christmas Gifts)

¶ 9. A gift (either in cash or in kind) from an employer to an employee is a benefit derived during or because of the individual’s employment. When the value of a gift commemorating a wedding, Christmas or similar occasion does not exceed \$100 and when the employer does not claim its cost as an expense in computing taxable income, the gift is not required to be reported as income of an employee. This practice will only apply to one gift to an employee in a year,

except in the year an employee marries in which case it will apply to two gifts.

When an employee is rewarded by an employer with merchandise or other non-cash items, the fair market value of the award must be included in the employee's income. If an item is personalized with a corporate logo or engraved with the employee's name or a message, the fair market value of the item may be negatively affected. In such cases, the amount to be included in the employee's income may be reduced by a reasonable amount, having regard to all the circumstances. Depending on the value of a particular award, the existence of a logo may have little, if any, impact on the fair market value of the item. When the award given is a plaque, trophy or other memento of nominal value for which there is no market, it is not necessary to include any amount in an employee's income as a taxable benefit. See ¶s 10 to 13 for information on holiday trips, other prizes and incentive awards.

An employer-provided party or other social event, which is generally available to all employees, will be accepted as a non-taxable privilege if the cost per employee is reasonable in the circumstances. As a guideline, those events costing up to \$100 per person will be considered to be non-taxable. Ancillary costs, such as transportation home, would increase that amount. Parties costing more than that are generally considered to be beyond the privilege point and may result in a taxable benefit.

Holiday Trips, Other Prizes and Incentive Awards

¶ 10. Where an employer pays for a vacation for an employee, the employee's family or both, the cost thereof to the employer constitutes a taxable benefit to the employee under paragraph 6(1)(a). Similarly, where a vacation property owned by an employer is used for vacation purposes by an employee, the employee's family or both, there is a taxable benefit conferred on the employee under paragraph 6(1)(a) the value of which is equivalent to the fair market value of the accommodation less any amount which the employee paid therefor to the employer. In any case, the taxable benefit may be reduced if there is conclusive evidence to show that the employee was involved in business activities for the employer during the vacation.

¶ 11. In a situation where an employee's presence is required for business purposes and this function is the main purpose of the trip, no benefit will be associated with the employee's travelling expenses necessary to accomplish the business objectives of the trip if the expenditures are reasonable in relation to the business function. Where a business trip is extended to provide for a paid holiday or vacation, the employee is in receipt of a taxable benefit equal to the costs borne by the employer with respect to that extension.

¶ 12. There may be instances where an employee acts as a host or hostess for an incentive award trip arranged for

employees, suppliers or customers of the employer. Such a trip will be viewed as a business trip provided the employee is engaged directly in business activities during a substantial part of each day (e.g., as organizer of activities); otherwise it will be viewed as a vacation and a taxable benefit, subject, of course, to a reduction for any actual business activity.

¶ 13. Where an employee receives a prize or other award related to sales or other work performance from his or her employer, the fair market value of such an incentive is regarded as remuneration to be included in income under section 5 of the Act. Similarly, the fair market value of any award not regarded as remuneration that is received by an employee

- (a) in respect of,
- (b) in the course of, or
- (c) by virtue of

the employee's office or employment is also included in income from an office or employment by virtue of paragraph 6(1)(a). (See also IT-75R2, "Scholarships, Fellowships, Bursaries, Prizes and Research Grants".)

Frequent Flyer Program

¶ 14. Under this program, which is usually sponsored by an airline, a frequent air traveller can accumulate credits which may be exchanged for additional air travel or other benefits. Where an employee accumulates such credits while travelling on employer-paid business trips and uses them to obtain air travel or other benefits for the personal use of the employee or the employee's family, the fair market value of such air travel or other benefits must be included in the employee's income. Where an employer does not control the credits accumulated in a frequent flyer program by an employee while travelling on employer-paid business trips, the comments in ¶ 3 above will not apply and it will be the responsibility of the employee to determine and include in income the fair market value of any benefits received or enjoyed.

Travelling Expenses of Employee's Spouse

¶ 15. Where a spouse accompanies an employee on a business trip the payment or reimbursement by the employer of the spouse's travelling expenses is a taxable benefit to the employee unless the spouse was, in fact, engaged primarily in business activities on behalf of the employer during the trip.

Premiums under Provincial Hospitalization and Medical Care Insurance Plans

¶ 16. Where an employer pays all or a part of the premiums or contributions that an employee is otherwise required to pay to a provincial authority administering a provincial hospital insurance plan, a provincial medical care insurance plan, or both, the amount paid is a taxable benefit to the employee.

¶ 17. Where an employer pays an amount to an employee in respect of the employee's premium under a provincial hospital or provincial medical care insurance plan, the amount paid is a taxable benefit to the employee.

Employer-Paid Educational Costs

¶ 18. When training is taken primarily for the benefit of the employer, there is no taxable benefit whether or not this training leads to a degree, diploma or certificate. A taxable benefit arises when the training is primarily for the benefit of the employee.

The following guidelines assist in the determination of whether there is a taxable benefit; however, they do not necessarily apply in non-arm's length relationships or in specific examples in which there is evidence that the benefit was in fact primarily for the employee. This will be the case, for example, if the employee and the employer have entered into an arrangement under which the remuneration ordinarily paid to the employee is reduced in recognition of training costs incurred by the employer.

There are three broad categories of training:

Specific Employer-Related Training: Courses which are taken for maintenance or upgrading of employer-related skills, when it is reasonable to assume that the employee will resume his or her employment for a reasonable period of time after completion of the courses, will generally be considered to primarily benefit the employer and therefore be non-taxable. For example, fees and other associated costs such as meals, travel and accommodation which are paid for courses leading to a degree, diploma or certificate, in a field related to the employee's current or potential future responsibilities in the employer's business, will not result in a taxable benefit.

General Employment-Related Training: Other business-related courses, although not directly related to the employer's business, will generally be considered non-taxable. Examples of non-taxable training would include stress management, employment equity, first-aid and language skills. Normally, in-house training will not be considered a taxable benefit.

Personal Interest Training: Employer-paid courses for personal interest or technical skills that are not related to the employer's business are considered of primary benefit to the employee and thus taxable. For example, fees paid for a self-interest carpentry course would result in a taxable benefit.

¶ 19. Employees who have their eligible tuition fees paid for or reimbursed by their employer and have not received a taxable benefit are not entitled to claim the tuition tax credit. In addition, the education amount is not available, in any case, when employees have their eligible tuition fees paid for or reimbursed by their employer or when they receive remuneration while taking training in connection with their duties of employment.

¶ 20. Where an educational institution which charges tuition fees provides tuition free of charge or at a reduced

amount to an employee of the institution, or to the spouse or children of the employee, the fair market value of the benefit will be included in the employee's income.

¶ 21. For 1984 and subsequent taxation years, any reasonable allowance (including tuition fees) received by an employee from the employer to cover the away-from-home education of a child will not be included in the employee's income by virtue of subparagraph 6(1)(b)(ix), so long as the child is in full-time attendance at a school which primarily uses for instruction the official language of Canada primarily used by the employee and the school is in a community not farther from the place where the employee is required to live than the nearest community in which there is a school having suitable boarding facilities and providing instruction in that language. To the extent that tuition fees paid by the employer for the employee's child are, by virtue of subparagraph 6(1)(b)(ix) not included in the employee's income, they may not be used in determining a tax credit for tuition fees (see the current version of IT-516). Before 1984 the allowance was excluded from income only if the school was the closest available providing instruction in that language without regard to the suitability of accommodation.

¶ 22. In computing tax payable, a student may be eligible for a non-refundable federal tax credit under subsection 118.5(1) in respect of tuition fees paid by or on behalf of the student (or the fair market value of free tuition provided to the student to the extent that it is reported as a taxable benefit). Any unused portion of such a credit (to a maximum of \$600) may be transferred to, and claimed as a tax credit by, the student's spouse under section 118.8, or the student's parent or grandparent under subsection 118.9(1) (see the current version of IT-516). For the tax implications of scholarships, fellowships, bursaries, prizes and research grants, see the current version of IT-75.

Cost of Tools – Reimbursement

¶ 23. Where an employer makes payments to its employees to offset the cost of tools that the employees are required to have in order to perform their work, the amount of the payment must be included in the employees' incomes.

Wage Loss Replacement Plans

¶ 24. Refer to IT-428, "Wage Loss Replacement Plans".

Interest-Free and Low-Interest Loans

¶ 25. Refer to IT-421R, "Benefits to Individuals, Corporations and Shareholders from Loans or Debt".

Financial Counselling and Income Tax Return Preparation

¶ 26. Financial counselling services or income tax return preparation provided directly (for 1990 and subsequent taxation years) or indirectly by an employer normally produce a taxable benefit to the employee who receives the

benefit. However, financial counselling services in respect of the re-employment or the retirement of an employee will not result in a taxable benefit to the employee (see ¶ 46 below).

PART B – AMOUNTS NOT TO BE INCLUDED IN INCOME

Discounts on Merchandise and Commissions on Sales

¶ 27. Where it is the practice of an employer to sell merchandise to employees at a discount, the benefits that an employee may derive from exercising such a privilege are not normally regarded as taxable benefits. However, this does not extend to an extraordinary arrangement with a particular employee or a select group of employees nor to an arrangement by which an employee is permitted to purchase merchandise (other than old or soiled merchandise) for less than the employer's cost. Furthermore, this treatment does not extend to a reciprocal arrangement between two or more employers whereby the employees of one can exercise such a privilege with another by whom the employees are not employed. A commission received by a sales employee on merchandise acquired for that employee's personal use is not taxable. Similarly, where a life insurance salesperson acquires a life insurance policy, a commission received by that salesperson on that policy is not taxable provided the salesperson owns that policy and is obligated to make the required premium payments thereon.

Subsidized Meals

¶ 28. Subsidized meals provided to employees will not be considered to confer a taxable benefit provided the employee is required to pay a reasonable charge. A reasonable charge is generally defined as one that covers the cost of food, its preparation and service. Where less than a reasonable charge is paid, the value of the benefit is that cost less the amount paid by the employee.

Uniforms and Special Clothing

¶ 29. An employee who is supplied with a distinctive uniform which is required to be worn while carrying out the duties of employment or who is provided with special clothing (including safety footwear) designed for protection from the particular hazards of the employment, is not regarded as receiving a taxable benefit.

¶ 30. Payments made by an employer to a laundry or dry cleaning establishment for laundry or dry cleaning expenses of uniforms and special clothing, or directly to the employee in reimbursement of such expenses, do not constitute a taxable benefit to the employee.

Subsidized School Services

¶ 31. In remote or unorganized areas employers frequently assume, initially at least, responsibility for essential community services of a kind normally borne by a municipal

organization. Where the employer provides free or subsidized school services for children of the employees, a taxable benefit is not considered to accrue to the employees. This does not extend to a payment of an educational allowance directly to the employee by the employer, which is a taxable benefit unless excepted by subparagraph 6(1)(b)(ix) as described in ¶ 21 above.

Transportation to the Job

¶ 32. Employers sometimes find it expedient to provide vehicles for transporting their employees from pick-up points to the location of the employment at which, for security or other reasons, public and private vehicles are not welcome or not practical. In these circumstances the employees are not regarded as in receipt of a taxable benefit. However, a reimbursement or allowance paid to the employee for transportation to and from the location of employment must be included in income. Subsection 6(6) provides an exception to this latter rule. See also IT-91R3, "Employment at Special or Remote Work Sites".

Recreational Facilities

¶ 33. Where employees generally are permitted to use their employer's recreational facilities (e.g., exercise rooms, swimming pools, gymnasiums, tennis, squash or raquetball courts, golf courses, shuffle boards) free of charge or upon payment of a nominal fee, the value of the benefit derived by an employee through such use is not normally taxable. The taxable benefit received by an employee who is provided with board, lodging and accommodation is discussed in ¶s 4 to 6 and 10 above.

¶ 34. Similarly, where the employer pays the fees required for an employee to be a member of a social or athletic club the employee is not deemed to have received a taxable benefit where the membership was principally for the employer's advantage rather than the employee's. See also IT-148R2, "Recreational Properties and Club Dues".

Removal Expenses

¶ 35. Where an employer reimburses an employee for the expenses incurred by the latter in moving the employee and the employee's family and household effects either because the employee has been transferred from one establishment of the employer to another or because of having accepted employment at a place other than where the former home was located, this reimbursement is not considered as conferring a taxable benefit on the employee.

¶ 36. In addition, where the employer pays the expense of moving an employee and the employee's family and household effects out of a remote place at the termination of the employment there, no taxable benefit is imputed.

¶ 37. In ordinary circumstances, if an employer reimburses an employee for a loss suffered by the latter in selling the family home upon being required by the employer to move

to another locality or upon retirement from employment in a remote area, the amount so reimbursed is not income of the employee if it is not greater than the actual loss calculated as the amount by which the cost of the home to the employee exceeds the net selling price received for it. Similarly, where an employer guarantees to give to an employee an amount equal to the amount by which the fair market value of the home (as independently appraised) exceeds the actual selling price obtained, the amount so given is not income in the hands of the employee. Should the employer buy the home from the employee, no taxable benefit is included in the employee's income if the price paid by the employer does not exceed the greater of the cost of the home to the employee and the current fair market value of comparable homes in the same area.

Note, however, that the following rules apply after February 23, 1998—except in respect of an “eligible relocation” of an individual in connection with which the individual began employment at a new work location before October 1998, in which case they apply to the 2001 and subsequent taxation years.

A taxable benefit must be included in a taxpayer's income for an amount paid at any time, in respect of a housing loss (other than an “eligible housing loss”), to or on behalf of the taxpayer or a person who does not deal at arm's length with the taxpayer, in respect of an office or employment.

A “housing loss” at a particular time is basically the greater of

- (a) the adjusted cost base of a taxpayer's residence at that time; and
- (b) the highest fair market value of the residence within the six-month period that ends at that time;

minus

- (c) if the residence is disposed of before the end of the first taxation year that begins after that time, the lesser of the proceeds for the residence and the fair market value of the residence at that time; or
- (d) in any other case, the fair market value of the residence at that time.

A taxpayer is also required to include in income as a taxable benefit all amounts paid, in respect of an “eligible housing loss”, to or on behalf of the taxpayer or a person who does not deal at arm's length with the taxpayer, in respect of an office or employment, to the extent of the amount (if any) by which one-half of the amounts so paid in the year or a prior year exceed \$15,000, minus any amounts for this taxable benefit already included in the taxpayer's income for preceding years. An “eligible housing loss” is a housing loss in respect of an eligible relocation of a taxpayer or a person who does not deal at arm's length with the taxpayer. An “eligible relocation” is basically a relocation to enable the taxpayer to carry on a business or to be employed at a new work location in Canada or to be a student in full-time attendance enrolled in a program at a post-secondary level at a university, college or other educational institution (the location of which is also referred to as the “new work

location”), and both the taxpayer's old residence and new residence are located in Canada, and the new residence is located at least 40 kilometres closer to the new work location than the old residence. The taxpayer can designate only one residence for purposes of the eligible housing loss (e.g., the taxpayer could not designate both a house and a cottage).

¶ 38. An employee who is not reimbursed, or is only partly reimbursed, for removal expenses may be able to claim certain of the expenses incurred as a deduction from income under section 62 of the Act. See also IT-178R2, “Moving Expenses”.

Premiums under Private Health Services Plans

¶ 39. Where an employer makes a contribution to a private health services plan in respect of an employee, no taxable benefit arises to the employee.

¶ 40. Benefits provided to an employee under a private health services plan are not subject to tax in the employee's hands. “Private health services plan” is defined in subsection 248(1). (See also the current version of IT-339, “Meaning of Private Health Services Plan” and IT-85, “Health and Welfare Trusts for Employees”).

Employer's Contribution under Provincial Hospitalization and Medical Care Insurance Plans

¶ 41. Where an employer is required, under a provincial hospital insurance plan, a provincial medical care insurance plan, or both, to pay amounts to the provincial authority administering such plan or plans (other than with respect to the contributions or premiums that an employee is required to make under the plan), the payment of such amounts does not give rise to a taxable benefit to employees.

Transportation Passes

¶ 42. Airline passes available to airline employees will become taxable only if the employee travels on a space-confirmed basis and is paying less than 50 per cent of the economy fare available on that carrier for that trip on the day of travel. The value of the benefit will be the difference between 50 per cent of the economy fare and any amount reimbursed to the carrier for that trip.

¶ 43. Employees of bus and rail companies will not be taxed on the use of passes.

¶ 44. Retired employees of transportation companies will not be taxed on pass benefits under any circumstances.

Public Office Holders

¶ 45. A public office holder may be required to incur the costs of establishing, maintaining or dismantling a blind trust set up to enable that person to comply with the Conflict of

Interest and Post-Employment Code for Public Office Holders. Where such costs are reimbursed to that person by the Government of Canada in accordance with that Code, no taxable benefit is considered to arise for income tax purposes, since the person is obliged to incur the expenses only by reason of his or her office or employment. The above comments will also apply to such costs incurred, and any reimbursement thereof, under any substantially similar arrangements affecting public office holders at the provincial or municipal level.

Employee Counselling Services

¶ 46. There is no inclusion in income for any benefit derived by an employee from counselling services provided or paid for by the employer in respect of:

- (a) the mental or physical health of the employee or an individual related to the employee, but not including a benefit attributable to an outlay or expense to which paragraph 18(1)(l) applies, or
- (b) the re-employment or retirement of the employee.

This applies to such services as tobacco, drug or alcohol counselling, stress management counselling, and job placement and retirement counselling.

Professional Membership Fees

¶ 47. The payment of professional membership fees by an employer on behalf of employees is not a taxable benefit if the employer is the primary beneficiary of the payment. Whether the employer is the primary beneficiary is a question of fact. When the professional association is related to an employee's duties, and membership is a requirement of employment, the fact that the employer is the primary beneficiary will be accepted, and consequently, there is no taxable benefit resulting from the payment. However, when membership is not a condition of employment, the question of primary beneficiary must still be resolved. The employer will be responsible for making this determination; however, the employer must be able to justify its decision should the Department request this.

Bulletin Revisions

Since the issuance of IT-470R on April 8, 1988, there have been no revisions to ¶ 1, 2, 3, 4, 5, 10, 11, 12, 13, 15, 16, 17, 20, 24, 25, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 38, 39, 41, 42, 43, 44 or 45.

¶¶ 6 and 7 were revised to delete comments regarding the northern residents deductions that are out of date and to refer to the current version of Interpretation Bulletin IT-91, *Employment at Special Work Sites or Remote Work Locations*, for information on the northern residents deductions. [August 11, 1999]

¶ 8 and the heading preceding it were last revised by Special Release dated December 11, 1989.

¶ 9 was expanded to include coverage on Christmas parties and performance and merit awards given by an employer to employees. [August 11, 1999]

The last sentence of ¶ 14 was added by Special Release dated December 11, 1989.

¶¶ 18 and 19 and their heading were revised to reflect a change in interpretation concerning benefits from educational costs. [August 11, 1999]

The second last sentence of ¶ 21 was revised by Special Release dated December 11, 1989.

¶ 22 was last revised by Special Release dated December 11, 1989.

At the end of ¶ 23, there was previously a sentence which read as follows: “However, where an employee is reimbursed by the Government of Canada for the cost of tools under the Government's Assistance Program – Workers Metric Tools, that reimbursement is not included in income.” That sentence was removed by Special Release dated December 11, 1989 because reimbursements were no longer made under the Government's Assistance Program – Workers Metric Tools.

¶ 26 and its heading were last revised by Special Release dated December 11, 1989.

¶ 37 was expanded to provide comments on new provisions that took effect after February 23, 1998 and others that apply to the 2001 and subsequent taxation years. [August 11, 1999]

¶ 40 was last revised by Special Release dated December 11, 1989.

¶ 46 was added to the bulletin, by Special Release dated December 11, 1989, to discuss proposed legislative changes regarding employee counselling services. ¶ 46 was then revised to reflect the fact that these proposed changes have been enacted as law. [August 11, 1999]

¶ 47 was added to explain the Department's position on an employer's payment of professional dues. [August 11, 1999]

Think recycling!



Printed in Canada