

Taxable Benefits



Notice

The information contained in this brochure does not constitute a legal interpretation of the laws or regulations of Québec or Canada. Nor does this brochure contain legislative amendments announced after September 30, 2006. You should therefore verify that the texts of the brochure reflect the latest fiscal legislation.

For further information, contact a Revenu Québec office (see the list of offices at the end of the brochure).

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1 Introduction

1.1 Content of this brochure

If you are an employer and you grant benefits to your employees, this brochure will provide you with a list of the most common benefits. It will also tell you whether these benefits must be included in the employee's income, and where to report them on the employee's RL-1 slip.

The information provided in this brochure applies to benefits granted in an employer-employee relationship, but it does not necessarily apply to benefits granted to a shareholder who is not an employee. (Such benefits are discussed only in cases where an RL-1 slip must be issued to the shareholder.) If there is no information in the brochure concerning the tax treatment applicable to a particular benefit paid to a shareholder as a shareholder, it should not necessarily be inferred that there is no tax incidence for the shareholder.

For further information, contact a Revenu Québec office (see the list of offices at the end of the brochure).

1.2 Legal references

The numbers and abbreviations at the end of certain paragraphs refer you to the law, regulation, or interpretation bulletin on which the text is based. Numbers unaccompanied by an alphabetic abbreviation refer to the *Taxation Act*; numerical references that include the letter "R" (for example, 1086R17) refer to sections of the *Regulation respecting the Taxation Act*; and references that begin with the letters IMP. refer to interpretation bulletins.

1.3 Abbreviations

BDC	Biotechnology development centre
CCPC	Canadian-controlled private corporation
CNNTQ	Centre national des nouvelles technologies de Québec
CNT	Commission des normes du travail
DPSP	Deferred profit-sharing plan
FMV	Fair market value
FNFMO	Fonds national de formation de la main-d'œuvre
GST	Goods and services tax
HST	Harmonized sales tax
IFC	International financial centre
ITDC	Information technology development centre
NEC	New economy centre
QPIP	Québec parental insurance plan
QPP	Québec Pension Plan
QST	Québec sales tax
RAMQ	Régie de l'assurance maladie du Québec
RCM	Regional county municipality
RPP	Registered pension plan
RRSP	Registered retirement savings plan

In this brochure, GST is also used to mean GST/HST.

2 Principal changes

2.1 Transit passes

Effective March 24, 2006, the value of a transit pass provided (or reimbursed) by an employer to an employee for transportation between the employee's usual place of residence and his or her place of work does not constitute a taxable benefit. The value of the transit pass is not subject to source deductions of income tax, employee and employer QPP contributions, the contribution to the health services fund, the contribution to the financing of the CNT or (where applicable) compensation tax. Do not include the value of the pass in the total payroll used to determine your rate of contribution to the health services fund or your contribution to the FNFMO.

The value of the transit pass is not subject to QPIP premiums if you provide the pass to the employee. However, it is subject to QPIP premiums if you reimburse the amount to the employee.

For further information, see section 6.6.

2.2 Allowance for the use of a motor vehicle

On January 1, 2006, the per-kilometre rate considered reasonable by Revenu Québec was raised from \$0.45 to \$0.50 for the first 5,000 kilometres, and from \$0.39 to \$0.44 for each additional kilometre.

2.3 Operating-costs benefit for an automobile made available to an employee

If you pay expenses related to the personal use of an automobile made available to an employee, you must include an operating-costs benefit in the employee's income. On January 1, 2006, the operating-costs benefit was raised from \$0.20 to \$0.22 per kilometre (or from \$0.17 to \$0.19 per kilometre for employees engaged principally in the sale or lease of automobiles).

2.4 New work chart for the benefit related to an automobile

A work chart has been added to help you calculate the value of the benefit related to an automobile made available to an employee (see section 4.3.7).

3 General information

As a rule, the benefits (including allowances) received by employees are taxable unless a provision of the *Taxation Act* states otherwise, or unless Revenu Québec allows a given benefit or allowance to be excluded from the calculation of the employee's income under certain conditions.

Chapters 4 to 8 of this brochure describe the benefits (including allowances) most frequently received by employees. At the beginning of each of these chapters, you will find a table with three columns. The first column lists the benefits dealt with in the chapter, and the second indicates whether the benefit is taxable. The third column tells you which boxes of the RL-1 slip should be used to report the benefit.

If a benefit does not meet the requirements for it to be considered tax-exempt (for example, where a motor-vehicle allowance is not reasonable), you must enter the **total value** of the benefit on the RL-1 slip. However, if the requirements are met but the value of the benefit exceeds a reasonable amount, the portion that exceeds the reasonable amount is taxable and must be entered on the RL-1 slip (this rule applies only if it is not necessary for the amount to be reasonable in order for the benefit to be tax-exempt).

Benefits that are normally tax-exempt will be considered taxable if they constitute disguised remuneration.

When you include a taxable benefit in an employee's income, you must calculate or reasonably estimate the value of the benefit and enter it on the employee's RL-1 slip. Be sure to include any GST and QST that the employee would have paid if he or she had personally purchased the property or service that constitutes a benefit. However, do not add GST and QST to taxable allowances.

As a rule, taxable allowances and benefits are subject to source deductions, employer contributions and compensation tax.

However, most taxable benefits granted **in kind** are not subject to employee and employer QPIP premiums. Nonetheless, certain tax-exempt benefits are subject to QPIP premiums.

The following benefits are not subject to source deductions, employer contributions or compensation tax:

- a benefit granted to a shareholder who is not an employee;
- a benefit granted to a partner, consisting of the standby charge for an automobile made available by the partnership to the partner (or to a person related to the partner);
- a benefit granted to an employee of a partner, consisting of the standby charge for an automobile made available by the partnership to the employee (or to a person related to the employee).

Expense allowance and reimbursement of expenses

The terms "expense allowance" and "reimbursement of expenses," used frequently in this brochure, are defined below.

Expense allowance

A predetermined amount which is paid by an employer to an employee, in addition to salary or wages, to cover either all expenses or only certain expenses stipulated in the employment contract. The employee is not required to itemize the use of an expense allowance.

Notes

- The allowance need not correspond exactly to the type or amount of expenses incurred.
- Whatever their purpose, expense allowances must be included in the employee's income unless a provision of the *Taxation Act* states otherwise.

Reimbursement of expenses

An amount paid by an employer to an employee upon receipt of proof of the expenses incurred.

Notes

- The amount reimbursed corresponds exactly to the expenses, since the reimbursement takes place after the expenses have been incurred.
- A reimbursement of expenses does not have to be included in the employee's income unless the reimbursement covers personal expenses and cannot, under the *Taxation Act*, be excluded from the calculation of the employee's income.

IMP. 37-9/R1

4 Motor vehicles

In the first column of the table below, the number following each benefit refers to the section of this chapter that covers the benefit.

Benefit granted by the employer	Taxable benefit	Boxes of the RL-1 slip
Allowance for the use of a motor vehicle (4.2)	No, provided the allowance is reasonable	Boxes A and L, if the allowance is not reasonable
Automobile made available to an employee (4.3.1)	Yes	Boxes A and W
Automobile made available to a person related to an employee (4.3.5)	Yes	Boxes A and W of the employee's RL-1 slip
Automobile made available to a shareholder (4.3.2)	Yes	<ul style="list-style-type: none"> • Box O • Boxes A and W, if the benefit was granted to the shareholder as an employee of the corporation, rather than as a shareholder
Automobile made available to a person related to a shareholder (4.3.5)	Yes	Box O of the shareholder's RL-1 slip
Automobile made available to a partner (4.3.3)	Yes (standby charge only)	Box O
Automobile made available to a person related to a partner (4.3.5)	Yes (standby charge only)	Box O of the partner's RL-1 slip
Automobile made available by a partnership to an employee of a partner (4.3.4)	Yes	<ul style="list-style-type: none"> • Box O for the value of the standby charge • Boxes A and W for the operating-costs benefit
Automobile made available by a partnership to a person related to an employee of a partner (4.3.4)	Yes	<ul style="list-style-type: none"> • Box O of the employee's RL-1 slip for the value of the standby charge • Boxes A and W of the employee's RL-1 slip for the operating-costs benefit
Automobile used by an employee for personal purposes, other than an automobile made available by the employer (4.4)	Yes	Boxes A and W
Motor vehicle, other than an automobile, that an employee uses for personal purposes (4.5)	Yes	Boxes A and W
Clearly marked emergency medical response vehicle made available to an individual to carry out his or her duties with an emergency medical response or ambulance service, and to carry emergency medical equipment together with one or more emergency medical attendants or paramedics	No	Not applicable
Emergency-response vehicle that the employer makes available to a member of a police force or fire department (4.6)	No, subject to certain conditions	Boxes A and W, if the conditions are not met

Motor vehicle

An automotive vehicle designed or adapted to be used on highways and streets, other than a trolley bus or a vehicle designed or adapted to be operated exclusively on rails.

Automobile

A motor vehicle that is designed or adapted primarily to carry individuals on highways and streets and that seats no more than nine persons, including the driver. However, the term “automobile” does not include

- ambulances;
- clearly marked emergency medical response vehicles used by individuals to carry out their duties with an emergency medical response or ambulance service, and to carry emergency medical equipment together with one or more emergency medical attendants or paramedics;
- motor vehicles acquired or leased primarily to provide taxi services;
- buses used in a business of transporting passengers;
- hearses used in the course of a business of arranging or managing funerals;
- pick-up trucks, vans or similar vehicles that, in the taxation year in which they are acquired or leased,
 - are used primarily (more than 50%) for the transportation of goods or equipment for the purpose of earning income and that seat no more than three persons, including the driver, or
 - are used entirely or almost entirely (90% or more) for the transportation of goods or passengers for the purpose of earning income, regardless of seating capacity;
- pick-up trucks, if the following conditions are met:
 - during the year in which it is acquired or leased, the pick-up truck is used primarily for the transportation of goods, equipment or passengers for the purpose of earning income at a location in Canada;
 - an occupant of the vehicle is working at a special work site where he or she is performing duties of a temporary nature, or works at a location at which, by virtue of its remoteness from any established community, he or she cannot be expected to establish or maintain a dwelling; and
 - the special work site or other location is at least 30 kilometres from an established community of at least 40,000 inhabitants.

Where the benefit related to the personal use of a motor vehicle is not granted to an individual by reason of his or her office or employment, the following vehicles are also excluded from the definition of the term “automobile”:

- a motor vehicle acquired or leased to be sold or leased in the course of a business of selling or leasing motor vehicles;
- a motor vehicle used for the purpose of transporting passengers in the course of a business of arranging or managing funerals.

1

4.1 General information

The following information will help you in calculating the benefit related to the use of a motor vehicle.

Automobile made available to an employee

Revenu Québec considers that you make an automobile available to an employee where you entrust the automobile to the care and control of the employee and where you authorize the employee to make personal use of the automobile or do not forbid such use. If the employee uses the automobile for work only, there is no taxable benefit even if the vehicle was available to the employee throughout the year. A taxable benefit results when the employee uses the automobile for personal purposes, or when an automobile made available to an employee is not required for his or her job.

Personal use of an automobile

“Personal use” of an automobile by an employee (or by a person related to the employee) means any travel that is not done in the actual performance of employment duties. Consequently, travelling back and forth between home and the workplace is considered personal use, even where the employee is required to return to work after regular working hours.

However, if you ask or allow an employee (such as a travelling sales representative) to travel directly from home to a place other than his or her usual workplace (or to return home from such a workplace), the employee is not considered to be using the automobile for personal purposes.

Automobile operating costs

Operating costs include expenses for maintenance, repairs (less any insurance proceeds), oil and fuel, as well as the cost of insurance and registration. Operating costs do not include interest, capital cost allowance, leasing costs or parking fees.

Automobile leasing expenses

For the purpose of calculating the standby charge, the leasing expenses (variable E of the formula in section 4.3.1.1) correspond to the total amount payable to the lessor for the automobile, including GST and QST, kilometrage charges, repairs and maintenance, and terminal charges (amounts charged at the end of the lease), less terminal credits (amounts credited at the end of the lease).

Leasing expenses do not include amounts paid as a penalty upon cancellation of the lease, unless the penalty is determined solely on the basis of the resale value of the automobile at the time of cancellation or is derived solely from an adjustment in the leasing price.

Where terminal charges and credits are incurred, **the employee may ask** Revenu Québec to adjust the value, over the term of the lease, of the taxable benefit resulting from the lease payments, provided the years covered are not statute-barred.

If a lease payment you make at the beginning of the lease reduces the monthly lease payments, you must, when calculating the standby charge for an employee, add a pro-rata share of the initial payment to each monthly payment over the term of the lease. This initial payment must be a lease payment, however, and not a payment for the purchase of the automobile.

4.2 Allowance for the use of a motor vehicle

An allowance received by an employee for the use of a motor vehicle is deemed to be **reasonable**, and does not have to be included on the RL-1 slip, if all of the following conditions are met:

- The use of the vehicle is evaluated solely on the basis of the number of kilometres for which the vehicle is actually used in the performance of the employee's duties.
- The per-kilometre rate is reasonable.
- You did not pay the employee both an allowance and a full or partial reimbursement of expenses with respect to the vehicle. However, if you did pay a reimbursement in addition to an allowance, but the reimbursement was solely for tolls, ferry charges or supplementary business insurance not covered by the allowance, the allowance will be considered reasonable if the two previous conditions are met.

As a rule, Revenu Québec considers that a per-kilometre rate is reasonable if it does not exceed the rate that an employer subject to income tax is authorized to deduct under Québec tax laws and regulations. For 2006, the prescribed per-kilometre rate is \$0.50 for the first 5,000 kilometres and \$0.44 for each additional kilometre. Please note that the type of vehicle and the driving conditions may also be taken into consideration in determining whether a given rate is reasonable. A rate that does not cover the expenses incurred by the employee is not considered reasonable.

If an allowance for the use of a motor vehicle is **not reasonable**, the full amount of the allowance must be included in boxes A and L of the RL-1 slip. The employee may, however, claim a deduction in his or her income tax return for expenses related to the use of his or her motor vehicle, as long as the requirements of the *Taxation*

Act are met. To claim the deduction, the employee must have you sign a copy of form TP-64.3-V, *General Employment Conditions*, or, in the case of a forestry worker, form TP-78-V, *Employment Expenses of Forestry Workers*, to certify that the general conditions of employment have been fulfilled. The form must be enclosed with the employee's income tax return.

Lump-sum allowance combined with a reasonable per-kilometre allowance

Where the employee receives, for the use of the same motor vehicle, both a lump-sum allowance and an allowance based on kilometres actually travelled, you must include both allowances in boxes A and L of the RL-1 slip.

37, 40.1, IMP. 40-1/R1 (except point 9)

4.3 Benefit related to an automobile made available to an employee, shareholder or partner, or to a person related to one of these persons

Section 4.3 describes the steps and special rules that apply to the calculation of the benefit related to an automobile made available to an employee, a shareholder, a partner, or an employee of a partner, or to a person related to one of these persons. A work chart is included in section 4.3.7.

37, 38, 41 to 41.4, 87, 111, 117, IMP. 37-6, IMP. 37-7/R2, IMP. 41-1/R6, IMP. 41.1.1-1/R1

4.3.1 Employee

When you or a person related to you makes an automobile available to an employee, you must calculate the benefit in two steps. The first step is to calculate the standby charge for the automobile; the second step is to calculate the value of the benefit for the operating costs you paid. To do this calculation, you may use the instructions in this section or the work chart in section 4.3.7. The **value** of these benefits must be included in boxes A and W of the employee's RL-1 slip.

Note

Since the value of the benefit must be calculated over the course of the year, it is necessarily based on estimates. You must therefore repeat the calculation at the end of the year, using the actual number of kilometres travelled during the taxation year.

4.3.1.1 Step 1

Calculating the standby charge

Calculate the standby charge as follows:

$$\frac{A}{B} \times [2\% \times (C \times D) + 2/3 \times (E - F)]$$

Variables A, B, C, D, E and F correspond to the following values:

A = The lower of

- (a) the total number of kilometres travelled for personal purposes by the employee while the automobile is available for his or her use*²; or
- (b) the value of variable B, as calculated below:

$$B = 1,667 \times \frac{\text{total number of days (during the year) the automobile is made available to the employee}}{30}$$

If the automobile is made available to the employee for more than 30 days during the year, round off the result (fraction obtained by dividing the number of days by 30). If the first decimal point is 5 or less, round off to the lower whole number (e.g., 7.5 becomes 7). If the first decimal point is 6 or more, round off to the higher whole number (e.g., 7.6 becomes 8). If the automobile is made available to the employee for fewer than 30 days during the year, use the result without rounding it off (e.g., 19 days = 19/30).

C = The cost of the automobile to you (or to a person related to you)

D = The number of days during which the automobile is made available to the employee while it is owned by you (or a person related to you), divided by 30. Where applicable, round off as for variable B.

E = The leasing expenses payable by you (or a person related to you) during the period in which the automobile is made available to the employee (period covered by variable D)

F = The amount included in variable E that relates to insurance for loss of or damage to the automobile, or insurance for liability resulting from the use or operation of the automobile

GST and QST

When determining variables C, E and F, include any tax that you (or a related person) must pay on the automobile, or that would be payable were it not for the exemption granted by reason of your employer status or the particular use of the automobile.

Amounts reimbursed by the employee

Any amounts related to the use of an automobile, other than operating costs (see step 2), that an employee or a related person pays to you or a person related to you during the year must be subtracted from the reasonable amount corresponding to the standby charge. If the amounts paid exceed the reasonable amount, you may not use the difference to reduce the operating-costs benefit.

Automobile vendor or leasing agent

You may choose to calculate the standby charge **at the rate of 1.5% rather than 2%**, provided

- the employee is engaged **principally** in the sale or lease of automobiles;
- you make an automobile that you own available to the employee (or to a person related to the employee); and
- you acquire at least one automobile in the year.

In this case, the cost of the automobile (variable C) corresponds to the higher of the following amounts:

- the average cost of all new automobiles you acquired during the year for sale or lease; or
- the average cost of all automobiles (new and used) you acquired during the year for sale or lease.

The GST and QST must be included in the average cost.

41 to 41.0.2

4.3.1.2 Step 2

Calculating the operating-costs benefit

If you (or a person related to you) pay expenses related to the personal use of an automobile made available to an employee (or to a person related to the employee), you must include an operating-costs benefit in the employee's income. The operating-costs benefit for 2006 is \$0.22 per kilometre (or \$0.19 per kilometre for employees engaged principally in the sale or lease of automobiles). Contact a Revenu Québec office to obtain the rates for 2007.

Simplified method

You may use the simplified method if both of the following conditions are met:

- The employee uses the automobile primarily (more than 50%) in the performance of his or her duties.
- The employee informs you in writing, before the end of the year, of his or her intention to use the simplified method to calculate the operating-costs benefit.

* This amount is deemed to be equal to variable B, unless the employee is required to use the automobile to perform his or her duties, and uses the automobile primarily (more than 50%) for this purpose.

Under this method, the operating-costs benefit equals one-half of the reasonable amount corresponding to the standby charge, as calculated in Step 1, before deduction of any amounts reimbursed by the employee respecting the standby charge.

Amounts reimbursed by the employee

If, in the year or within 45 days after the end of the year, the employee (or a person related to the employee) reimburses you (or a person related to you) for all amounts (including taxes) respecting the operation of the automobile for the year concerned, there is no taxable benefit for the employee. If only a portion of these amounts is reimbursed, subtract the reimbursed amount from the employee's operating-costs benefit.

41.1.1

4.3.1.3 Logbook

If you (or a person related to you) make an automobile available to an employee (or to a person related to the employee), the employee is required to keep a logbook for recording the trips made with the automobile and give you a copy of the logbook not later than

- January 10, 2007, if the automobile was available to the employee on December 31, 2006; or
- the tenth day following the date on which the automobile was returned to you (or to a person related to you).

The following information is to be entered in the logbook:

- the total number of days in the year during which the automobile was made available to the employee (or to a person related to the employee);
- the total number of kilometres travelled during the total number of days referred to above (indicated on a daily, weekly or monthly basis); and
- the identification of the place of departure and the place of destination, the number of kilometres travelled between those two places, and any information necessary to establish that the trip was made in connection with the employee's duties (indicated on a daily basis, for each trip made with the automobile in connection with the employee's duties).

Note

If the automobile is used solely for personal purposes, the employee must instead enter the following information in the logbook:

- the total number of days in the year during which the automobile was made available to the employee (or to a person related to the employee); and
- the kilometres registered on the odometer of the automobile at the beginning and end of the year or of each period during which the automobile was made available, on a continuous basis, to the employee (or to a person related to the employee).

Penalty

An employee who fails to give you a copy of the logbook for an automobile made available to him or her (or to a person related to the employee) within the time specified is liable to a penalty of \$200.

41.1.4, 41.1.5, 1049.34

4.3.2 Shareholder

If you make an automobile available to a shareholder who is not an employee, calculate the standby charge and the operating-costs benefit as you would for an employee (see section 4.3.1), and include these amounts in box O of the shareholder's RL-1 slip. If, however, these benefits were granted to the shareholder because of the shareholder's office or employment with the corporation, enter these amounts in boxes A and W of the shareholder's RL-1 slip.

4.3.3 Partner

If you make an automobile available to a partner, calculate the standby charge using the formula given in section 4.3.1.1 or the work chart in section 4.3.7 (step 1). The partnership must file an RL-1 slip for the partner and include the benefit in box O of the slip. **The operating-costs benefit does not apply in the case of a partner.**

4.3.4 Employee of a partner

Where a partnership makes an automobile available to a partner's employee (or to a person related to the employee), the standby charge is calculated using the formula given in section 4.3.1.1 or the work chart in section 4.3.7 (step 1).

The employee's operating-costs benefit equals the total amount of expenses (including taxes) paid by the partnership for the year with respect to the personal use of the automobile. Any amount that the employee (or the related person) reimburses to the partnership is subtracted from the employee's operating-costs benefit.

The operating-costs benefit must be included in boxes A and W of the employee's RL-1 slip; the standby charge must be included in box O.

4.3.5 Person related to an employee, shareholder or partner

If you make an automobile available to a person related to an employee, shareholder or partner, calculate the value of the related benefit as you would for the employee, shareholder or partner, and add it to the income of the employee, shareholder or partner.

4.3.6 Sample calculations of the benefit related to an automobile

Example 1

Basic data respecting the automobile

Cost of the automobile, including all taxes	\$23,000
Number of days (during the year) the automobile was made available to the employee	365
Total kilometres travelled during the period	25,000 km
Total kilometres travelled for personal purposes	15,000 km
Percentage of use for employment purposes	$\frac{10,000 \text{ km}}{25,000 \text{ km}} = 40\%$
Total operating costs for the automobile, including all taxes	\$3,000
Operating costs related to personal use	$\$3,000 \times \frac{15,000 \text{ km}}{25,000 \text{ km}} = \$1,800$
Portion of the operating costs reimbursed by the employee in the year or within 45 days after the end of the year	\$1,000
Amount reimbursed in the year by the employee respecting the standby charge	\$2,000

Calculation of the value of the standby charge

$$\frac{A}{B} \times [2\% \times (C \times D) + 2/3 \times (E - F)]$$

A = B (since the percentage of use for an office or employment was 50% or less)

$$B = 1,667 \times \frac{365}{30} = 1,667 \times 12 = 20,004$$

$$C = \$23,000$$

$$D = \frac{365}{30} = 12$$

$$E \text{ and } F = 0$$

$$\frac{20,004}{20,004} \times [2\% \times (\$23,000 \times 12)] = \$5,520.00$$

Minus: Amount reimbursed by the employee – \$2,000.00

$$= \$3,520.00$$

Calculation of the operating-costs benefit

$$15,000 \text{ km} \times \$0.22 = \$3,300.00$$

Minus: Amount reimbursed by the employee – \$1,000.00

$$= \$2,300.00$$

$$+ \$2,300.00$$

Total taxable benefit = \$5,820.00

Example 2

Basic data respecting the automobile

Monthly leasing costs, including all taxes	\$500
Monthly insurance premiums included in leasing costs	\$75
Number of days (during the year) the automobile was made available to the employee	365
Total kilometres travelled during the period	20,000 km
Total kilometres travelled for personal purposes	5,000 km
Percentage of use for employment purposes	$\frac{15,000 \text{ km}}{20,000 \text{ km}} = 75\%$
Total operating costs for the automobile, including all taxes	\$2,400
Operating costs related to personal use	$\$2,400 \times \frac{5,000 \text{ km}}{20,000 \text{ km}} = \600
Portion of the operating costs reimbursed by the employee in the year or within 45 days after the end of the year	\$200
The automobile is leased by the employer and is used more than 50% for the purposes of an office or employment.	

Calculation of the value of the standby charge

$$\frac{A}{B} \times [2\% \times (C \times D) + 2/3 \times (E - F)]$$

A = the lower of

- 5,000 km (personal use)
- variable B = 20,004

$$B = 1,667 \times \frac{365}{30} = 1,667 \times 12 = 20,004$$

$$C \text{ and } D = 0$$

$$E = \$6,000 (\$500 \times 12 \text{ months})$$

$$F = \$900 (\$75 \times 12 \text{ months})$$

$$\frac{5,000}{20,004} \times [2/3 \times (\$6,000 - \$900)] = \$849.83$$

Calculation of the operating-costs benefit

If the employee notifies the employer in writing, before the end of the year, of his or her intention to use the simplified method, the operating-costs benefit will be equal to one-half of the value of the standby charge, that is,

$$1/2 \times \$849.83 = \$424.92$$

Minus: Amount reimbursed by the employee – \$200.00

$$= \$224.92$$

$$+ \$224.92$$

Total taxable benefit = \$1,074.75

Note

In example 2, it is to the employee's advantage to use the simplified method for calculating the operating-costs benefit (that is, $\$849.83 \div 2 = \424.92) rather than multiplying the number of personal-use kilometres by a flat rate of \$0.22 (5,000 km x \$0.22 = \$1,100). The employee is entitled to choose the simplified method because the automobile was used primarily (more than 50%) for the purposes of an office or employment.

Example 3

Basic data respecting the automobile

	Total cost	Average cost
3 new automobiles acquired during the year	\$60,000	\$20,000
147 used automobiles acquired during the year	\$1,500,000	\$10,204
150 automobiles acquired during the year	\$1,560,000	\$10,400
Taxes are included in the average cost and the total cost.		
Number of days (during the year) the automobile was made available to the employee		365
Total kilometres travelled during the period		21,000 km
Total kilometres travelled for personal purposes		11,000 km
Percentage of use for employment purposes	$\frac{10,000 \text{ km}}{21,000 \text{ km}} =$	48%
Total operating costs for the automobile, including all taxes		\$5,000
Operating costs related to personal use	$\$5,000 \times \frac{11,000 \text{ km}}{21,000 \text{ km}} =$	\$2,619.05
Portion of the operating costs reimbursed by the employee in the year or within 45 days after the end of the year		\$1,000
The automobile is owned by the employer and the employee is an automobile vendor.		

Calculation of the value of the standby charge

$$\frac{A}{B} \times [1 \frac{1}{2}\% \times (C \times D) + \frac{2}{3} \times (E - F)]$$

A = B (since the percentage of use for an office or employment was 50% or less)

$$B = 1,667 \times \frac{365}{30} = 1,667 \times 12 = 20,004$$

C = the higher of

- the average cost of the new automobiles acquired for sale or lease during the year, including all taxes \$20,000
- the average cost of all automobiles (new and used) acquired for sale or lease during the year, including all taxes \$10,400

$$D = \frac{365}{30} = 12$$

E and F = 0

$\frac{20,004}{20,004} \times [1 \frac{1}{2}\% \times (\$20,000 \times 12)] =$	\$3,600.00
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Calculation of the operating-costs benefit

11,000 km x \$0.19 =	\$2,090.00	
Minus: Amount reimbursed by the employee	- \$1,000.00	
	= \$1,090.00	+ \$1,090.00
Total taxable benefit		= \$4,690.00

4.3.7 Work chart for the benefit related to an automobile

Step 1 Calculation of the value of the standby charge

Complete step 1 if you provide an automobile to your employee for his or her personal use. Otherwise, go to step 2.

Simplified calculation

Use this calculation if the following conditions are met:

- You own the automobile provided to your employee.
- The employee used the same automobile throughout the year.
- The employee's principal employment is not selling or leasing automobiles.
- The employee is not entitled to the reduction of the value of the standby charge since the employee does not meet the conditions mentioned in the section "Reduction of the value of the standby charge" below.

Cost of the automobile provided by the employer (including all taxes)	<input type="text"/>	x 24% ▶	<input type="text"/>	1
Amount reimbursed by the employee for the standby charge	<input type="text"/>	-	<input type="text"/>	2
Subtract line 2 from line 1. If the result is negative, enter 0.	Benefit related to the standby charge =			<input type="text"/>
				3

Detailed calculation

Determine the number of days in the year the automobile was made available to the employee and divide this number by 30. If the automobile was made available to the employee for more than 30 days during the year, round off the result. If the first decimal point is 5 or less, round off to the lower whole number (e.g., 7.5 becomes 7). If the first decimal point is 6 or more, round off to the higher whole number (e.g., 7.6 becomes 8). If the automobile is made available to the employee for fewer than 30 days during the year, use the result without rounding it off (e.g., 19 days = 19/30).

Reduction of the value of the standby charge

Calculate a reduction of the value of the standby charge if the following conditions are met:

- You require your employee to use the automobile in the performance of his or her duties.
- The employee uses the automobile more than 50% of the time in the performance of his or her duties.
- The number of kilometres travelled for personal purposes does not exceed 1,667 kilometres per 30-day period or a total of 20,004 kilometres in the year.

Complete line 4, 5 or 6, as applicable.

You own the automobile: cost of the automobile (including all taxes)	<input type="text"/>	x 2% ▶	<input type="text"/>	4
You lease the automobile: monthly cost (including all taxes, excluding insurance)	<input type="text"/>	x 2/3 ▶	<input type="text"/>	5
The employee sells or leases automobiles: highest average cost (including all taxes)*	<input type="text"/>	x 1,5% ▶	<input type="text"/>	6

		Reduction of the value of the standby charge			
Amount from line 4, 5 or 6	Number of days the automobile is made available to the employee	Kilometres travelled for personal purposes	Number of days the automobile is made available to the employee		
<input type="text"/>	$\times \left(\frac{\quad}{30} \right)$	$\times \left(\frac{\quad}{\left(\left(\frac{\quad}{30} \right) \times 1,667 \right)} \right)$	$\div \left(\left(\frac{\quad}{30} \right) \times 1,667 \right)$	=	<input type="text"/>
				▶	<input type="text"/>
Amount reimbursed by the employee for the standby charge				-	<input type="text"/>
Subtract line 8 from line 7. If the result is negative, enter 0.				Benefit related to the standby charge =	
					<input type="text"/>
					9

* To determine the highest average cost, see "Automobile vendor or leasing agent" in section 4.3.1.1.

Step 2 Calculation of the value of the operating-costs benefit

Do not complete this part if, in the year or within 45 days after the end of the year, your employee reimbursed you for all amounts (including all taxes) respecting the operation of the automobile for the year.

Calculation

Do this calculation if the following conditions are met:

- In the year or within the 45 days after the end of the year, the employee did not reimburse you (or only partially reimbursed you) for the amounts respecting the operation of the automobile.
- The employee did not elect to use the simplified method described below.

Employee whose duties do not consist in selling or leasing automobiles

Total number of kilometres travelled for personal purposes x \$0.22 ► 10

Employee whose duties consist principally in selling or leasing automobiles

Total number of kilometres travelled for personal purposes x \$0.19 ► 11

Simplified method

Do this calculation if the following conditions are met:

- The employee used the automobile primarily (more than 50%) in the performance of his or her duties.
- The employee informed you in writing, before the end of the year, of his or her intention to use the simplified method.

Benefit related to the standby charge (line 3 or line 9)	+	Amount reimbursed by the employee for the standby charge (line 2 or line 8)	x 50% ►	
(<input type="text"/>)		(<input type="text"/>)		<input type="text"/> 12

Amount from line 10, 11 or 12, as applicable 13

Amount reimbursed by the employee, in the year or within 45 days after the end of the year, for the operating costs of the automobile - 14

Subtract line 14 from line 13.
If the result is negative, enter 0. **Operating-costs benefit** = 15

Step 3 Calculation of the benefit related to an automobile

Amount from line 3 or line 9, as applicable 16

Amount from line 15 + 17

Add lines 16 and 17. **Taxable benefit** = 19

4.4 Benefit related to an employee's personal use of an automobile, other than an automobile made available by the employer

If you (or a person related to you) pay expenses related to the personal use by an employee (or a person related to the employee) of an automobile other than one you make available to him or her, you must calculate the resulting benefit for the employee. This benefit is equal to the operating costs (including taxes) paid on behalf of the employee and relating to personal use of the automobile. Any amount reimbursed by the employee (or by the person related to the employee) must be subtracted from the operating-costs benefit.

41.1.2

Refer to section 4.1 for explanations concerning the term "automobile made available to an employee" and "automobile operating costs."

4.5 Benefit related to an employee's personal use of a motor vehicle, other than an automobile

If you make a motor vehicle (pick-up truck, van, bus, etc.), **other than an automobile**, available for the **personal use** of an employee, you must calculate the related benefit. This benefit is equal to the FMV of the actual benefit, and must include all amounts that the employee would normally have to pay for a comparable vehicle in an arm's-length transaction, such as leasing expenses and operating costs (as explained in section 4.1). If the vehicle is essential to your business and the only personal use made of it by the employee is to travel back and forth between home and work, you may calculate the employee's benefit on the basis of a per-kilometre rate used for similar transportation.

If you make such a motor vehicle available for the personal use of a **shareholder** who is not an employee, the resulting benefit is calculated in the same manner.

133.2.1, IMP. 37-6

4.6 Emergency-response vehicle that the employer makes available to a member of a police force or fire department

If you (or a person related to you) make an emergency-response vehicle available to a member of a police force or fire department, there is no taxable benefit provided the following conditions are met:

- A written directive limits personal use of the vehicle and specifies that the vehicle must be returned to you in the event of an extended absence.
- The vehicle **is clearly marked as an emergency-response vehicle or is specially equipped** to facilitate a rapid response in situations involving public security.

If these conditions are not met and the vehicle made available to the employee is an automobile (as defined at the beginning of Chapter 4), you must calculate the benefit as you would for an automobile (see section 4.3). However, if the vehicle is not an automobile, see section 4.5.

41.1.3

5 Contributions (or premiums) paid to insurance plans

The table below indicates which insurance plan contributions (or premiums) paid on behalf of an employee constitute taxable benefits. A benefit that is taxable must be included in the appropriate box of the employee's RL-1 slip.

In the first column of the table below, the number following each type of plan refers to the section of this chapter that covers the contributions (or premiums).

Type of insurance plan	Taxable benefit	Boxes of the RL-1 slip
Top-up disability payments; insurance plan funded entirely by employees (5.4)	No	Not applicable
Group insurance plan (other than a multi-employer insurance plan) (5.1)	Yes, except for <ul style="list-style-type: none"> a group insurance plan providing coverage for total or partial loss of income from an office or employment contributions paid for the benefit of the surviving spouse of a deceased employee (5.5) 	<ul style="list-style-type: none"> Boxes A and J in the case of a private health services plan (see the definition below) Boxes A and L in all other cases
Non-group insurance plan (5.2)	Yes	Boxes A and L
Multi-employer insurance plan (contributions paid by the employer to the administrator of the plan) (5.3)	Yes	Boxes A and P

Private health services plan

A medical care insurance plan or hospital care insurance plan (or both) or a **contract** of insurance in respect of medical expenses, hospital expenses or any combination of such expenses, provided the plan or contract

- covers only services or expenses that give entitlement to the non-refundable tax credit for medical expenses; or
- essentially covers services or expenses that give entitlement to the non-refundable tax credit for medical expenses, and substantially all of the premium or other consideration payable for coverage is attributable to the above-mentioned expenses.

A private health services plan does not include a plan or contract that is established or provided for under a law of a province that, pursuant to fiscal agreements, receives contributions from the government of Canada for health services that are provided under the plan or contract.

Notes

- This definition includes **group insurance plans** that cover such services or such medical expenses, as well as contracts and plans that provide full or partial coverage of dental expenses or expenses incurred for vision care.
- To qualify as a private health services plan, a plan must provide for a person to indemnify another person, for an agreed consideration, regarding a loss or liability in respect of an event that may or may not occur. If an employer has made an arrangement to reimburse employees for expenses they or their dependants incur for medical, hospital or dental care, this arrangement may qualify as a private health services plan.

5.1 Contributions paid by the employer under a group insurance plan (including a private health services plan)

The contributions you pay under a group insurance plan for the coverage that a **current, past or future** employee (hereinafter referred to as an “employee”) receives during the year constitute a taxable benefit for the employee.

This applies to

- a private health services plan;
- a group life insurance plan (term or other);
- all other group insurance plans, except plans covering total or partial loss of income from an office or employment.

The contributions you pay under a group insurance plan that covers total or partial loss of income from an office or employment are not a taxable benefit for the employee.

37.0.1.1 to 37.0.1.6, 38

5.1.1 Plan backed by an insurance contract

If the group insurance plan provides coverage backed by an insurance contract with an insurance corporation, the taxable benefit related to this coverage is equal to the result of the following calculation:

- the total premium and related tax (9%) paid respecting the employee’s coverage* and benefits** for the year (see section 5.1.3 if this is a private health services plan);

minus

- the total of the following amounts:
 - the amount reimbursed by the employee during the year,
 - the dividends, returns or refunds of premiums you received during the year with respect to the employee’s coverage and benefits.

Dividends, returns or refunds of premiums

If you receive an amount during the year as a dividend, return or refund of premiums (hereinafter referred to as a “refund”) that is determined **on the basis of all the benefits and all the types of coverage provided under the plan**, the portion of the refund (including the reimbursement of the related tax) that reduces the

value of the benefit granted to an employee is equal to the result of the following calculation:

Refunds you received (except the employees’ share in the cost of the plan, where this share was distributed to the employees during the year)	X	$\frac{\text{Premium paid for the employee}}{\text{Premiums paid for all employees}}$
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If the refund is determined only **on the basis of certain benefits or certain types of coverage provided under the plan**, the taxable benefit is reduced only for those employees who have the benefits and coverage on which the refund is calculated. The portion of the refund (including the reimbursement of the related tax) attributable to a given employee is equal to the result of the following calculation:

Refunds you received (except the employees’ share in the cost of the plan, where this share was distributed to the employees during the year)	X	$\frac{\text{Premium paid for the benefits and coverage that this employee has}}{\text{Premiums paid for all employees that have the same type of benefits and coverage}}$
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If you remit to an employee the portion of the refund that corresponds to his or her share in the cost of the plan, do not enter on the RL-1 slip the amount received by the employee. However, in the case of a private health services plan, this amount reduces the total premiums (paid by the employee to the plan) that give entitlement to the tax credit for medical expenses.

If you remit to an employee the portion of the refund that represents **your share in the cost of the plan**, you must include that amount in boxes A and L of the employee’s RL-1 slip.

5.1.2 Plan not backed by an insurance contract

If the group insurance plan provides coverage that is not backed by an insurance contract with an insurance corporation, the taxable benefit related to the coverage is equal to the result of the following calculation: the value of an employee’s coverage **minus** the total of the employee’s contributions to the plan during the year. Calculate the value of the employee’s coverage as follows:

$$\frac{(A \times B)}{C} + \frac{(D \times E)}{F}$$

* For example, individual, single-parent or family coverage.

** For example, medical, hospital or dental expenses.

Definition of variables:

- A = Total amount of benefits (including the related tax) paid in the year to all employees who had the same type of coverage and benefits as the employee (see section 5.1.3 if this is a private health services plan)
- B = Number of days (in the year) during which the employee had the coverage and benefits concerned
- C = Number of employee-days of coverage (i.e., the total number of employees who had the type of coverage and benefits concerned, for each day in the year)
- D = Expenses (including the related tax) incurred with respect to a third party, for the administration or management of the plan for the year
- E = Number of days (in the year) during which the employee was covered under the plan
- F = Number of employee-days of coverage under the plan (i.e., the total number of employees covered by the plan, for each day in the year)

If optional types of benefits (for example, medical, hospital or dental expenses) or different types of coverage (such as individual, single-parent or family coverage) are provided under a plan, and the employees do not all have the same type of benefits or coverage, you must apply the formula $(A \times B) \div C$ for each type of benefit the employee has.

Example

A private health services plan provides for two types of coverage, individual and family coverage. The plan also provides for two types of benefits: basic health insurance and coverage of dental expenses. John Martin, an employee of ABC Corporation, opted for family coverage, and for both basic health insurance and coverage of dental expenses.

The following formula is used to calculate the value of Mr. Martin's coverage:

$$\frac{(A_1 \times B_1)}{C_1} + \frac{(A_2 \times B_2)}{C_2} + \frac{(D \times E)}{F}$$

The variables are defined as follows:

- A_1 = Total amount of benefits (including the related tax) paid in the year to all employees who had family coverage for basic health insurance
- B_1 = Number of days (in the year) during which the employee had family coverage for basic health insurance

- C_1 = Number of employee-days of coverage (i.e., the total number of employees who had family coverage for basic health insurance, for each day in the year)
- A_2 = Total amount of benefits (including the related tax) paid in the year to all employees who had family coverage for dental expenses
- B_2 = Number of days (in the year) during which the employee had family coverage for dental expenses
- C_2 = Number of employee-days of coverage (i.e., the total number of employees who had family coverage for dental expenses, for each day in the year)

When you determine the amount of benefits paid by a private health services plan that does not distinguish between the types of coverage and benefits it provides, you cannot break down the amount of benefits on the basis of whether or not employees received family coverage or on the basis of whether or not employees were reimbursed for certain types of expenses. Therefore, you cannot take these factors into account in calculating the value of an employee's coverage.

Note

Since the value of the taxable benefit must be distributed over all of the pay periods, the value of the coverage granted to an employee is necessarily based on estimates. Any reasonable estimation method may be used (for example, the estimates may be based on data for the previous year or on a hypothetical premium). At the end of the year, however, you must calculate the actual value of the benefit on the basis of the actual data.

Group insurance plan covering employees subject to different legislation (variables A, C, D and F)

If a group insurance plan provides identical coverage to employees subject to different legislation (that is, Québec legislation and legislation in effect elsewhere), you may use one of the two methods explained below to calculate the benefit received by your employees subject to Québec legislation.

You must choose the method that best reflects the coverage provided to these employees.

Method A: The amount representing the value of an employee's coverage is calculated on the basis of the actual data for all employees covered under the plan. (Method A is the standard method.)

Method B: The amount representing the value of an employee's coverage is calculated on the basis of the actual data for employees subject to Québec legislation only.

Employee subject to Québec legislation

An employee

- who reports for work at one of the employer's establishments in Québec; or
- who is not required to report for work at one of the employer's establishments in Québec, but who receives his or her remuneration or fringe benefits from such an establishment.

Example

Under the private health services plan used by the employees of ABC Corporation, the company's three employees subject to Québec legislation receive the same coverage as the 200 employees who report for work at one of the company's Ontario establishments. If no benefit was paid to the employees subject to Québec legislation, or if the majority of benefits paid by the plan were paid to these employees, Method A must be used, because it best reflects the coverage provided under the plan to employees subject to Québec legislation.

Expenses incurred for the administration or management of the plan (variable D)

To calculate the value of an employee's coverage, take into account only expenses that were incurred with respect to a third party. These expenses do not include consultation fees and other costs incurred to establish or amend a plan.

Stop-loss insurance (variable A or D)

Do not take into account the benefits paid under a stop-loss insurance contract (that is, a contract under which the insurer undertakes to cover losses beyond a certain amount for a given period) when calculating the value of an employee's coverage under a group insurance plan.

However, you must include in variable D the premiums (and the related tax) you paid for the year under such a contract if the stop-loss insurance applies without distinction to all types of coverage and benefits provided under the plan. If the stop-loss insurance applies only to certain specific types of coverage or benefits, you must include the premiums and the related tax in the variable A applicable to the coverage or benefits in question.

5.1.3 Services insured by the RAMQ

5.1.3.1 Coverage backed by an insurance contract

If the coverage provided under a private health services plan is backed by an insurance contract with an insurance corporation, exclude the portion of the premium paid for an employee that may reasonably be attributed to coverage whose cost would be assumed by the RAMQ in respect of services insured under the *Health Insurance Act*.*

However, if for a given period in the year an employee is not subject to the provisions of the *Health Insurance Act* (as in the case, for example, of an employee posted outside Canada) and if the private health services plan provides the employee with coverage and benefits that comprise, at the least, all the services for which the employee would be covered under the Act if he or she were subject to it, you must subtract the prescribed amount from the premium paid for the employee and reduce the related tax on insurance premiums accordingly.

The prescribed amount is obtained by multiplying the number of days in the period concerned by \$2.74 (for an employee who has individual coverage) or by \$10.96 (in all other cases).

5.1.3.2 Coverage not backed by an insurance contract

If the coverage provided under a private health services plan is not backed by an insurance contract with an insurance corporation, exclude from variable A the amount of benefits that may reasonably be attributed to coverage whose cost would be assumed by the RAMQ in respect of services insured under the *Health Insurance Act*.

However, if for a given period in the year an employee is not subject to the provisions of the *Health Insurance Act* (as in the case, for example, of an employee posted outside Canada) and if the private health services plan provides the employee with coverage and benefits that comprise, at the least, all the services for which the employee would be covered under the Act if he or she were subject to it, you must subtract the prescribed amount respecting the coverage and benefits in question from the total amount of benefits (variable A), and reduce the related tax on insurance premiums accordingly.

The prescribed amount is equal to the total of the amounts obtained by multiplying, for each employee in the situation described in the preceding paragraph, the number of days during which the employee is in that situation and has the specific type of coverage and benefits by \$2.74 (for an employee who has individual coverage) or by \$10.96 (in all other cases).

* The pharmaceutical services and medications that would be covered by the Québec prescription drug insurance plan, if the employee were not covered by a private health services plan, are insured under the *Act respecting prescription drug insurance*, rather than under the *Health Insurance Act*. Consequently, do not exclude the portion of the premium attributable to coverage of the cost of these services and medications.

Example

A private health services plan provides individual coverage to an employee who is working in another country and who is not subject to the provisions of the *Health Insurance Act*. For 2006, the employer pays a premium of \$1,600 for the employee. The related tax on insurance premiums is \$144 (9% of \$1,600). No portion of the cost is reimbursed by the employee.

The prescribed amount that reduces the premium is equal to \$2.74 multiplied by the number of days in 2006 during which the employee has coverage comprising, at the least, all the services for which the employee would be covered under the Act if he or she were subject to it.

Reduction of the premium: \$1,000.10

Premium paid for the employee	\$1,600.00
Prescribed amount (\$2.74 x 365 days)	– \$1,000.10
	= \$599.90

Reduction of the tax: \$90

Tax paid on the premium	\$144.00
Reduction of the tax (9% x \$1,000.10)	– \$90.00
	= \$54.00

Value of the benefit (\$599.90 + \$54.00) = \$653.90

1, 37.0.1.1 to 37.0.1.6, 37.0.1.2R1, 37.0.1.5R1

5.1.4 Paid-up life insurance

If coverage is granted for the year to a retired employee under a life insurance policy paid for in a single premium, the taxable benefit is the portion of the premium (and of the related tax) that may reasonably be attributed to the coverage and benefits provided to the person for any period of the year. This portion of the single premium must be calculated on the basis of the number of years the person may reasonably be expected to have the coverage (hereinafter referred to as the “applicable period”).

If the policy covers the retired employee until he or she reaches a set age, the applicable period is generally the number of years between the time the coverage takes effect and the set age. This number must be used to calculate the portion of the single premium that constitutes a taxable benefit.

The same principle holds for a policy that covers a retired employee until his or her death. In this case, the applicable period is generally the number of years between the time the coverage takes effect and the person’s normal life expectancy. This number must be used to calculate the portion of the single premium that constitutes a taxable benefit.

5.2 Premiums paid to a non-group insurance plan

The premiums you pay for an employee under a non-group insurance plan constitute a taxable benefit. This holds for all non-group insurance plans, including health or accident insurance, disability insurance, life insurance and wage loss replacement plans.

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5.3 Contributions to a multi-employer insurance plan

If you pay contributions to the administrator of a multi-employer insurance plan for a group insurance plan (other than insurance for total or partial loss of income from an office or employment), enter in boxes A and P of the employee’s RL-1 slip the portion of the contributions (and of the related tax) applicable to the work carried out by the employee during the year.

Even though multi-employer insurance plans are group insurance plans, do not enter an amount in boxes J and L of the employee’s RL-1 slip. The administrator of the plan will file an RL-22 slip and include, in box A of the slip, the value of the benefit received by the employee with respect to the plans covered by boxes J and L of the RL-1 slip. The administrator must also include, in box B of the RL-22 slip, the value of the coverage the employee received under a private health services plan. This amount is already included in box A and may be considered an expense that gives entitlement to the tax credit for medical expenses. The amount in box B of the RL-22 slip is the same as the amount in box J of the RL-1 slip.

If you are the administrator of a multi-employer insurance plan, consult form RL-22.S-V, which contains a guide to filing the RL-22 slip and the RL-22 summary.

Multi-employer insurance plan

A plan providing insurance of persons that

- is applicable, pursuant to a law, related regulation or government order, to an economic sector, an industry or an activity, or to a subdivision of such a sector, industry or activity;
- is offered jointly by employers in the same economic sector or industry or employers engaged in the same activity; and
- is managed by the same administrator.

Note

Insurance plans applicable to employees in the construction industry are multi-employer insurance plans.

43.1 to 43.3, 78.6, 1086R1(i)

5.4 Top-up disability payments

If you make a top-up disability payment to one of your employees, the following rules apply:

- The payment is deemed not to be a contribution you made to the insurance plan of which the disability policy in respect of which the payment is made is a part.
- If the payment is made to the employee, it is deemed to be an amount received by the employee pursuant to the insurance plan referred to above.

A top-up disability payment received by an employee (or former employee) under a group disability insurance plan funded entirely by employees is not considered to be a taxable benefit.

Top-up disability payment

A payment made by an employer to replace all or part of the periodic payments that an employee or former employee would have received under a group disability insurance plan covering the total or partial loss of income from an office or employment, were it not for the insurer's insolvency. The employer makes the payment

- to the **insolvent insurer** or to another insurer (thereby enabling the insurer to make the periodic payments to the employee or former employee); or
- to the **employee or former employee**, provided this individual is required under an arrangement to reimburse the employer if he or she subsequently recovers from the insolvent insurer or other insurer the periodic payments replaced by the employer.

43.0.1, 43.0.2

5.5 Contributions paid to a private health services plan for the benefit of the surviving spouse of a deceased employee

The value of the benefit related to the contributions you paid to a private health services plan covering the surviving spouse and the dependants of an employee after the employee's death is tax-exempt.

6 Board, lodging, transportation and meals

In the first column of the table below, the number following each benefit refers to the section of this chapter that covers the benefit.

Benefit granted by the employer	Taxable benefit	Boxes of the RL-1 slip
Compensation allowance paid to an employee working at a special work site or remote work location (6.8.4)	Yes	Boxes A and L
Compensation for meals and transportation paid to employees who work overtime (6.5)	No, subject to certain conditions	Boxes A and V or boxes A and L (as applicable), if the conditions are not met
Check-out allowance paid to an employee working at a special work site or remote work location (6.8.3)	Yes	Boxes A and L
Board and lodging provided to an employee of a subcontractor (6.4)	Yes	Boxes A and V
Board and lodging provided to an employee working at a special work site or remote work location (6.8.1)	No, subject to certain conditions	Boxes A and V, if the conditions are not met
Lodging provided to a restaurant or hotel employee (6.7)	Yes	Boxes A and V
Free or subsidized lodging provided to a member of the clergy or a religious order (6.1)	Yes	Boxes A and V
Free or subsidized lodging (other than lodging provided to an employee working at a special work site or remote work location) (6.1)	Yes	Boxes A and V
Meals provided to a restaurant or hotel employee (6.7)	Yes	Boxes A and V
Free or subsidized meals (6.2)	Yes	Boxes A and V
Eligible paratransit pass provided or reimbursed to an employee (6.6)	No, subject to certain conditions	Boxes A and L, if the conditions are not met
Eligible transit pass provided or reimbursed to an employee (6.6)	No, subject to certain conditions	Boxes A and L, if the conditions are not met
Transportation from a meeting point to the workplace (6.3)	No, subject to certain conditions	Boxes A and L, if the conditions are not met
Transportation provided to an employee of a subcontractor (6.4)	Yes	Boxes A and L
Transportation provided to an employee working at a special work site or remote work location (6.8.2)	No, subject to certain conditions	Boxes A and L, if the conditions are not met

6.1 Free or subsidized lodging

If you provide free or subsidized lodging to an employee, the value of the related benefit corresponds to the cost of the lodging (including, where applicable, GST and QST), **minus** any amount paid by the employee. As a rule, the cost of the lodging is considered to be the FMV of the rent for the house or other lodging made available to an employee (that is, the amount the employee would have to pay to rent from someone other than his or her employer).

In general, a room or other type of lodging that is occupied by the employee for at least one month is not subject to GST or QST.

Member of the clergy or a religious order

If you provide free or subsidized lodging to a member of the clergy or a religious order or a regular minister of a religious denomination, and this person ministers to a diocese, parish or congregation, you must enter the value of the benefit in boxes A and V of the person's RL-1 slip. This rule also applies if the religious order or denomination assigns the person to an administrative service, and the person works exclusively and on a full-time basis in this service.

6.2 Free or subsidized meals

The free or subsidized meals (such as meals in an employee dining room or cafeteria) that you provide to an employee constitute a taxable benefit. The value of the benefit corresponds to

- the cost of the food (including GST and QST) and, where applicable, the cost of preparing and serving the food;
- **minus** any amount paid by the employee.

If you pay compensation for meals and transportation to employees who work overtime, see section 6.5.

6.3 Transportation from a meeting point to the workplace

Transportation that you provide free of charge from a meeting point to the workplace is not considered a taxable benefit provided access roads were closed to public or private vehicles for safety or other reasons, or were otherwise impassable.

Indemnities for travel expenses that are paid under sections 24.01 to 24.20 of the *Construction Decree* to employees whose working conditions are governed by this decree do not constitute a taxable benefit. The same is true of indemnities that were paid under a collective agreement signed in accordance with the application of the *Act respecting labour relations, vocational training and manpower management in the construction industry* and that, were it not for the agreement, would have been paid under sections 24.01 to 24.20 of the *Construction Decree*.

6.4 Board, lodging and transportation provided to an employee of a subcontractor

The value of the benefit (including GST and QST) provided in the form of board and lodging to an employee of a subcontractor by the general contractor or another subcontractor, **minus** the portion paid by the employee, must be entered in boxes A and V of the employee's RL-1 slip; the value of the benefit provided in the form of transportation, **minus** the portion paid by the employee, must be entered in boxes A and L. However, such benefits are tax-exempt if they are provided to an employee working at a special work site or remote work location (see section 6.8).

Note

The person that provided the benefit must complete the RL-1 slip.

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6.5 Compensation for meals and transportation paid to employees who work overtime

An amount reimbursed for meal expenses to an employee who works overtime (or the value of a meal provided to the employee) does not constitute a taxable benefit if the following conditions are met:

- The overtime is done at your request and is expected to last for at least three consecutive hours.
- Overtime is done rarely or on an occasional basis (fewer than three times a week).
- The meal expenses incurred by the employee are reimbursed (in whole or in part) upon presentation of receipts.
- The meal expenses reimbursed to the employee (or, if applicable, the value of the meal provided to the employee) are reasonable.

If these conditions are not met, you must include the value of the benefit in boxes A and V of the employee's RL-1 slip.

Similarly, where an employee who works overtime is reimbursed for expenses incurred for taxi transportation (or is provided with transportation) between his or her home and ordinary place of work, the amount reimbursed (or the value of the transportation provided) does not constitute a taxable benefit if the following conditions are met:

- The overtime is done at your request and is expected to last for at least three consecutive hours.
- Overtime is done rarely or on an occasional basis (fewer than three times a week).
- The taxi expenses incurred by the employee are reimbursed (in whole or in part) upon presentation of receipts.

- Public transport is not available, or it is reasonable to consider that, under the circumstances, the employee's safety would be jeopardized because of the time of day at which the trip is made.

If these conditions are not met, you must include the value of the benefit in boxes A and L of the employee's RL-1 slip.

37.0.3

6.6 Transit passes

The following benefits received by an employee are not considered taxable benefits:

- the portion attributable to a period after March 31, 2006, of the total or partial reimbursement made after March 23, 2006, upon presentation of supporting documents, of the cost of an eligible transit pass, where the transit pass acquired was a subscription-type transit pass, valid for a period after March 31, 2006, and where the employee acquired the pass for transportation between his or her usual place of residence and place of work;
- the total or partial reimbursement, made after March 23, 2006, upon presentation of supporting documents, of the cost of an eligible paratransit pass valid for a period after that date, where the employee acquired the pass for transportation between his or her usual place of residence and place of work;
- the cost for an employer of an eligible transit pass or an eligible paratransit pass, where the pass is provided to an employee after March 23, 2006, primarily for transportation between his or her usual place of residence and place of work.

Eligible transit pass

A transit pass allowing the holder to use a public transport service, other than a paratransit service, provided by a public entity authorized by law to organize such a service.

Eligible paratransit pass

A transit pass allowing the holder to use a paratransit service provided by a public entity authorized by law to organize such a service.

Subscription-type transit pass

A transit pass involving a subscription for a period of at least one month.

Public entities authorized by law to organize a public transport service

Municipal bodies, intermunicipal transportation bodies, the Agence métropolitaine de transport and the authorities contemplated in the *Act respecting public transit authorities*, namely, the transit authorities of Laval, Lévis, Longueuil, Montréal, Outaouais, Québec, Saguenay, Sherbrooke and Trois-Rivières.

6.7 Restaurant or hotel employee

Revenu Québec has approved the following method for calculating the value of the benefit for **meals** provided to a restaurant or hotel employee:

- the lowest price (including taxes) charged to customers for a meal (e.g., special of the day, table d'hôte menu, buffet, brunch, etc.), to a maximum of \$6.21 for 2006 (\$6.37 for 2007);
- **minus** the total of the following amounts:
 - 20% of the above amount, and
 - the amount paid by the employee for the meal.

Revenu Québec has approved the following method for calculating the per-week value of the benefit for **lodging** provided to an employee:

- the lowest weekly rate (including taxes) for a room rented to paying guests, to a maximum of \$40.75 for 2006 (\$42.00 for 2007);
- **minus** the weekly rent the employee pays for the room.

IMP. 37-1/R14, IMP. 37-1/R15

6.8 Employee working at a special work site or remote work location

6.8.1 Board and lodging

An employee is not required to include in his or her income the value of a monetary benefit (reasonable reimbursement or allowance) or non-monetary benefit received for board and lodging, provided the following conditions are met:

- The benefit corresponds to the expenses for the employee's board and lodging incurred for a period during which employment duties required the employee to be, for **at least 36 hours**, away from his or her principal place of residence or at a **special work site** or a **remote work location**.
- Where the board and lodging were provided at a special work site, the employee performed duties of a temporary nature at that work site and the dwelling that is the employee's principal place of residence
 - remained available throughout the period for occupancy by the employee and was not rented to another person, and
 - was far enough from the special work site that the employee could not reasonably be expected to return home on a daily basis (see notes 1 and 2 on the next page).
- Where the board and lodging were provided at a **remote work location**, the location was so remote from any established community that the employee could not reasonably be expected to establish or maintain a dwelling there (see note 3 on the next page).

If these conditions are not met, you must include the value of the benefit granted for board and lodging in boxes A and V of the employee's RL-1 slip.

Note 1

As a rule, Revenu Québec considers that an individual cannot reasonably be expected to travel daily to and from his or her principal place of residence if the distance between the principal place of residence and the place of work, by the most direct route ordinarily travelled, is over 80 kilometres. Where this condition is not met, Revenu Québec may nonetheless consider such factors as

- road conditions;
- the means of transportation available;
- the number of hours of work required of the employee;
- the length of the rest period if the employee returns home daily;
- the employee's general physical and mental health;
- the time it takes to travel the distance, and the time at which the travel is undertaken.

Note 2

You must write the note "Tax-exempt benefit for board and lodging" (or "Avantage non imposable pour logement et pension") in the centre of the employee's RL-1 slip, followed by the amount, if

- you granted the employee a benefit (including an allowance or reimbursement fixed by a government order, by a decision of the Conseil du trésor or by a collective agreement signed pursuant to the application of the *Act respecting labour relations, vocational training and manpower management in the construction industry*) for board and lodging at a special work site; and
- the work site is in a prescribed northern zone or a prescribed intermediate zone and is situated within a radius of 30 kilometres of an established community of at least 40,000 inhabitants.

Note 3

As a rule, the work location is considered remote if it is 80 kilometres or more, by the most direct route ordinarily travelled, from the nearest established community of at least 1,000 inhabitants.

A community is considered to be an established community if it is made up of dwellings that are relatively close together and if people reside there on a permanent basis. An established community offers essential community services and housing facilities.

However, for the purpose of determining whether the work location is remote, Revenu Québec may also consider such factors as

- the means of transportation available;
- the distance between the remote work location and the nearest established community of at least 1,000 inhabitants;
- the time required to travel the distance.

Duties of a temporary nature

Duties performed on a short-term or interim basis.

Note

As a rule, an employee's duties are considered to be of a temporary nature where it is expected that they will not provide continuous employment, for the employee or another person, for more than two years.

Dwelling

A house, an apartment or a similar place in which a person ordinarily eats and sleeps, and which is equipped with kitchen and bathroom facilities.

Note

A room in a boarding house or hotel, a bunkhouse, or a dormitory is not a dwelling.

6.8.2 Transportation

An employee is not required to include in his or her income the value of a monetary benefit (reasonable reimbursement or allowance) or non-monetary benefit received for transportation, provided the following conditions are met:

- The benefit corresponds to the expenses for the employee's transportation incurred for a period during which employment duties required the employee to be, for **at least 36 hours**, away from his or her principal place of residence or at a **special work site** or a **remote work location**.
- For that period, the employee also received a monetary or non-monetary benefit in respect of board and lodging.
- The employee was transported
 - between his or her principal place of residence and the **special work site**; or
 - between the **remote work location** and a location in Canada or in the country in which he or she was employed.

If these conditions are not met, you must include the value of the benefit granted for transportation in boxes A and L of the employee's RL-1 slip.

6.8.3 Check-out allowance

Under some employment contracts, employees who stay at a **special work site** or **remote work location** during the week receive a check-out allowance when they leave for the weekend. This allowance usually represents the value of board and lodging during the employee's absence. Revenu Québec considers that such an allowance is not covered under section 42 of the *Taxation Act* and must be included in the employee's income. Enter the allowance in boxes A and L of the employee's RL-1 slip.

6.8.4 Compensation allowance

Some employment contracts stipulate that, after a specified work period, an employee is entitled to

- leave the **special work site** or **remote work location** for a vacation, in which case the cost of the employee's return trip is paid entirely by the employer; or
- elect to remain at the **special work site** or **remote work location** and be paid an allowance for having elected to forgo his or her right to leave.

The compensation allowance mentioned in the second point is not considered to be covered under section 42 of the *Taxation Act*, and must be included in the employee's income. Enter the allowance in boxes A and L of the employee's RL-1 slip.

42, IMP. 42-1/R1

6.9 Employee working outside Canada

If you are a specified employer within the meaning of section 737.24 of the *Taxation Act*, and you have an employee who is resident in Québec but works outside Canada, and for whom an RL-17 slip must be filed, enter the value of any benefit that you granted the employee for board, lodging or transportation on the employee's RL-1 slip.

Note that the employee may be eligible for a deduction on his or her income tax return with respect to the allowance, salary or wages received while outside Canada.

If you are a specified employer, consult the *Guide to Filing the RL-1 Slip* (RL-1.G-V) and the *Guide to Filing the RL-17 Slip* (RL-17.G-V) for information on how to prepare the corresponding RL slips.

737.24 to 737.26, IMP. 737.25-1

6.10 Dwelling located in a designated remote area

To determine the value of the benefit related to a dwelling located in a designated remote area (area prescribed by regulation), consult the version of interpretation bulletin IMP. 37-5 applicable to the year in question.

37, IMP. 37-5/R12

7 Travel expenses

In the first column of the table below, the number following each benefit refers to the section of this chapter that covers the benefit.

Benefit granted by the employer	Taxable benefit	Boxes of the RL-1 slip
Allowance for travel expenses (7.4 and 7.5)	No, subject to certain conditions	Boxes A and L, if the conditions are not met
Allowance paid or amount reimbursed to a part-time employee for travel expenses incurred to carry out employment duties (7.3)	No, subject to certain conditions	Boxes A and L, if the conditions are not met
Allowance paid or amount reimbursed to a member of the board of an RCM or of the Kativik Regional Government for travel expenses (7.1)	No, subject to certain conditions	Boxes A and L, if the conditions are not met
Allowance paid or amount reimbursed to a member of a board of directors or a committee member for travel expenses (7.2)	No, subject to certain conditions	Boxes A and L, if the conditions are not met
Travel expenses paid with respect to an employee's spouse for a business trip (7.6)	Yes, unless the spouse is to assist in realizing the objectives of the trip	Boxes A and L
Trips made by a resident of a designated remote area (7.7)	Yes	Boxes A and K

7.1 Allowance paid or amount reimbursed to a member of the board of an RCM or of the Kativik Regional Government for travel expenses

Reasonable allowances paid or reasonable amounts reimbursed by an RCM or the Kativik Regional Government for the travel expenses of a board member are tax-exempt, provided the expenses were incurred by the member in the performance of his or her duties. Eligible travel expenses include expenses incurred by the member to attend board meetings, or to visit the organization's offices to prepare for a meeting, settle files or meet with citizens.

If the allowance or reimbursement exceeds a reasonable amount, the excess portion is taxable and must be included in boxes A and L of the board member's RL-1 slip.

39.4, IMP. 39.4-1

7.2 Allowance paid or amount reimbursed to a member of a board of directors or a committee member for travel expenses

Reasonable allowances or reasonable reimbursements paid for travel expenses to an individual who was selected or appointed to represent an organization that is a corporation, an association or other type of organization are not taxable (and should not be indicated on the RL-1 slip) if the amounts are paid so that the individual can attend meetings of the board of directors or of a committee of which he or she is a member, and if the following conditions are met:

- The individual is dealing at arm's length with the organization.
- The travel expenses were not incurred by the individual for trips taken in the performance of his or her duties as a member of a board of directors or a committee member.
- The meetings were held at a location at least 80 kilometres from the individual's ordinary place of residence and,
 - in the case of a non-profit organization, in a place that can reasonably be regarded as consistent with the territorial scope of the organization's activities, or

- in the case of other types of organizations, in a place that is within the local municipal territory or (if applicable) the metropolitan area where the head office or main place of business of the organization is located.

If the allowance or reimbursement exceeds a reasonable amount, the excess portion is taxable and must be included in boxes A and L of the individual's RL-1 slip.

39.4.1

7.3 Allowance paid or amount reimbursed to a part-time employee for travel expenses

Allowances paid or amounts reimbursed for the travel expenses of an individual who is employed by you on a part-time basis, for a period throughout which he or she has other employment or carries on a business, do not have to be included by the individual in the calculation of his or her income provided the following conditions are met:

- The individual is dealing at arm's length with you.
- The allowance or reimbursement pertains to travel expenses incurred by the individual with respect to his or her part-time employment (for example, expenses incurred to travel to the place of work), other than expenses incurred to perform the duties of that employment.
- The employment duties are performed at a place located at least 80 kilometres from the individual's ordinary place of residence and from the principal workplace of the individual's other employment or the principal place where he or she carries on a business.

This rule regarding part-time employment applies only in respect of employment, not an office.

Part-time teachers

A part-time teacher does not have to include in his or her income the allowances paid or amounts reimbursed for the travel expenses he or she incurs by reason of this employment (for example, to travel to the place of work), provided the following conditions are met:

- The individual is dealing at arm's length with you.
- The employment duties are performed at a place located at least 80 kilometres from the individual's ordinary place of residence.

If these conditions are met, **but the allowance or reimbursement exceeds a reasonable amount**, the excess portion is taxable and must be included in boxes A and L of the RL-1 slip. If the conditions are not met, the total amount of the allowance or reimbursement must be included in boxes A and L.

As a rule, an employee is considered to hold part-time employment if the amount of work he or she is required to do is less than that required of full-time employees who work for the same employer performing equivalent duties.

39.5, IMP. 39.5-1/R1

7.4 Allowance for travel expenses (employees whose duties consist in selling goods or negotiating contracts)

Do not include on the RL-1 slip the **reasonable** allowances that you paid to an employee for travel expenses (including those related to the use of a motor vehicle) incurred during periods when the employee's duties consisted in selling goods or negotiating contracts on your behalf.

If the allowance is **not reasonable**, it is taxable and the full amount must be included in boxes A and L of the RL-1 slip.

40(a), IMP. 40-1/R1 (except point 9)

7.5 Allowance for travel expenses (employees whose duties do not consist in selling goods or negotiating contracts)

Do not include on the RL-1 slip the **reasonable** allowances that you paid to such an employee

- with regard to the use of a motor vehicle, if the employee was required to travel in the course of employment duties; or
- to cover travel expenses (that is, other than those related to the use of a motor vehicle) incurred during trips outside the local municipal territory or metropolitan area where your establishment at which the employee normally worked (or to which he or she was normally assigned) was located.

If the allowance is **not reasonable**, it is taxable and the full amount must be included in boxes A and L of the RL-1 slip.

40(b) and (c), IMP. 40-1/R1 (except point 9)

7.6 Travel expenses paid for an employee's spouse

An amount that you pay or reimburse to an employee for the travel expenses of the employee's spouse are considered a taxable benefit for the employee, unless the spouse made the trip at your request and the main reason for the spouse's trip was to assist in realizing the objectives of the business trip. If you paid such expenses, you must include GST and QST in the value of the benefit.

7.7 Trips made by a resident of a designated remote area

If, during the year, you paid for trips made by an employee who works and resides in a designated remote area, you must include the total value of the benefit related to the trips (including GST and QST) in boxes A and K of the RL-1 slip.

Moreover, the portion of the amount in box K that corresponds to trips made to obtain medical care must be indicated in the centre of the RL-1 slip, after the note "Box K – Trips for medical care" (or "Case K : voyages pour soins médicaux").

The total cost of a trip made to obtain medical care is equal to the travel expenses incurred for the employee or a member of his or her household respecting a trip to obtain medical services not available in the locality where the employee was living. If the patient had to be accompanied during the trip, the accompanying person's travel expenses should be included in the cost of the trip. The value of the benefit related to a trip made for medical care may be deducted in the calculation of the employee's income, regardless of the number of trips made during the year.

The total cost of trips made other than for business or medical reasons (for example, trips made because of a death or an unfortunate event, or annual leave) must also be entered in boxes A and K. The value of this benefit may be deducted in the calculation of the employee's income, subject to a limit of two trips for each member of the household.

For further information, and for a list of the areas concerned, consult the guide entitled *Deduction for Residents of Designated Remote Areas* (TP-350.1.G-V).

350.1 to 350.6

8 Other benefits

In the first column of the table below, the number following each benefit refers to the section of this chapter that covers the benefit.

Benefit granted by the employer	Taxable benefit	Boxes of the RL-1 slip
Expense allowance paid to a member of a municipal or school body (8.1)	Portion of the allowance that exceeds half of the salary	Boxes A and L
Expense allowance or benefit granted to a person with an impairment (8.2)	No, subject to certain conditions	Boxes A and L, if the conditions are not met
Gifts (8.8)	Yes, with certain exceptions	Boxes A and L
Commissions on goods purchased by the salesperson (8.17)	No, subject to certain conditions	Boxes A and L, if the conditions are not met
Financial compensation paid to an emergency service volunteer (8.3)	Portion of the compensation that exceeds \$1,000	Boxes A and L
Professional membership dues paid by the employer (8.4)	Yes	Boxes A and L
Contributions paid by the employer to an RPP (8.5)	No	Not applicable
Contributions paid by the employer to a DPSP (8.5)	No	Not applicable
Contributions paid by the employer under a supplementary unemployment benefit plan (8.5)	No	Not applicable
Contributions paid by the employer under a retirement compensation arrangement (8.5)	No	Not applicable
Employee QPP contributions paid by the employer (8.6)	Yes	Boxes A and L
Employee QPIP contributions paid by the employer (8.6)	Yes	Boxes A and L
Contributions paid by the employer under an employee benefit plan (8.5)	No	Box Q
Interest-free or low-interest debts (8.7)	Yes	<ul style="list-style-type: none"> • Boxes A and L, if the benefit is granted to an employee • Box O, if the benefit is granted to a shareholder
Moving expenses (8.9)	Yes, with the exception of certain payments made by the employer when the employee is hired to work in a locality other than the one in which he or she resides, when the employee is transferred to another locality or when the employment ends	Boxes A and L
Tuition fees paid for personal-interest courses (8.10)	Yes	Boxes A and L
Tuition fees paid to enable the employee to acquire technical skills not related to the employer's business (8.10)	Yes	Boxes A and L

Benefit granted by the employer	Taxable benefit	Boxes of the RL-1 slip
Training expenses (8.11)	No, if the training is of benefit to the employer	Boxes A and L, if the training is not of benefit to the employer
Membership in a sports club (8.12)	Yes, if the employer derived little or no benefit from the membership	Boxes A and L
User fees for recreational facilities (8.12)	Yes, if the employer derived no benefit	Boxes A and L
Amounts paid by the employer under a salary deferral arrangement (8.5)	No	Not applicable
Amounts paid by the employer to an employee trust (8.5)	No	Box Q
Security options (8.13)	Yes	Boxes A and L
CCPC stock option (8.13.1)	Yes	Boxes A and L, in the year of disposition
Non-CCPC stock option or option to purchase mutual fund units, exercised after February 27, 2000 (8.13.2)	Yes	<ul style="list-style-type: none"> • Box Q, if the employee elected to defer the benefit • Boxes A and L, if the employee did not elect to defer the benefit
Tools (8.23)	Yes	Boxes A and L
Location incentives paid to a salaried physician (8.16)	Yes	Boxes A and L
Frequent-flyer program (8.15)	Yes, if the points are exchanged for personal use and if the employer controls the number of points accumulated	Boxes A and L
Merchandise discounts (8.17)	No, subject to certain conditions	Boxes A and L, if the conditions are not met
Rewards (8.8)	Yes, with certain exceptions	Boxes A and L
Remission of debts (8.18)	Yes	Boxes A and L
Counselling services (8.19)	No, subject to certain conditions	Boxes A and L, if the conditions are not met
Subsidized school services for children of employees who work in remote areas (8.20)	No, if no public school body provided education in the area	Boxes A and L, if a public school body provided education in the area
Parking provided or reimbursed by the employer (8.14)	Yes, with certain exceptions	Boxes A and L
Uniforms and special clothing (8.21)	No, subject to certain conditions	Boxes A and L, if the conditions are not met
RRSP contributions made by the employer (other than amounts withheld as contributions from the employee's remuneration) (8.22)	Yes	Boxes A and L

8.1 Expense allowance paid to a member of a municipal or school body

An allowance paid to a person to cover expenses incurred in the course of his or her duties (other than an allowance for travel expenses that does not have to be included in the person's income) is **taxable** if the person is

- an elected member of a municipal council (for example, a mayor or a municipal councillor);
- a member of the council or executive committee of a metropolitan community, an RCM or a similar body created under a Québec statute;
- a member of a municipal utilities commission or corporation, or of a similar body responsible for administering such services;
- a member of a public or separate school board, or of a similar body responsible for administering a school district.

The respective amounts a member of one of the above bodies is paid as salary and as an allowance for expenses incurred in the course of duties are generally **determined by law or regulation**. The law or regulation specifies what portion of the overall amount (allowance and salary) constitutes an allowance. **This portion,**

which is not excluded from the member's income, is **tax-exempt** to a maximum of one-half of the amount paid to the member as salary during the year.

Do not enter the tax-exempt portion of the expense allowance in the boxes of the RL-1 slip. In the centre of the slip, write the note "Tax-exempt allowance for expenses incurred in the course of duties" (or "Allocation non imposable pour dépenses engagées dans le cadre d'une fonction"), followed by the amount.

Where no law or regulation specifies what portion of the overall amount constitutes an allowance for expenses incurred in the course of duties, **Revenu Québec considers that one-third of the overall amount** (this amount is calculated without taking into account allowances that do not have to be included in the member's income) **constitutes such an allowance and that the remaining two-thirds constitute salary.**

However, if it is established that the allowance paid was less than one-third of the overall amount paid, only the allowance actually paid constitutes the allowance for expenses incurred in the course of duties. If no allowance was paid to a member, no portion of the member's remuneration may be considered to have been paid as an allowance.

Example	Overall amount paid, including allowance	Salary or wages	Allowance for expenses incident to the discharge of duties		Amount to be included in box A	Amount to be included in box L
			Paid	Tax-exempt		
Amount determined by a law or regulation	\$3,000	\$2,000	\$1,000	\$1,000	\$2,000	—
	\$3,000	\$1,800	\$1,200	\$900	\$2,100	\$300
Amount not determined by a law or regulation	\$3,000	\$2,200	\$800	\$800	\$2,200	—
	\$1,200	—	\$1,200	\$400	\$800	\$800

39.3, IMP. 39.3-1/R1

8.2 Expense allowance or benefit granted to a person with an impairment

The benefits and reasonable allowances granted to an employee who is entitled to an amount for a severe and prolonged impairment in mental or physical functions (line 376 of the income tax return) are tax-exempt in certain cases.

The benefits or reasonable allowances must be granted with respect to expenses incurred for

- **transportation** between the employee's residence and the workplace (including expenses for parking near the workplace), if the employee is blind or has a severe and prolonged mobility impairment that significantly restricts his or her ability to carry out a basic activity of daily living (see note below);
- **the services of an attendant** to help the employee carry out the duties of his or her office or employment, if the employee has a severe and prolonged impairment in mental or physical functions. This might include the services of a reader for a blind person, a sign-language interpreter for a deaf person, or an instructor for a person with a mental impairment.

Note

The expenses incurred for the employee's transportation may include an allowance granted for the use of taxis or a para-transit service, or an allowance for parking that you provide or subsidize.

42.0.1

8.3 Financial compensation paid to an emergency service volunteer

A government, municipality or other public authority is not required to file an RL-1 slip for a person who is

- a volunteer firefighter;
- a volunteer ambulance technician;
- a volunteer taking part in search and rescue operations or providing assistance in other emergencies.

However, if the amounts paid (as an allowance or otherwise) and the value of the benefits granted to a volunteer during the year exceed \$1,000, the portion that exceeds \$1,000 is taxable and must be indicated in boxes A and L of an RL-1 slip. The note "Volunteer – Allowance not included in boxes A and L: \$1,000" (or "Volontaire – compensation non incluse aux cases A et L : 1 000 \$") must be written in the centre of the slip.

Exception

However, the \$1,000 exemption does not apply if, during the year, the volunteer worked for the same organization that paid the financial compensation and he or she carried out duties that were similar or identical to those performed as a volunteer. For example,

the exemption cannot be claimed by a volunteer firefighter who works for a municipality if he or she also has full-time or part-time employment with the municipality as a firefighter (whether the employment is permanent or the person has temporary employment as a replacement for a firefighter).

39.6

8.4 Professional membership dues

If you pay or reimburse the professional membership dues of an employee, he or she is considered to have received a taxable benefit. For example, where the professional membership dues of an employee who is controller or vice-president of finance of your corporation are paid by you to a professional order of accountants or reimbursed to the employee, the employee is considered to have received a taxable benefit. The value of the benefit is equal to the amount you paid (including taxes), minus any amount reimbursed to you by the employee.

However, Revenu Québec may consider that such a payment or reimbursement is not a taxable benefit if the facts show that the payment or reimbursement is entirely or almost entirely for the employer's benefit. This may be the case where an employee is not hired to practise his or her profession and does not perform any act pertaining to the profession, but is obliged by the employer, simply for prestige, to maintain a professional status recognized by law. For example, if you hire a chartered accountant as a secretary and that this person performs no act pertaining to his or her profession, your payment of the employee's professional membership dues does not constitute a taxable benefit for the employee.

37, IMP. 37-2/R2

8.5 Contributions and other amounts paid by employers to certain plans

Do not include on the RL-1 slip the contributions or amounts you paid for an employee's benefit under

- an RPP;
- a group insurance plan, to cover total or partial loss of income from an office or employment (wage loss replacement plan);
- a salary deferral arrangement;
- a supplementary unemployment benefit plan;
- a DPSP;
- an employee benefit plan;
- an employee trust;
- a retirement compensation arrangement.

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8.6 Employee QPP contributions and QPIP premiums

QPP contributions or QPIP premiums that you paid on behalf of the employee must be included in boxes A and L of the RL-1 slip.

8.7 Interest-free or low-interest debts

A person receives a taxable benefit if, because of a past, present or future office or employment, or by reason of being a shareholder, the person contracts from you an interest-free debt or a debt bearing interest at a lower rate than that determined under section 4301 of the *Income Tax Regulations* (Regulations of Canada).

1, 37.1, 119.1, 487.1 to 487.6, IMP. 487.1-1/R3

8.7.1 Employee

In the case of an **employee**, the value of the benefit is equal to the result of the following calculation:

the total of

- (a) the interest on each debt, calculated at the rate prescribed for the period of the year during which the debt was outstanding, and
- (b) the interest paid or payable for the year on each debt by the employer (that is, by a person or partnership that employed or intended to employ the individual, or by a person that was not the debtor and that was related to the employer),

minus the total of

- (c) the interest for the year paid on each debt by the employee, the employer or a third party within 30 days after the end of the year, and
- (d) any portion of the amount in (b) above that is reimbursed to the employer by the employee within 30 days after the end of the year.

Note

All debts referred to in (a) and (b) above (other than an excluded loan described in section 8.7.4) that were contracted by reason of the individual's office or employment must be taken into account, regardless of whether the rate of interest is lower than, equal to or higher than the prescribed rate.

If an individual contracts a **debt for investment purposes**, the value of the resulting benefit may be deducted in the calculation of his or her income. In this case, write the note "Benefit resulting from a debt contracted for the acquisition of investments" (or "Avantage découlant d'une dette contractée pour acquérir des placements") in the centre of the RL-1 slip, followed by the amount.

Loan granted to an employee who relocates

The rules opposite also apply to interest-free and low-interest debts contracted **after February 23, 1998**, by an employee who relocated in order to begin employment **after September 1998** at a new work location, provided it is reasonable to conclude that, were it not for the employee's office or employment, the loan either would not have been granted or would not have been granted under the same terms.

In the case of an employee who began employment at a new location **before October 1998**, the rules opposite apply **unless** the employee moved to be at least 40 kilometres closer to that location.

8.7.2 Shareholder

In the case of a shareholder who is not an employee, the value of the benefit is equal to the result of the following calculation: the amount calculated in (a) in section 8.7.1, **minus** the amount calculated in (c) in section 8.7.1, provided all of the following conditions are met:

- The debt was contracted by a person other than a corporation resident in Canada, or by a partnership none of whose members was a corporation resident in Canada.
- This person or partnership was a shareholder of the corporation (or was connected to a shareholder of the corporation), a member of a partnership, or a beneficiary of a trust or member of a partnership that was a shareholder of the corporation.
- The debt was contracted because the person or partnership was a shareholder of the corporation or connected to such a shareholder, or because the person or partnership was a beneficiary of a trust or member of a partnership that was a shareholder of the corporation.

The value of the shareholder's benefit must be included only in box O of the RL-1 slip.

In the case of a shareholder who is an employee, if the loan was granted to the person because he or she is a shareholder, the value of the benefit must be calculated as for shareholders and included in box O only. However, if the loan was granted to the person because he or she is an employee, the value of the benefit must be calculated as for employees and included in boxes A and L.

In the case of a person who is connected to a shareholder and does not contract the debt by reason of an office or employment, the value of the benefit must be calculated as for shareholders who are not employees, and must be included in box O of the person's RL-1 slip (rather than the shareholder's RL-1 slip).

8.7.3 Annual interest rates

The annual interest rates applicable to such debts for 2006 are as follows:

1st quarter	2nd quarter	3rd quarter	4th quarter
3%	4%	4%	5%

Contact a Revenu Québec office to obtain the annual interest rates for 2007.

Example

An employee borrows \$75,000 from the employer on January 20, 2006. The employee reimburses \$1,500 in interest on the loan within 30 days after the end of the year. The value of the benefit is calculated as explained below.

Multiply the prescribed quarterly rate by the amount of the loan. Then multiply the result by the ratio between the number of days in the quarter during which the amount was on loan and the number of days in the year:

3% x \$75,000 x 71/365 days =	\$437.67
4% x \$75,000 x 91/365 days =	\$747.94
4% x \$75,000 x 92/365 days =	\$756.16
5% x \$75,000 x 92/365 days =	\$945.20
Total	= \$2,886.97
Minus: Amount reimbursed by the employee	- \$1,500.00
Employee's taxable benefit	= \$1,386.97

8.7.4 Excluded loans

No benefit is to be calculated with regard to a loan or portion of a loan

- that is included in the income of a person or partnership pursuant to Part 1 of the *Taxation Act*;
- on which the interest is paid or payable to the creditor only by the debtor, and in respect of which the interest rate is equal to or higher than the rate that would have been agreed on, when the loan was contracted, by parties dealing with each other at arm's length,
 - if lending had been part of the creditor's normal activities, and
 - if neither party had contracted the loan because of an office or employment, or by reason of being a shareholder.

8.7.5 Home-relocation and home-purchase loans

The taxable benefit respecting a home-relocation loan or home-purchase loan is calculated in the same way as for interest-free or low-interest loans and debts. However, the amount of interest calculated in (a) in section 8.7.1 must not exceed the interest the individual would have had to pay if interest had been calculated at the rate of 8%, in the case of a debt contracted before May 1, 1987, or, in all other cases, at the rate prescribed or set at the time the debt was contracted.

A loan granted by a financial institution to one of its employees is not considered a taxable benefit if the loan is granted after December 31, 1993, under the Accent on Renovation program, or after September 21, 1995, under the Renovate or Revitalization of Old Neighbourhoods programs.

In the case of a home-relocation or home-purchase loan with a repayment period in excess of five years, the outstanding balance at the end of the five years is considered to be a new debt, in the form of a home-purchase loan, contracted on the same day by the individual. The value of the benefit must therefore be calculated using the prescribed rate in effect on the date this new loan is contracted.

In the case of a home-relocation loan only, the value of the taxable benefit may be deducted in the calculation of the employee's taxable income for a period not exceeding 60 months after the date on which the loan was granted. You must calculate the employee's deduction and write the note "Deduction for a home-relocation loan" (or "Dédution pour un prêt à la réinstallation") in the centre of the RL-1 slip, followed by the amount.

Calculation of the deduction for a home-relocation loan

The deduction is equal to the lowest of the following amounts:

- the interest for the year, calculated at the rate set for the period during which the loan was outstanding, **minus** the interest paid on the loan for the year, by the end of the 30-day period following the end of the year;
- the interest for the period concerned, calculated, at the prescribed rate, as if the loan were for \$25,000;
- the value of any benefit deemed to have been received by the employee during the year with respect to any interest-free or low-interest loan or debt, calculated as described in section 8.7.1.

725.6

However, you must use a different method to calculate this deduction if the individual was

- a foreign specialist working at an IFC;
- a foreign researcher, foreign researcher on a post-doctoral internship or foreign expert working for a business carrying out research in Québec;
- a foreign specialist working in the Montréal international trade zone at Mirabel;
- a foreign professor working for a university in Québec;
- a foreign specialist working at an ITDC;
- a foreign specialist working at a BDC;
- a foreign specialist working at a designated site specialized in biotechnology;
- a foreign specialist working at the Cité du multimédia, the CNNTQ or an NEC;
- a foreign specialist working in E-Commerce Place (Cité du commerce électronique);

- a foreign specialist working in designated premises of the E-Commerce Zone;
- a foreign specialist working for a stock exchange business or a securities clearing-house business;
- a foreign specialist working in the nutraceuticals and functional foods sector in the Québec region; or
- a foreign specialist working at an innovation centre.

For further information, contact Revenu Québec.

Home-relocation loan

A loan granted to an individual or the individual's spouse, where either person began employment duties at a new work location in Canada, provided the following conditions are met:

- The loan is designated by the individual as a home-relocation loan.
- The loan is used to purchase a dwelling or a share of the capital stock of a housing co-operative, where the individual purchases such a share for the sole purpose of obtaining the right to live in a dwelling owned by the co-operative.
- The dwelling is occupied by the individual as his or her new residence and is at least 40 kilometres closer to the new work location than was the individual's former residence.

Home-purchase loan

The portion of a debt contracted by an individual for one of the following purposes:

- to purchase a dwelling or a share of the capital stock of a housing co-operative, where the individual purchases such a share for the sole purpose of obtaining the right to live in a dwelling owned by the co-operative. The dwelling must be occupied by
 - the individual by virtue of whose office or employment the debt is contracted, or a person related to the individual, or
 - a specified shareholder of the corporation by virtue of whose services the debt is contracted, or a person related to the shareholder;
- to repay a debt contracted to purchase such a dwelling or share;
- to repay a loan granted to purchase a residence.

737.18(g), 737.18.13(g), 737.18.35(g), 737.22(e), 737.22.0.0.4(e), 737.22.0.0.8(e), 737.22.0.4(e), 737.22.0.8(e)

8.8 Gifts and rewards

The gifts or rewards you give to employees constitute taxable benefits. In the case of non-monetary gifts or rewards, you must include GST and QST in the value of the benefit.

However, the following gifts and rewards are not considered to be taxable benefits:

- **non-monetary gifts** given to employees for a special occasion (for example, a Christmas gift, or a gift for a birthday, wedding or similar occasion), **to a value of \$500** (including taxes) per year; and
- **non-monetary rewards** given to employees in recognition of certain accomplishments (such as reaching a certain number of years of service, meeting or exceeding safety requirements, or achieving similar objectives), **to a value of \$500** (including taxes) per year.

Gifts and rewards paid in cash, or easily convertible into cash, are **entirely** taxable, as are gifts and rewards for work performance, and premiums paid on the employee's behalf under a plan providing insurance of persons. You must include the value of these benefits in boxes A and L of the RL-1 slip. Please note that gift certificates and smart cards are not considered to be gifts or rewards easily convertible into cash if they must be used to purchase goods or services from a particular business or list of businesses.

For example, if you gave an employee a birthday present worth \$100 and a Christmas present worth \$450, you must include \$500 [(\$100 + \$450) – \$500] in boxes A and L of the RL-1 slip. Had these been cash gifts, the entire amount (\$550) would have to be included in boxes A and L.

The value of gifts and rewards given to employees is fully deductible in the calculation of the employer's income provided the amount is reasonable under the circumstances. This includes gifts and rewards that qualify for the \$500 exemption.

If the reward (other than a reward in recognition of certain accomplishments) is an item that is personalized with the employee's name, a corporate logo or a message, the value of the benefit to be included in the employee's income may be reduced by an amount that is reasonable in the circumstances. If the reward is a plaque, trophy or other memento of nominal value for which there is no market, it is not considered a taxable benefit.

Prizes, including sales and incentive bonuses and other prizes (in cash or in kind) related to sales made in the course of employment or a business, are also taxable benefits. If a portion of a prize or an incentive bonus was paid in kind, the GST and QST must be included, where applicable, in the calculation of the benefit.

For example, an automobile manufacturer that rewards a dealer directly, in cash or in kind, is not required to report the value of the reward on an RL-1 slip. If the dealer subsequently distributes the reward to his or her employees, the value of the employee's respective shares of the reward must be included in boxes A and L of their RL-1 slips. However, if the manufacturer rewards one

of the dealer's employees directly, the manufacturer must file an RL-1 slip in the employee's name, indicating the value of the reward in boxes A and L.

37, 37.1.5

8.9 Moving expenses

The amount you pay or reimburse to an employee for moving expenses for the employee, the employee's family and the employee's household effects constitutes a taxable benefit, **unless** the employee is transferred from one of your establishments to another, or accepts employment in a locality other than the one in which he or she resides. There is no taxable benefit respecting the expenses you pay to move an employee, the employee's family and the employee's household effects out of a remote area when the employment duties there have been completed.

The following payments you make with regard to an employee's move are tax-exempt:

- a payment to cover moving expenses, where the employee is hired to work in a locality other than the one in which he or she resides, where the employee is transferred to another locality, where the employment ends and the employee is returning to his or her former workplace, or where the employee is beginning a new job in one of your other establishments;
- a reimbursement to cover the cost of reconnecting telephone service and cable service, and of hooking up household appliances, provided these costs are reasonable in the circumstances;
- a reimbursement to cover the cost of modifications required to install drapes, blinds, carpets, and plumbing or electrical systems, provided the changes are needed to enable the employee to continue using his or her property in a new residence, and provided the amounts are reasonable in the circumstances.

If you paid an allowance to cover expenses incidental to relocation, include on the RL-1 slip only the portion of the allowance that exceeds an amount equivalent to the employee's salary or wages for two weeks. The amount of salary or wages to be taken into account is the employee's salary or wages on the date he or she begins the new assignment.

39, 348 to 350

8.9.1 Housing loss

If you pay an amount to an employee (or to a related person) as compensation for a loss sustained on the sale of the employee's former residence or for a decrease in the value of the residence (hereinafter referred to as a "housing loss"), the amount constitutes a taxable benefit.

The value of the taxable benefit that you must enter on the RL-1 slip is equal to

- **one-half** of the result of the following calculation: the **total** paid in the year and in a preceding year for the housing loss, **minus** \$15,000;
- **minus** the value of the benefit included in the taxpayer's income in a previous year with respect to the amount paid for the housing loss.

Please note that this calculation applies to amounts that you paid with respect to only one residence for any given move.

At any given time, a housing loss is equal to

- the higher of
 - the highest FMV of the residence within the six-month period ending at that time, or
 - the adjusted cost base of the residence at that time;
- **minus** the lower of
 - the FMV of the residence at that time, or
 - the proceeds of disposition, if the residence was disposed of before December 31 of the following year.

Any amount that you pay to an employee (including the value of any assistance that you grant to the employee) for the acquisition, use, or right of use of a residence is also taxable. For example, you may pay the amount (or grant the assistance) so that the employee can pay or reimburse mortgage interest, property taxes, insurance or costs incurred to keep the former residence in good condition after the move, or so that the employee can pay higher mortgage interest or bridge financing required with respect to the new residence.

37.1.1 to 37.1.4

8.9.2 Loan granted to an employee who relocates

An interest-free or low-interest loan granted after February 23, 1998, to an employee who relocates is considered to be a taxable benefit if it is reasonable to conclude that, were it not for the employee's office or employment, the loan either would not have been granted or would not have been granted under the same terms (see section 8.7).

8.10 Tuition fees

Tuition fees that you pay or reimburse to an employee for personal-interest courses or courses taken by the employee to acquire skills that are unrelated to your business constitute a taxable benefit. For example, fees that you pay for an employee to take a cooking course for personal interest are a taxable benefit. If you pay such fees directly, you must include GST and QST in the value of the benefit.

An amount reimbursed to an employee for books and supplies required for training is taxable in the year in which the amount was reimbursed. You must include the reimbursement in boxes A and L of the RL-1 slip.

The tuition fees that you pay for an employee's child generally constitute a benefit for the employee (not the child).

If the employer is an educational institution that offers courses free of charge to the spouses or children of employees, the institution must include the FMV of this benefit in boxes A and L of the employee's RL-1 slip.

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8.11 Training expenses

Training expenses that you pay or reimburse to an employee are not considered to be a taxable benefit if it is reasonable to conclude that the training significantly benefits you. This rule holds regardless of whether or not the training leads to a diploma or licence.

8.11.1 Training directly related to the employer's activities

Courses taken by an employee to maintain or upgrade skills directly related to your business activities are generally considered to benefit you if it is reasonable to believe that the employee will resume his or her employment for a substantial length of time after the end of the course. Tuition paid for courses leading to a diploma or a licence in a field related to the employee's present or future duties within your business, and other related expenses such as meals, travel expenses and accommodation, do not constitute a taxable benefit.

8.11.2 General training not directly related to the employer's activities

Fees that you pay or reimburse to the employee for other business-related courses (such as language courses, first-aid courses, stress-management courses, and employment-equity courses) are generally considered tax-exempt, even if the training is not directly related to your own business. As a rule, in-house training is not considered to be a taxable benefit.

8.12 User fees for recreational facilities

User fees that the employee would have had to pay for recreational facilities if the facilities had not been provided by you free of charge or for a nominal fee are tax-exempt **provided you derived some advantage for your business**.

The same is true of any membership dues you pay on behalf of the employee for membership in a social club or sports club. However, where such membership serves a social purpose and is of little or no advantage for your business, the related dues you pay **constitute a taxable benefit** for the employee and must be indicated in boxes A and L of the RL-1 slip.

User fees for recreational facilities and membership dues paid to a social club or sports club are not considered to be a taxable benefit if they constitute gifts given to employees for a special occasion or rewards given in recognition of certain accomplishments, **to a maximum of \$500** (including taxes) for all such gifts and rewards given to the employee in the year. For further information on gifts and rewards, see section 8.8.

Moreover, if you provide meals and accommodation free of charge to an employee (for example, at a resort or a hunting or fishing lodge operated by you), the value of this benefit (including GST and QST) must be entered in boxes A and V of the employee's RL-1 slip.

134, IMP. 134-1/R1

8.13 Security options

If your corporation (or a corporation not dealing at arm's length with your corporation) grants an employee a security option (a stock option or an option to purchase mutual fund units), under an agreement that allows the employee to acquire such securities, there is no taxable benefit for the employee at the time the option is granted.

As a rule, the employee will receive a taxable benefit in the year in which he or she acquires the securities covered by the option.

47.18 to 58.0.6, IMP. 50-1

8.13.1 CCPC stock option

An employee or former employee (hereinafter referred to as an "employee") is deemed to receive a taxable benefit **in the year in which he or she sells or exchanges shares acquired under an option**, provided the following conditions are met:

- Immediately after the agreement was reached, the employee was dealing at arm's length with the corporations concerned (i.e., your corporation, the corporation that made the agreement and the corporation that sold or issued the shares to the employee).
- Each of the corporations concerned is a CCPC, and the employee acquired the shares after May 22, 1985 (or before January 1, 1997, under an agreement reached prior to April 24, 1985). If any of the corporations is not a CCPC, the following conditions must be met:
 - The shares were covered by subparagraph 110(1)(d)(i) of the *Income Tax Act* (Statutes of Canada) at the time of sale or issue, as applicable.
 - The shares were acquired between May 22, 1985, and May 3, 1991 (or before January 1, 1997, under an agreement reached prior to April 24, 1985).
 - The amount the employee paid to acquire the shares was equal to or greater than the result of the following calculation: the FMV of the shares at the time the agreement was reached, **minus** the amount paid by the employee for the stock option.

8.13.2 Non-CCPC stock option or option to purchase mutual fund units exercised after February 27, 2000

An employee is deemed to receive a taxable benefit **in the year in which he or she sells or exchanges securities** (listed common shares or mutual fund units) that were acquired after February 27, 2000, provided the employee **elected**, under the *Income Tax Act* (Statutes of Canada), to defer taxation of the resulting benefit. As a result of the election, the benefit is taxed in the year the shares are disposed of rather than in the year they are acquired. The election made under the *Income Tax Act* also applies under the *Taxation Act* (Statutes of Québec). Enter the value of the benefit in box Q of the employee's RL-1 slip and write the note "Security option respecting which an election was made" (or "Option d'achat de titres ayant fait l'objet d'un choix") in the centre of the slip, followed by the amount. Consequently, in the year of disposition, no amount related to the securities is to be included in boxes A and L.

Where your corporation, the corporation that granted the option and the corporation whose shares are acquired by the employee are not one and the same corporation, the corporations are jointly liable for reporting the deferred benefit on the employee's RL-1 slip for the year in which the employee acquires the shares. However, when one of the corporations fulfils this obligation, all of the corporations are considered to have fulfilled it.

8.13.3 Other stock options

In the case of other stock options, an employee receives a benefit **in the year in which he or she purchases the shares**.

As the employer, it is your corporation (not the other corporations involved) that is responsible for including the value of the benefit in boxes A and L of the employee's RL-1 slip for the year in which the benefit is received.

8.13.4 Calculating the benefit respecting a security option

The value of the benefit received by the employee is equal to

- the FMV of the security at the time of acquisition;
- minus the total of
 - the amount paid or payable by the employee to acquire the security, and
 - the amount paid by the employee for the option.

8.13.5 Calculating the deduction for a stock option

An individual who is deemed to have received a benefit in the year with respect to a stock option may be authorized to deduct an amount in the calculation of his or her taxable income for the year. This amount is **equal to 25% of the benefit's value**.

If the benefit results from a sale or exchange of shares of a CCPC, the employee must have held the shares for at least two years in order to be entitled to the deduction, unless the following conditions are met:

- The shares were covered by subparagraph 110(1)(d)(i) of the *Income Tax Act* (Statutes of Canada) at the time of sale or issue, as applicable.
- The amount the employee paid to acquire the shares was equal to or greater than the result of the following calculation: the FMV of the shares at the time the agreement was reached, **minus** the amount paid by the employee for the stock option.

When calculating the amount an individual must pay to acquire shares, do not take into account currency fluctuations that occur between the date the agreement is reached and the date the shares are acquired.

You must also write the note "Security option deduction" (or "Déduction pour option d'achat de titres") in the centre of the RL-1 slip, followed by **25% of the value of the benefit deemed to have been received by the individual**.

However, do not write a note in the centre of the RL-1 slip issued to any of the following persons if the value of the benefit is included in the income (entered in the centre of the person's RL-1 slip) used to calculate the deduction granted to the person:

- a Québec sailor working for an eligible shipowner;
- a foreign specialist working at an IFC;
- a foreign researcher, foreign researcher on a post-doctoral internship or foreign expert working for a business carrying out research in Québec;
- a foreign specialist working in the Montréal international trade zone at Mirabel;
- a foreign professor working for a university in Québec;
- a foreign specialist working at an ITDC;
- a foreign specialist working at a BDC;
- a foreign specialist working at a designated site specialized in biotechnology;
- a foreign specialist working at the Cité du multimédia, the CNNTQ or an NEC;
- a foreign specialist working in E-Commerce Place (Cité du commerce électronique);
- a foreign specialist working in designated premises of the E-Commerce Zone;
- a foreign specialist working for a stock exchange business or a securities clearing-house business;
- a foreign specialist working in the nutraceuticals and functional foods sector in the Québec region;
- a foreign specialist working at an innovation centre.

If your business is an IFC and you have an employee who is not a foreign specialist, contact Revenu Québec.

8.13.6 Calculating the deduction for an option to purchase mutual fund units

An individual who is deemed to have received a benefit in the year with respect to an option to purchase mutual fund units may deduct an amount in the calculation of his or her taxable income for the year. This amount is equal to 25% of the benefit's value.

However, the following conditions must also be met:

- The amount the employee had to pay to acquire the units was equal to or greater than the result of the following calculation: the FMV of the units, at the time the agreement was reached, minus the amount paid by the employee for the option to purchase the units.
- Immediately after the agreement was reached, the employee was dealing at arm's length with the trust that sold or issued the units, with the trust to which the trust in question agreed to sell or issue the units, and with the trust for which he or she worked.
- The units would have been units of a mutual fund trust at the time of sale or issue if the trust had not issued units that were different from those units.
- The units would have been units of a mutual fund trust if they had been sold or issued to the employee at the time he or she disposed of the rights provided for under the agreement, and if the trust had not issued units that were different from those units.

When calculating the amount an individual must pay to acquire units, do not take into account currency fluctuations that occur between the date the agreement is reached and the date the units are acquired.

You must also write the note "Security option deduction" (or "Déduction pour option d'achat de titres") in the centre of the RL-1 slip, followed by 25% of the value of the benefit deemed to have been received by the individual.

725.2, 725.3

8.13.7 Rights arising from security options that can no longer be exercised

An individual who ceases to be able to exercise his or her rights to acquire securities under an agreement, who is not considered by reason of the cessation to have transferred or disposed of the rights, and who has received an amount in exchange for the cessation of the rights is deemed to have disposed of his or her rights at the time of receiving the amount. The amount constitutes consideration for the disposition. Consequently, the individual is deemed to have received a benefit equal to the amount received, minus the amount he or she paid to acquire the rights.

However, if on more than one occasion the individual received amounts with respect to the cessation of his or her rights, all of the amounts that the individual received previously relative to the cessation must be subtracted from the amount that the individual is deemed to have paid to acquire the rights in question.

8.13.8 Rule applicable if the employee dies before exercising the security option

An employee who owned a security option immediately prior to his or her death is deemed to have received for the year of death a benefit equal to the result of the following calculation: the value of the option, immediately after the time of death, minus the amount paid by the employee to acquire the option. Write the note "Benefit related to security options at the time of death" (or "Avantage pour option d'achat au décès") in the centre of the RL-1 slip, followed by the value of the deemed benefit.

8.13.9 Special cases

This brochure does not provide information pertaining to the tax treatment of

- exchanges, sales and transfers of security options;
- the sale or exchange of shares of a CCPC that an employee acquired before May 23, 1985, under an agreement reached after April 23, 1985;
- the sale or exchange of shares (acquired further to the exercise of a stock option) in the course of a reorganization or recapitalization of the corporation;
- the replacement of a stock option plan.

For further information, contact a Revenu Québec office.

8.14 Parking provided or reimbursed by the employer

As a rule, a parking space that you provide to an employee free of charge (or at a price below the FMV), or any reimbursement you make to the employee for the cost of a parking space, is considered to be a taxable benefit. The value of the benefit corresponds to the FMV of the parking space minus any amount reimbursed by the employee for its use.

However, the value of this benefit is sometimes difficult to quantify, as when the land comprising the parking space is an integral part of your establishment (or of a shopping centre in which your business is located), or when there are not enough parking spaces for all employees and the spaces available are used on a first-come, first-served basis. As the value of the benefit received by the employee in such cases cannot be determined, the benefit is not taxable.

If the parking space is provided to the employee mainly for your benefit, the employee is not considered to receive a taxable benefit. This is the case, as a rule, where an employee is granted the use of a parking space for a motor vehicle that, under the employment contract, he or she must use on a regular basis to carry out employment duties. Consequently, an employee is not considered to receive a taxable benefit if he or she is required under an employment contract to carry out most of his or her duties away from the employer's establishment (to which the employee must nonetheless report from time to time). The same is true in the case of an employee whose duties consist in transporting merchandise (on a daily basis) using a motor vehicle.

The GST and QST must be included in the employee's taxable benefit.

37, 41.4

8.15 Frequent-flyer program

Generally, an employee who merely accumulates frequent-flyer points as a result of taking business trips paid for by you is not considered to receive a taxable benefit.

However, if the employee accumulates such points and exchanges them in order to obtain, for his or her personal use, one of the benefits available under the program, he or she is considered to receive a taxable benefit.

If you **control** the number of points accumulated by the employee, you must calculate the value of the employee's taxable benefit. This value is equal to the FMV of all the benefits received by the employee under the program. In the case of an airline ticket, for example, the value of the benefit equals the FMV of the ticket (issued in the name of the employee or of a member of the employee's family). However, you must also take into account certain restrictions that may affect the FMV, such as whether the ticket is for first-class, business-class or economy-class.

If you **do not control** the number of points accumulated by the employee, it is the employee who must determine the FMV of all frequent-flyer points received and exchanged for personal use, and must include the benefits in his or her income.

Frequent-flyer program

A program sponsored by an airline, under which a frequent air traveller can accumulate points that may subsequently be exchanged for additional air travel or other benefits.

8.16 Location incentives

Location incentives paid to a salaried physician are taxable and must be entered in boxes A and L of the RL-1 slip.

8.17 Merchandise discounts and commissions on certain sales

If you sell merchandise to an employee at a reduced price and the discount is reasonable under the circumstances, the employee is not generally considered to receive a taxable benefit, except in the following situations:

- The employee buys merchandise from you that was neither obsolete nor damaged, at below-cost prices.
- You made a special agreement with this employee or a selected group of employees, allowing for the purchase of merchandise at a discount.

An employee who receives a discount on merchandise from a person other than you is generally not considered to receive a taxable benefit, unless the discount is granted further to an arrangement between you and the vendor of the merchandise. For instance, such a benefit would be taxable if the employer and the vendor of the merchandise had an arrangement under which their respective employees were entitled to discounts at the other employer's business.

Where the benefit is taxable, its value is equal to the difference between the FMV of the merchandise (including the GST and QST) and the price paid by the employee.

Commissions received by a salesperson on goods purchased for his or her use are not taxable benefits. The same rule generally applies to commissions received by a life insurance agent respecting a life insurance policy he or she takes out, provided the agent underwrites the policy and is responsible for paying the premiums. However, commissions that a life insurance agent receives further to acquiring an annuity contract or a segregated fund policy for investment purposes are taxable.

8.18 Remission of debts

An employee who receives a benefit during the year with regard to the remission of a debt (whether the debt is a loan or other type of debt) is considered to have received a taxable benefit. The value of this benefit is deemed to be the **amount forgiven** when the debt is settled or discharged. The **forgiven amount** is equal to

- the lower of the following amounts:
 - the principal, or
 - the amount for which the debt was contracted;
- **minus** any amount paid on the principal of the debt and any adjustments that reflect the extent to which the unpaid amount was otherwise taken into account for income tax purposes under the *Taxation Act*.

For a more complete definition of "forgiven amount," refer to sections 37.0.1 and 485 of the *Taxation Act*.

37.0.1, 485

8.19 Counselling services

The counselling services that you pay for or provide to an employee do not constitute a taxable benefit if they pertain to tobacco-, drug- or alcohol-related problems, or to stress management. However, the benefit must not be attributable to an amount expended or disbursed for an activity referred to in section 134 of the *Taxation Act*.

Re-employment counselling and retirement counselling are not considered a taxable benefit.

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8.20 Subsidized school services

School services provided to an employee's children free of charge are not considered a taxable benefit if the employee worked in a remote area where no public school body provided education. However, this does not apply in the case of tuition fees that would normally be paid by the employee.

8.21 Uniforms and special clothing

As a rule, the uniforms and special clothing you provide to employees for use on the job do not constitute a taxable benefit. This means that if you provide a distinctive uniform that must be worn at work, or special clothing or equipment designed to protect employees from work hazards, there is no taxable benefit for the employee.

An allowance granted for the acquisition or care of clothing is also tax-exempt, provided

- the allowance does not exceed a reasonable amount;
- the allowance is granted for the acquisition and care of clothing that the employee is required to wear at work pursuant to his or her employment contract; and
- the clothing the employee is required to wear at work is **different** from the clothing he or she ordinarily wears.

To determine whether clothing is distinctive, you must judge it on the basis of its intrinsic characteristics and not on the basis of the employee's usual attire. In other words, clothing is distinctive if it is not suitable to be worn elsewhere than at work. For example, the safety equipment worn by construction workers is distinctive; consequently, an allowance for such equipment is not considered a taxable benefit.

In the case of a police officer who, in performing his duties as a plainclothes investigator, is required to wear street clothes that meet the requirements of his employer (a tailored suit, overcoat and jacket), Revenu Québec is prepared to be more liberal in evaluating the distinctive nature of the clothing.

Reimbursements made to an employee for expenses related to the acquisition and care (for example, laundry or dry-cleaning costs) of distinctive clothing are tax-exempt, provided the employee submits the appropriate vouchers and is required under his or her employment contract to wear the clothing at work.

39, 39R1, IMP. 39-2

8.22 RRSP contributions made by the employer

The contributions that you make to an RRSP of which your employee or his or her spouse is the annuitant, and that were not withheld from the employee's remuneration, are considered a taxable benefit. You must include them in boxes A and L of the employee's RL-1 slip.

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8.23 Tools

If you reimburse an employee for tools required in his or her work, the reimbursement is taxable for the year it was made. Include such reimbursements in boxes A and L of the employee's RL-1 slip.



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Message to employers!

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By filing online you can

- avoid certain calculations, because some data are totalled as soon as they are entered;
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Your RL-1 slips

By filing online you can

- send your slips directly to Revenu Québec;
- print out copies that meet official standards and remit them to your employees;
- avoid having to enter certain data, because data pertaining to employees are saved from one year to the next.

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Jonquière

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Laval (Québec) H7N 5Y3

Longueuil

Place-Longueuil
825, rue Saint-Laurent Ouest
Longueuil (Québec) J4K 5K5

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- Complexe Desjardins
C. P. 3000, succursale Desjardins
Montréal (Québec) H5B 1A4
- Village Olympique, pyramide Est
5199, rue Sherbrooke Est, bureau 4000
Montréal (Québec) H1T 4C2
- Les Galeries Saint-Laurent
2215, boulevard Marcel-Laurin
Saint-Laurent (Québec) H4R 1K4

Québec

3800, rue de Marly
Québec (Québec) G1X 4A5

Québec

200, rue Dorchester
Québec (Québec) G1K 5Z1

Rimouski

212, avenue Belzile, bureau 250
Rimouski (Québec) G5L 3C3

Rouyn-Noranda

19, rue Perreault Ouest, RC
Rouyn-Noranda (Québec) J9X 6N5

Saint-Jean-sur-Richelieu

855, boulevard Industriel
Saint-Jean-sur-Richelieu (Québec) J3B 7Y7

Sept-Îles

391, avenue Brochu, bureau 1.04
Sept-Îles (Québec) G4R 4S7

Sherbrooke

2665, rue King Ouest, 4^e étage
Sherbrooke (Québec) J1L 2H5

Sorel-Tracy

101, rue du Roi
Sorel-Tracy (Québec) J3P 4N1

Trois-Rivières

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Trois-Rivières (Québec) G9A 2G7

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Information concerning individuals and individuals in business

Québec City area	Montréal area	Toll-free
418 659-6299	514 864-6299	1 800 267-6299

Information concerning businesses, employers and consumption taxes

Québec City area	Montréal area	Toll-free
418 659-4692	514 873-4692	1 800 567-4692

Information service for persons with a hearing impairment
Montréal 514 873-4455 Elsewhere in Canada 1 800 361-3795

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