Revenue Canada
Customs, Excise and Taxation

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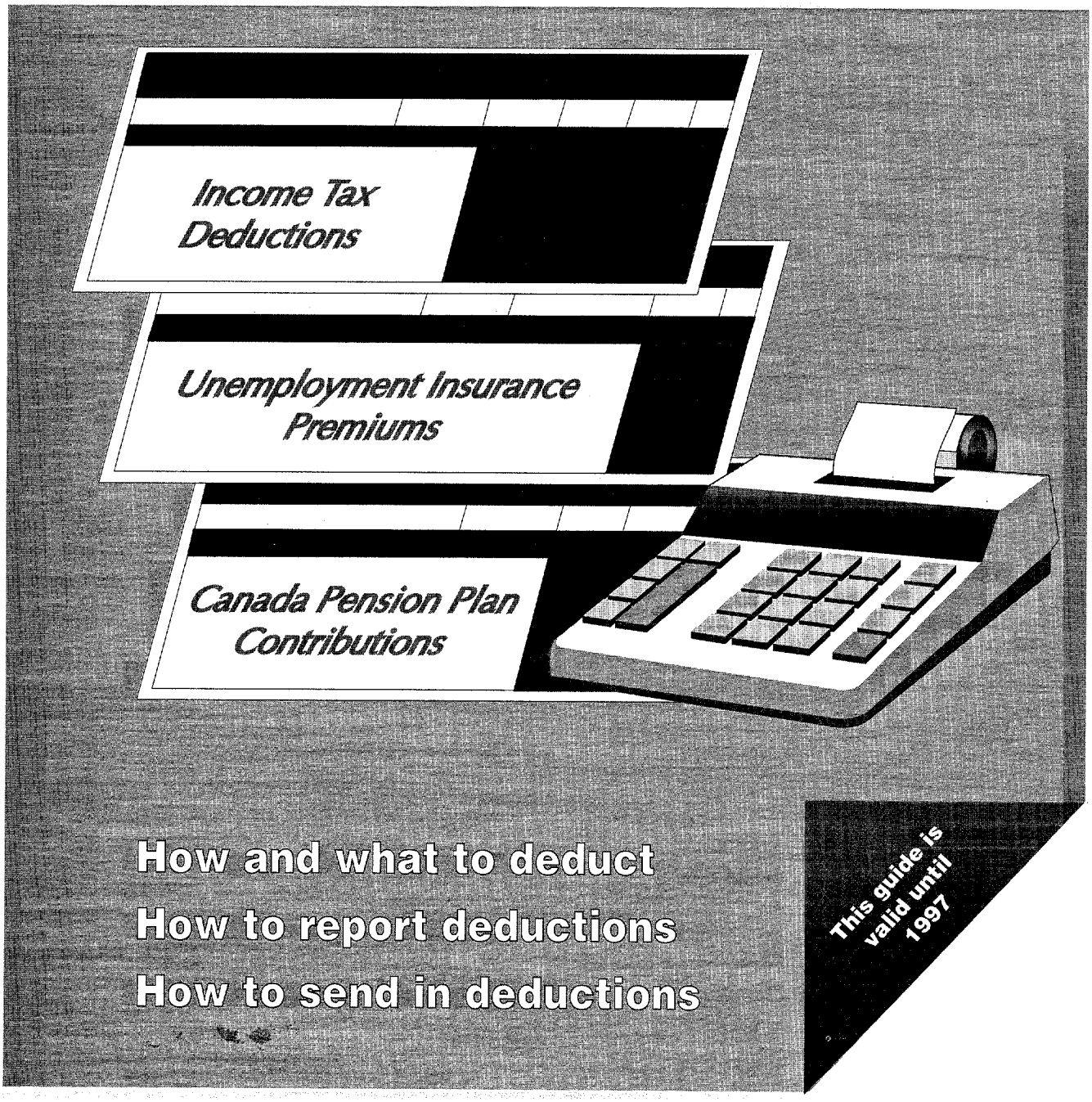
1993 to 1997

Employers' Guide to Payroll Deductions

Taxable Benefits and Non-Resident Information



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Fact Sheet

Revenue Canada Changes its Tax Guide for Employers

This guide complements the *Employers' Guide to Payroll Deductions — Basic Information.* Revenue Canada — Customs, Excise and Taxation is encouraging employers to keep this new tax guide for the next four years as part of the Department's ongoing efforts to save both paper and money.

As long as there are no major legislative changes, Revenue Canada plans to print and distribute its *Employers' Guide to Payroll Deductions — Taxable Benefits and Non-Resident Information* once every four years instead of annually. This new guide will combine information from two previous publications — the *Employers' Guide to Automobile Benefits* and some information that we previously provided in the *Employers' Guide to Payroll Deductions.*

Employers will continue to receive up-to-date information. Each year, the Department will send employers updates along with any forms they are required to file. The updates will provide employers with basic information on their tax obligations, and any legislative changes that have taken place during the year. To allow employers to keep their guide and updates in a binder, Revenue Canada will produce these publications in a three-hole-punched format with a detachable spine.

The Department is also making a number of other changes to the guide based on consultations it has had with clients. In addition, the text will be written in plain language to make it easier to read.

The changes to this publication are part of Revenue Canada's ongoing commitment to provide the best possible service to its clients in an efficient and cost-effective way. If employers have any questions about the changes or about their tax obligations, they can contact their local income tax office.

Contents

For more detailed information about the contents, refer to the table of contents at the beginning of each chapter.

This guide uses plain language to explain the most common tax situations. If you need more help after you read this guide, please contact your Revenue Canada income tax office.

Problem Resolution Program

Revenue Canada — Customs, Excise and Taxation is always looking at ways to make it easier for you to file your information returns, deduct and send in your remittances, and resolve any problems you may have.

We deal with the majority of your payroll-related questions and concerns through regular channels. In other words, if you have a problem, call, write, or visit the General Enquiries section of your Revenue Canada income tax office. However, if after contacting the General Enquiries section, your problem is not resolved to your satisfaction, you should get in touch with a Problem Resolution Program co-ordinator at the number listed at the back of this guide.

We welcome your suggestions

We review this guide each year. If you have any comments or suggestions that would help us improve the information it contains, we would like to hear from you.

Please send your comments to:

Client Assistance Directorate
Room 8000
400 Cumberland Street
Ottawa ON K1A 0L8

Ordering Publications

Throughout this guide, we mention other publications that cover topics in more detail. To order these publications, complete the **order form** at the back of this guide. Your Revenue Canada income tax office can fill your order by mail, telephone, or in person. We have listed the addresses and telephone numbers at the end of this guide. If you mail the order form, allow three weeks for delivery.

What's New?

This section outlines the changes that have taken place since last year. Major changes are highlighted in pink.

This guide includes tax changes announced by the Minister of Finance. These had not yet become law at the time of printing. However, we are getting ready to apply them.

Goods and services tax (GST) component on taxable benefits

As of 1992, you had to calculate the taxable GST component on benefits paid to employees based on the gross amount of the benefits without taking into account any amounts that are reimbursed by the employee for these benefits.

Automobile benefits

Under proposed legislation, beginning in 1993, if you pay any amount of operating expenses related to the personal use of an automobile you provide to an employee, you will have to calculate the operating cost benefit using a charge based on a fixed rate of 12¢ per kilometre of personal use. In addition, the requirement to calculate a taxable GST component on this particular benefit has been eliminated.

A work sheet has been created and included in this publication. It will assist you in determining the value of automobile benefits.

Group term life insurance over $25,000: employer-paid premiums

In Ontario, beginning in 1993, the taxable benefit for certain insurance premiums that employers pay may be affected by the 8% provincial sales tax.

New measures that the province of Quebec has adopted now impose a taxable benefit on the total amount of group life insurance premiums that an employer located in Quebec pays.

Stock options

Under proposed legislation, the effect of foreign exchange gains and losses will be eliminated when determining if an individual is eligible for the stock option and shares deduction. This change will apply to the 1992 and following taxation years.

Chapter 1
Automobile Benefits

Contents

* * *

This chapter explains the income tax implications with regard to benefits and allowances related to employees' and shareholders' use of employee and employer-provided automobiles. It explains how these taxable benefits and allowances are calculated.

Definitions

Read through the following explanations. They will help you understand certain terms and expressions used in the information that follows.

Automobile

An automobile includes:

- a motor vehicle that is designed or adapted primarily to carry not more than the driver and eight passengers on highways and streets (see definition of "Motor vehicle" later in this section);
- a station wagon or van if it is equipped to carry at least the driver and three passengers, but not more than the driver and eight passengers.

An automobile **does not** include:

- an ambulance;
- a motor vehicle bought primarily to be used as a taxi;
- a bus used for transporting passengers;
- a hearse used in connection with funerals;

- a van, pick up, or similar vehicle that:
  - in the taxation year it is bought, carries not more than the driver and two passengers and is used primarily for the transportation of goods or equipment in the course of business; or
  - in the taxation year it was bought, is used 90% or more of the time to transport goods, equipment, or passengers in the course of business.

Motor vehicle

A motor vehicle is an automotive vehicle designed or adapted to be used on highways and streets. It does not include a trolley bus or a vehicle designed or adapted to be used exclusively on rails.

Automobile availability

We consider an automobile to be available to employees as long as they have access to, or control over, the vehicle. Access ends only when an employee returns all the automobile's keys to the employer.

If the employee does not use the automobile for personal driving, there is **no** taxable benefit, even if the vehicle was available to the employee for the entire year. This applies as long as the employer requires the employee to use the automobile in the course of the office or employment.

Personal driving

Personal driving is any driving by an employee, or a person related to the employee, for purposes other than business. This includes:

- vacation travel;
- driving for personal business;
- travel between home and work (even if you insist that the employee drive the vehicle home).

We do not consider it personal driving if you require, or allow, the employee to travel directly from home to a point of call (e.g., a salesperson visiting customers), other than your place of business to which the employee regularly reports, or to return home from that point.

The employee may have to reimburse you for personal use of the automobile. If this happens, reduce the total automobile benefit by the reimbursed amount.

The automobile's cost to the employer

The cost of the automobile to the employer is the total of the following two amounts:

- the cost of the automobile at the time you buy it, including options, accessories, and the provincial sales tax (PST) but **not** including the goods and services tax (GST), and any reduction for trade-in; **plus**
- the cost of additions (including PST but **not** including GST) made to the automobile after you bought it (when you add the additions to the capital cost of the automobile, for depreciation purposes).

Note

When you calculate the standby charge, remember that we do not consider specialized equipment added to the automobile to meet the requirements of the employment (e.g., cellular phones, two-way radios, heavy-duty suspension, power winches) to be part of the automobile's cost.

Leasing costs

Leasing costs include:

- the rental cost for the automobile; and
- any associated costs such as maintenance contracts, excess mileage charges, terminal charges, and PST that you pay to the lessor under the leasing contract.

Leasing costs do not include GST or liability and collision insurance costs.

Automobile benefits

An employee, partner, or shareholder receives a taxable benefit if you, your partnership, or corporation, or a person related to you, provide an automobile to the employee, partner, or shareholder, or a person related to the employee, partner, or shareholder.

The benefit to the employee becomes part of the employee's remuneration, and you must report it on the employee's T4 Supplementary. Similarly, the benefit to the shareholder is part of the shareholder's income and you must report it on the shareholder's T4A Supplementary.

The benefit is generally the total of the following amounts:

- a standby charge;
- a taxable GST benefit related to the standby charge[1]; and
- an operating cost benefit.

Standby charge

This amount represents the benefit that an employee gets when an employer's automobile is available for personal use. You calculate the standby charge differently depending on whether you **own** or **lease** the automobile:

Automobiles you own

Base the standby charge on:

- 2% of the automobile's cost to you;
- the number of 30-day periods in the year the automobile was available to the employee (when you divide the number of days the automobile was available to the employee by 30, round off the resulting amount to the nearest whole number);
- the personal driving the employee did in the period the automobile was available to the employee; and
- the amount of any payment (reimbursement) you received from the employee in respect of the standby charge.

Fleet operations — You may operate a fleet or pool of automobiles from which an employee uses several automobiles during the year. If an employee is assigned an automobile from a fleet or pool on a long-term or exclusive basis, you must base the standby charge on the automobile the employee has been assigned. However, if the fleet is mostly all the same, or can be grouped into a minimal number of homogeneous groups, you can calculate the standby charge based on the average cost of the group from which you provide the automobile. You and the employee must agree to this. For further information, see IT-63, *Benefits, Including Standby Charge for an Automobile, from the Personal Use of a Motor Vehicle Supplied by an Employer.*

Automobiles you lease (lessee)

Base the standby charge on:

- two-thirds of the cost of your automobile lease;
- the number of 30-day periods in the year the automobile was available to the employee (when you divide the number of days the automobile was available to the employee by 30, round off the resulting amount to the nearest whole number);
- the personal driving the employee did in the period the automobile was available to the employee; and
- the amount of any payment (reimbursement) you received from the employee in respect of the standby charge.

[1] As of 1992, you had to calculate the taxable GST component related to the standby charge based on the gross amount of the benefit without taking into account any amounts the employee reimbursed.

Lump-sum lease payments — Lump-sum payments you make at the beginning or end of a lease, that are not a payment to purchase the automobile, will affect the standby charge for the automobile. Prorate the lump-sum payment **you make at the beginning** of a lease over the life of the lease.

If you **make a lump-sum payment at the end** of a lease, it is considered a terminal charge. This means your lease costs should have been higher and the standby charge for the automobile has been understated. In this situation, you can:

- prorate the payment over the term of the lease and amend the T4 or T4A Supplementary of those individuals who used the vehicle; or
- add the terminal charge to the lease costs in the year the lease is terminated.

As long as you and your employee agree, and none of the relevant years are statued barred, you can choose which method to use. In either case, include the GST benefit.

A lump-sum payment **received at the end** of a lease is considered a terminal credit. When this occurs, the standby charge for the automobile has been overstated since the lease costs should have been lower. In this situation, you should amend the T4 and T4A Supplementaries of the individuals who used the automobile (provided they agree), and give them a letter explaining the reduction. These individuals can then write to us and ask us to adjust their returns.

Reducing the standby charge

The standby charge can be reduced if the automobile is used at least 90% of the time for business purposes and the total kilometres for personal use are less than 12,000 a year.

Automobile salespersons and leasing agents

You can reduce the standby charge for individuals you employ in selling or leasing automobiles if:

- the individual is employed principally to sell or lease automobiles;
- your automobile was made available to that individual or to someone related to that individual; and
- you acquired at least one automobile during the year.

If you would like, you can use the rate of 1.5% instead of 2%, and calculate the cost of your automobile as the greater of the following two amounts:

- the average cost of all automobiles you acquired to sell or lease in the year; or
- the average cost of all **new** automobiles you acquired to sell or lease in the year.

Operating cost benefit

Where an employer, or a person related to an employer, provides an automobile to an employee and pays for the operating expenses related to personal use, the payment of these expenses represents a taxable benefit to the employee.

Under proposed legislation, beginning in 1993, if you pay any amount of operating expenses related to the personal use of an automobile you provide to an employee, you have to calculate the operating cost benefit using a charge based on a fixed rate of 12¢ per kilometre of personal use.

Example

If your employee used 4,000 kilometres for personal use, the operating cost benefit would be:

4,000 km × 12¢ per km = $480

No benefit will accrue where the employee fully reimburses you for **all** operating expenses attributable to personal use within 45 days after the end of the year. A full reimbursement is considered to have been made only where the employee pays back the portion of all operating expenses (including GST) paid or payable by the payor, attributable to personal use.

If the employee reimburses you **part** of the vehicle's operating costs within 45 days after the end of the year, deduct the payment from the calculated benefit.

Example

- You provide your employee with an automobile.
- The total distance driven by the employee during the year was 30,000 kilometres.
- The personal distance driven by the employee during the year was 10,000 kilometres.
- You paid the costs associated with maintenance, licences and insurance for a total of $1,000.
- The portion of the operating expenses that relates to the employee's personal use of the automobile is calculated as follows:

$$\left(\frac{10{,}000 \text{ km}}{30{,}000 \text{ km}} \times \$1{,}000\right) = \$333$$

If the employee reimburses the **total** amount of $333 within 45 days following the end of the year you do not have to calculate an operating cost benefit for this employee.

However, if the employee only reimburses $100 of the expenses you paid, within 45 days following the end of the year, you must calculate the operating cost benefit as follows:

10,000 km × 12 ¢ per km = $1,200

$1,200 – $100 = $1,100

Note

The use of this method does not exempt employers from maintaining records regarding this benefit.

Optional calculation of the operating cost benefit

You can reduce the vehicle's operating cost benefit if:

- a standby charge is included in the employee's income;
- your employee uses the automobile more than 50% for business purposes; and
- your employee notifies you in writing, before the end of the taxation year, to use this method.

If your employee meets these three conditions, calculate the operating cost benefit of the automobile at 1/2 of the standby charge, before deducting any payments (reimbursements) your employee, or a person related to your employee, makes.

If the employee reimburses you part of the vehicle's operating costs within 45 days after the end of the year, deduct the payment from the calculated benefit.

Work sheet — *Calculation of Automobile Benefits for 1993 and Subsequent Taxation Years*

The following work sheet will help you calculate the value of an employee's automobile benefits. The amount determined represents the taxable benefit you have to report in box 14 and 34 of the T4 Supplementary or, if applicable, in box 28 of the T4A Supplementary. Please note that this work sheet is not available separately in your income tax office.

Note

This form includes tax changes announced by the Minister of Finance. These had not yet become law at the time of printing. However, we are getting ready to apply them.

CALCULATION OF AUTOMOBILE BENEFITS FOR 1993 AND SUBSEQUENT TAXATION YEARS

Last name	First name	Social insurance number
Address		

PLEASE READ THE FOLLOWING INSTRUCTIONS CAREFULLY:

1. PST means Provincial Sales Tax, GST means Goods and Services Tax.
2. For the meaning of "cost of automobile" see the definitions at the beginning of this chapter.
3. The number of days the automobile was available to the employee must be determined for the entire calendar year (including weekends and holidays).
4. * When you divide the total days available by 30, round off the result to the nearest whole number if it exceeds one.

   Examples: Available 20 days ÷ 30 = 0.67 (do not round off).
   Available 130 days ÷ 30 = 4.33 (round to 4).
   Available 135 days ÷ 30 = 4.50 (round to 4).
   Available 140 days ÷ 30 = 4.67 (round to 5).
5. The "highest average cost of autos" is the greater of the following amounts:
   a) the average cost of all automobiles you acquired to sell or lease in the year; or
   b) the average cost of all **new** automobiles you acquired to sell or lease in the year.
6. Calculate the standby charge at a reduced rate if both of the following conditions are met:
   a) you require the employee to use the automobile in the performance of his or her duties of office or employment; and
   b) the employee uses the automobile at least 90% of the time for business purposes.
7. Keep in mind that the "Optional calculation" in "Step 3 – Operating cost benefit" may not be beneficial in all cases.

Step 1 – Standby charge: choose 1, 2, or 3

1) Employer owned automobile: cost of auto **(including PST, excluding GST)** ..... $ _____ x 2% $ _____ (1)
2) Employer leased automobile (lessee): monthly leasing cost **(including PST, excluding insurance)** ..... $ _____ x 2/3 $ _____ (2)
3) Employee sells or leases autos: highest average cost of autos, **including PST** (see 5 above) ..... $ _____ x 1.5% $ _____ (3)

Reducing the standby charge (see 6 above)

Amount from 1, 2, or 3 above $ _____ x Number of days auto available to employee / 30 * x [Personal kilometres _____ ÷ (Number of days auto available to employee / 30 * x 1,000) = _____] $ _____ (4)

Less: Employee reimbursements attributable to standby charge ..... $ _____ (5)

Standby charge benefit (if negative, enter "0") ..... $ _____ (A)

Step 2 – GST component on standby charge: choose 1, 2, or 3

1) Employer owned automobile: cost of auto **(excluding PST and GST)** ..... $ _____ x 2% $ _____ (1)
2) Employer leased automobile (lessee): monthly leasing cost **(excluding PST and insurance)** ..... $ _____ x 2/3 $ _____ (2)
3) Employee sells or leases autos: highest average cost of autos, **excluding PST** (see 5 above) ..... $ _____ x 1.5% $ _____ (3)

Reducing the standby charge (see 6 above)

Amount from 1, 2, or 3 above $ _____ x Number of days auto available to employee / 30 * x [Personal kilometres _____ ÷ (Number of days auto available to employee / 30 * x 1,000) = _____] $ _____ (4)

Multiply the amount at line 4 above by the GST factor ..... x 7%

(GST) component on standby charge ..... $ _____ (B)

(see reverse)

Step 3 – Operating cost benefit

You do not have to calculate an operating cost benefit when the employee reimburses you for all operating expenses attributable to personal use within 45 days after the end of the year.

Basic calculation

Complete this calculation if both of the following conditions are met:

a) the employee does not reimburse or only partially reimburses you for operating expenses attributable to personal use within 45 days after the end of the year; and

b) the employee did not elect to use the "Optional calculation."

Personal kilometres driven ..... _____ x 12¢ = $ _____ (1)

OR

Optional calculation

You may use this calculation, if both of the following conditions are met:

a) the employee uses the auto 50% or more for business purposes; and

b) the employee requests (in writing before the end of the year) that you use this method.

(Standby charge: amount (A) $ _____ + Employee reimbursements attributable to standby charge $ _____) x 50% = $ _____ (2)

Amount 1 or 2 above ..... $ _____

Minus: Employee reimbursements attributable to the operating cost benefit made within 45 days after the end of the year ..... $ _____

Operating cost benefit (if negative, enter "0") ..... $ _____ (C)

Total of amounts (A), (B), and (C) (Employee taxable benefit to be reported in box 14 and box 34 of T4 Supplementary or, if applicable, in box 28 of the T4A Supplementary) ..... $ _____

Payroll deductions and reporting automobile benefits

To make payroll deductions easier to calculate, you can estimate in advance the yearly value of the automobile benefit by using the work sheet discussed earlier in this chapter.

After you have estimated the value of the benefit, prorate the amount to the employee's pay period. Add the resulting amount, and the value of other benefits to the employee's salary in order to arrive at the total amount subject to payroll deductions of tax, Canada Pension Plan (CPP) contributions, and Unemployment Insurance (UI) premiums per pay period. At the end of the year, or when that person is no longer your employee, recalculate the benefit using the automobile's actual availability, and the kilometres driven for the taxation year. Adjust the last pay accordingly.

After you have calculated the final amount, report it in box 14 "Employment income before deductions," and in box 34, "Personal use of employer's auto" on the employee's T4 Supplementary for the taxation year. If a shareholder receives the benefit in his or her capacity as a shareholder, report the benefit on a T4A Supplementary in box 28 "Other Income." If a shareholder receives the benefit in his or her capacity as an officer or employee, report the benefit on the T4 Supplementary.

Partnerships

You have to include a standby charge plus the related GST component in the income of a partner or an employee of a partner, if a partnership makes an automobile available for personal use to:

- a partner, or a person related to the partner; or
- an employee of a partner, or a person related to an employee of a partner.

Automobile allowances

An employer's allowance to an employee is different than a reimbursement. A **reimbursement** is a payment an employer makes to an employee as a repayment for amounts the employee spent while conducting the employer's business. Generally, the employee completes a claim or expense report detailing the amounts spent. The reimbursement, which becomes part of the employer's business expenses, is not included in the employee's income.

However, an **allowance** is a payment an employer makes to an employee in addition to the employee's remuneration. For example, when an employer pays an employee a flat rate of $250 per month, or 30¢ per business kilometre, for the use of the employee's automobile in conducting the employer's business, we consider such a payment to be an allowance.

Non-taxable allowances

If you pay your employees a reasonable allowance for the use of their own automobile, you do not have to include this amount in their income.

An allowance for the use of an automobile is considered reasonable only if:

- it is based solely on the number of business kilometres driven in a year;
- the rate per kilometre is reasonable; and
- you did not reimburse the employee for expenses that relate to the same use.

An exception to this rule applies if you reimburse an employee for toll or ferry charges, supplementary business insurance, or parking if you have determined the allowance without including the reimbursed expenses.

Note

The type of vehicle and the driving conditions generally determine whether an automobile allowance is considered reasonable. The automobile allowance rates per kilometre we usually consider reasonable are the amounts prescribed in the *Income Tax Regulations*.

The current rates are:

- 31¢ per km for the first 5,000 kilometres;
- 25¢ per km thereafter; and
- an additional 4¢ per km for travel in the Yukon and Northwest Territories.

These rates are used for determining the maximum amount that may be deducted by an employer and, therefore, are only a guideline.

Payroll deductions and reporting of automobile allowances

In the following sections, the term "allowance" refers to an amount you pay your employees to use their own automobile to carry on your business. There are four different types of allowances.

- **Your employee is paid an automobile allowance based solely on a reasonable per-kilometre rate.**

  This amount is not included in income and is not taxable. It is not subject to income tax deductions, CPP contributions, or UI premiums. Do not report this amount on the employee's T4 Supplementary.

- **Your employee is paid a flat-rate automobile allowance.**

  This allowance is not deemed to be a reasonable allowance. The total amount paid is subject to income tax, CPP, and UI deductions. Include the yearly total of the flat-rate allowance in box 14 "Employment income before deductions" and in box 40 "Other taxable allowances and benefits" on the employee's T4 Supplementary. When your employee completes an individual income tax return, he or she may be able to deduct the allowable expenses, providing the conditions of paragraph 8(1)(f) or (h.1) of the *Income Tax Act* are met. Your employee has to complete Form T2200, *Declaration of Conditions of Employment*, and include it with his or her tax return.

- **Your employee is paid an automobile allowance that is based on a per-kilometre rate that we do not consider reasonable**

  In this case, the total amount is subject to income tax, CPP, and UI deductions. Include the yearly total of these allowances in box 14 "Employment income before deductions" and in box 40 "Other taxable allowances and benefits" on your employee's T4 Supplementary. When your employee completes an individual income tax return, he or she may be able to deduct the allowable expenses, providing the conditions of paragraph 8(1)(f) or (h.1) of the *Income Tax Act* are met. Your employee has to complete Form T2200, *Declaration of Conditions of Employment*, and include it with his or her tax return.

- **Your employee is paid both a flat-rate automobile allowance PLUS a reasonable per-kilometre automobile allowance.**

  We consider these to be two separate allowances. The flat-rate allowance is **included** in income, and the reasonable per-kilometre allowance is **excluded** from income. An employee in this situation would not usually be able to claim automobile expenses since the employee received an allowance that was excluded from income. However, we offer administrative relief to employees who receive both types allowances. When the employee completes an individual income tax return, both automobile allowances are included in income and the employee can claim allowable expenses. The employee must complete Form T2200, *Declaration of Conditions of Employment*, and include it with his or her tax return.

  You have to deduct income tax, CPP, and UI from the flat-rate allowance. The reasonable per-kilometre allowance is **not** subject to these deductions.

  Report the yearly total of the allowances on the employee's T4 Supplementary as follows:

  - Include the yearly total of the employee's flat-rate allowance in box 14 "Employment income before deductions" and in box 40 "Other taxable allowances and benefits."
  - Do not include the yearly total of the employee's reasonable allowance in box 14 "Employment income before deductions" or in box 40 "Other taxable allowances and benefits." Enter the yearly total of the reasonable per-kilometre allowances in the Footnotes area only, as follows:

    Plus total reasonable per-km allowance of $_____

Averaging allowances

You cannot average a flat-rate or lump-sum automobile allowance at the end of the year to determine a reasonable per-kilometre rate.

To comply with the rules on automobile allowances, employees must file expense claims with you on an ongoing basis in order to claim a per-kilometre allowance. We understand, however, the administrative problems that can result from this. As a result, we are providing you with an alternative. If you make accountable advances to employees for automobile expenses, the advances are not taxable if they meet the following conditions:

- There is a pre-established per-kilometre rate that is not more than a reasonable amount.
- The rate and the advances are reasonable under the circumstances.
- You document this method in the employee's record.
- No other provision of the *Income Tax Act* requires the advances to be included in the employee's income.

If you meet **all** these conditions, we will not tax the accountable advances for the automobile allowance.

The employee has to account for the business kilometres travelled and any advances received. This must be done on the date the employee ceases employment in the year, or by the calendar year-end, whichever is earlier. At that time, you must pay any amounts you owe the employee, and the employee must repay any amount over expenses. **It is not acceptable for you to simply report the excess advances on the employee's T4 Supplementary.**

Reducing tax deductions at source on certain automobile allowances

In many cases, automobile allowances that are not based solely on a reasonable per-kilometre rate can later be substantially offset by the employee's expense deductions when the employee completes an individual income tax return. The employee can ask to reduce or eliminate payroll deductions (commonly called a "waiver") from the allowance. To do this, the employee has to send a request to the Source Deductions section at his or her district taxation office and include the following information:

- an estimate of the total automobile allowances the employee will receive in the year;
- an estimate of the business kilometres the employee will drive in the year;
- an estimate of the employee's automobile expenses for the year; and
- the amount for which the waiver is being requested.

If you have a number of employees in the same situation, you can obtain a bulk waiver for the group instead of individual waivers. For more information, contact your district taxation office.

Don't forget

1. **Automobile benefits — calculation of the operating cost benefit**
   For the 1993 and subsequent taxation years, if your employee has chosen not to, or is unable to use the optional operating cost benefit, calculate the operating cost benefit using a charge based on a fixed rate of 12¢ per kilometre of personal use, minus any reimbursement your employee makes within 45 days after the end of the year.

   No benefit will accrue where the employee fully reimburses you for **all** operating expenses attributable to personal use within 45 days after the end of the year. A full reimbursement is considered to have been made only where the employee pays back the portion of all operating expenses (including GST) paid or payable by the payor, attributable to personal use.

2. **Automobile benefits — work sheet**
   The work sheet will help you calculate the value of an employee's automobile benefit. The result obtained represents the taxable benefit you have to report in boxes 14 and 34 of the T4 Supplementary or, if applicable, in box 28 of the T4A Supplementary.

3. **Non-taxable automobile allowances**
   The automobile allowance rates per kilometre we usually consider reasonable are the amounts prescribed in the *Income Tax Regulations*. The current rates are:
   - 31¢/km for the first 5,000 kilometres;
   - 25¢/km thereafter; and
   - an additional 4¢/km for travel in the Yukon and Northwest Territories.

   These rates are used for determining the maximum amount that may be deducted by an employer and, therefore, are only a guideline.

Chapter 2
Other Taxable Benefits

Contents

* * *

There are many types of benefits that you may have to include in an employee's income. Whether or not the benefits are taxable depends on the type of benefit, and the reason an employee or officer receives it. In this chapter, we list and describe certain benefits, and tell you if they are taxable.

Report most taxable benefits on a T4 Supplementary, or in some cases on the T4A Supplementary.

There is a goods and services tax (GST) component on many of the taxable benefits that you include in employment income for income tax purposes. The GST component is considered a separate taxable benefit. The benefit is 7% of the amount of the taxable benefit. However, this does not apply to:

- cash remuneration (such as salary, wages, and allowances);
- a taxable benefit that is an "exempt supply" (as defined in the *Excise Tax Act*); or
- a "zero-rated supply" (as defined in the *Excise Tax Act*).

Note

As of 1992, you had to calculate the taxable GST component on benefits paid to employees based on the gross amount of the benefits, without taking into account any amounts reimbursed by the employee for those benefits.

You can find more information about the GST component throughout this chapter when we explain each taxable benefit.

Educational allowances

If you pay any amounts to an employee as an educational allowance for the employee's child, you have to include these amounts in the employee's income for the year.

However, under certain conditions the educational allowance is not taxable. If you would like more information, contact your Revenue Canada income tax office.

If any part of the educational services provided are taxable, calculate a taxable GST component of 7% (net of any provincial sales tax).

Employee counselling services

The fees you pay to provide services such as financial counselling or income tax preparation for an employee are usually considered a taxable benefit to the employee who receives the benefit. This applies whether you pay the fees directly or indirectly.

The taxable GST component on such a taxable benefit is 7% of the amounts included in the benefit (net of any provincial sales tax).

Some employee counselling services are exempt from tax. Counselling services are not considered to be a taxable benefit if they relate to:

- the mental or physical health (e.g., tobacco, drug, and alcohol abuse, as well as stress management) of an employee, or a person related to an employee (this does not include amounts for the use of recreational or sporting facilities and club dues);
- an employee's reemployment; and
- an employee's retirement.

Gifts

A gift, either in cash or in kind, that you give to an employee is considered a benefit from employment. However, if the gift is for a wedding, Christmas, or similar occasion and is $100 or less, you do not have to include the amount in the employee's income if you agree not to claim the cost of the gift as an expense when you calculate taxable income.

This policy only applies to one gift per employee per year. However, you are allowed to give two gifts in the year an employee marries, as long as one of them is a wedding gift.

If the gift is all in cash, there is no taxable GST component. If any part of the gift is in kind, calculate the taxable GST component on the taxable benefit as 7% of the amounts included in the benefit (net of any provincial sales tax).

Group term life insurance over $25,000: employer-paid premiums

If you pay the premiums for a group term life insurance policy for your employees or officers, part of the premiums may be a taxable benefit. The taxable benefit is the part of the premium that provides for coverage over $25,000. If the employee pays you back for the premiums, reduce the amount of the benefit by the amount the employee reimbursed. For more information, see Interpretation Bulletin IT-227, *Group Term Life Insurance Premium*, and its Special Release.

There is no taxable GST component on this benefit.

Notes

In Ontario, beginning in 1993, the taxable benefit for certain insurance premiums that employers pay may be affected by the 8% provincial sales tax.

New measures that the province of Quebec has adopted now impose a taxable benefit on the total amount of group life insurance premiums that an employer located in Quebec pays.

For more details, contact your income tax office.

Holiday trips, other prizes, and incentive awards

A holiday trip, an all-expenses-paid vacation, or any other award you may give an employee is considered a taxable benefit from employment. The value of the benefit is the fair market value of the trip or vacation.

If you give an employee a prize, or an award related to sales or other work performance, the amount the employee receives is considered employment income. This applies whether the payment is in cash or in kind.

If a manufacturer of items or goods gives prizes, cash awards, or awards in kind **to the dealer** of the items or goods, the manufacturer does not have to report the prizes or awards on an information slip. However, if the dealer passes the prizes or awards on to an employee, the dealer has to report the cash payment or the value of the benefit in boxes 14 and 40 on the employee's T4 Supplementary.

If a manufacturer gives a cash award or a prize directly **to the employee** of a dealer or other sales organization, the manufacturer has to report the value of the award or prize as a benefit in box 28, "Other income", on a T4A Supplementary.

If you would like more information, see Interpretation Bulletin IT-470, *Employees' Fringe Benefits*, and its Special Release.

There is no taxable GST component on the part of a prize or award that you give in cash. However, if any part of the prize or award is in kind, the taxable GST component on the taxable benefit is 7% of the amount included in the benefit (net of any provincial sales tax).

Housing, board, and lodging

If you provide a house, apartment, or similar accommodation rent-free to an employee, or for less than the fair market value of such accommodation, the employee is considered to receive a taxable benefit. As the employer, you have to estimate a reasonable amount for the benefit. This is usually the fair market value for the same type of accommodation, **less** any rent the employee paid. Report the taxable benefit on the employee's T4 Supplementary in box 14 and box 30, "Housing, board, and lodging."

If you provide a rent-free or low-rent residence or other accommodation to a **member of the clergy** who is in charge of, or ministers to, a diocese, parish, or congregation, you have to estimate the value of the benefit and report it on the individual's T4 Supplementary. This also applies to clergy members who occupy a full-time administrative position by appointment of a religious order or denomination. If the clergy members inform you in writing that they will claim a deduction from income for the residence or other accommodation, do not include the value of this benefit in their income for source deduction purposes.

If you provide **free** board and lodging to an employee, the employee is considered to have received a taxable benefit. As a result, you must add to the employee's remuneration the fair market value of the board you provide. Report this amount on the employee's T4 Supplementary in box 14 and box 30, "Housing, board, and lodging."

If you provide **subsidized** board and lodging to an employee, determine the value of the benefit for "board" as described in the next section, "Subsidized meals." The lodging benefit is the fair market value of the accommodation, **less** any amount the employee paid. Report the benefits on the employee's T4 Supplementary in box 14 and box 30, "Housing, board, and lodging."

We make an exception to these rules when you provide board and lodging to an employee who works at a remote location, or a special work site. For more information, see "Employment at special work sites and remote locations" in Chapter 8 of the *Employers' Guide to Payroll Deductions — Basic Information.*

When you provide a house, apartment, or similar accommodation to an employee, the value of the accommodation is generally not subject to GST as long as the employee occupies it for at least one month. To find out if the accommodation you provide your employee is subject to GST, contact your nearest Excise/GST office for more information. If GST applies to the accommodation, calculate the taxable GST component as 7% of the amount of the benefit (net of any provincial sales tax) that has to be included in income.

Subsidized meals

If you provide subsidized meals to an employee (e.g., in an employee dining room or cafeteria), these meals are not considered a taxable benefit as long as the employee pays a reasonable charge. A reasonable charge is one that covers the cost of the food, its preparation, and service. The value of the benefit is the cost of the meals **less** any payment the employee makes. Include the taxable benefit in box 14 and box 30, "Housing, board, and lodging," on the employee's T4 Supplementary.

The taxable GST component on subsidized meals is 7% of the amounts included in the benefit (net of any provincial sales tax).

Interest-free and low-interest loans

You have to include in income any benefits that an individual receives as a result of an interest-free or low-interest loan because of **employment or shareholdings**. The benefit is the amount of interest that would have been paid for the year at the prescribed interest rates (see "Prescribed rates of interest" discussed later in this section) **less** the amount of interest that the borrower pays on the loan in the year (or within 30 days after the end of the year). Some loans (see "Exceptions" discussed later in this section) are excepted from this rule, and special rules apply to home-relocation and home-purchase loans.

Include the benefit in box 14, and enter it in box 36 of the T4 Supplementary. If you file a T4A instead of a T4, enter the benefit in box 28, "Other income," on the T4A Supplementary.

There is no taxable GST component on these benefits.

Loans received because of employment

An employee is considered to receive a taxable benefit if the employee receives a loan because of employment or intended employment. Any individual may receive the loan, including the employee or the employee's spouse. Also, a loan includes any other indebtedness (e.g., the unpaid purchase price of goods or services).

The taxable benefit the employee receives in the taxation year is the total of the following two amounts:

a) the interest on each loan and debt, calculated at the prescribed rate for the period in the year during which it was outstanding;

b) interest on the loan or debt that was paid or payable for the year by you the employer (for this purpose, an "employer" is a person or partnership that employed or intended to employ the individual, and also includes a person related to the person or partnership);

minus the total of the following two amounts

c) the interest for the year that any person or partnership paid on each loan or debt within 30 days after the end of the year; and

d) any part of the amount in b) that the employee pays back to the employer within 30 days after the end of the year.

Note

Sometimes these rules do not apply. See "Exceptions," discussed later in this section, for more information.

If you would like information about similar taxable benefits resulting from loans received by virtue of services performed by a corporation that carries on a personal services business, see Interpretation Bulletin IT-421, *Benefits to Individuals, Corporations and Shareholders from Loans or Debt.*

Example

Joshua is your employee. He borrowed $150,000 from you and agreed to pay it back. The prescribed rate for the loan is 11% for the first quarter of the year, 12% for the second quarter, and 13% for the third and fourth quarters. Joshua paid you $8,000 interest on the loan within 30 days after the end of the year. Also, during the year, a company related to you paid $3,000 interest on the loan on Joshua's behalf. Before the end of the same year, Joshua paid back the company that paid the $3,000. This is how you would figure out the benefit to include in Joshua's income:

a) Prescribed rate × loan amount for the period in the year:

• 11% × $150,000 × 1/4 =	$4,125	
• 12% × $150,000 × 1/4 =	4,500	
• 13% × $150,000 × 2/4 =	9,750	$18,375

plus

b) Amount paid by a third party		3,000
		$21,375
minus		
c) Amount of interest paid ($8,000 + $3,000) =	$11,000	
d) Amount Joshua pays back	3,000	14,000
Benefit to Joshua		$ 7,375

Loans received because of shareholdings

Loans received because of shareholdings are considered taxable benefits when the following conditions are met:

- the loan is received by a person or a partnership (except when the person is a corporation resident in Canada, or the partnership is one in which each partner is a corporation resident in Canada);
- this person or partnership is:
  - a shareholder of a corporation;
  - connected with a shareholder of a corporation; or
  - a member of a partnership, or a beneficiary of a trust, that was a shareholder of a corporation; and
- because of these shareholdings, the person or partnership receives a loan from, or incurs a debt to that corporation, a related corporation, or a partnership of which that corporation or any related corporation was a member.

If these conditions are met, we consider that the person or partnership (i.e., shareholder) received a benefit in the taxation year which is equal to:

- the interest on each loan and debt calculated at the prescribed rate for the period in the year during which it was outstanding;

minus

- the interest for the year paid by any party (e.g., the person or partnership) on each loan or debt in the year, or within 30 days after the end of the year.

Note

A "person" includes an individual, a corporation, or a trust.

Exceptions

There is no benefit to the borrower for loans received because of employment or shareholdings when the following occurs:

a) The rate of interest on the loan or debt equals, or is more than, the rate that two parties who deal with each other at arm's length would have agreed upon at the time the debt arose. This is the rate that would apply on a commercial loan received other than through an office, employment, or shareholding. This exception does not apply if a party who is not the borrower pays any part of the interest from the loan or debt.

b) All or part of the loan is included in the income (e.g., a loan or debt forgiven in whole or in part) of a person or partnership. In this case, the rules concerning benefits do not apply to the amount included in income.

Loans for home relocation or home purchase

A loan for **home relocation** is a loan you give to an employee or an employee's spouse when he or she meets all the following conditions:

- the employee, or the employee's spouse, moves to start work at a new location in Canada;
- the loan is used to buy a new home that is at least 40 kilometres closer to the new work location than the previous home;
- the employee or the employee's spouse receives the loan because of the employee's employment; and
- the employee designates the loan to be a home-relocation loan.

When a taxable benefit (received because of employment) for a home-relocation loan is included in an employee's income, the employee can deduct whichever of the following amounts is the least:

a) the difference between the interest for the year at the prescribed rate (see "Prescribed rates of interest" discussed later in this section) for the period the loan was outstanding, and the interest paid on the loan in the year or within 30 days after the end of the year;

b) the interest (calculated at the prescribed rate) on a $25,000 loan; or

c) the benefit that you included in the employee's income for "Loans received because of employment" in the year.

Note

The deduction for the home-relocation loan is only available for the first five years of the loan.

A loan for a **home purchase** is any part of a loan to an employee that was used to acquire, or repay, another loan to purchase a dwelling to house that employee or a person related to that employee. This also applies to a shareholder or a person related to a shareholder.

For a home-purchase loan or a home-relocation loan, the amount of interest that you calculate as a benefit for "Loans received because of employment" should not be more than the interest that would have been charged at the prescribed rate in effect when the loan was made or the debt was incurred.

A home-purchase loan or a home-relocation loan may have a term of repayment that is more than five years. In this case, we consider the balance owing at the end of five years (from the day the loan was made) to be a new home-purchase loan that the person receives on that date. To determine the benefit, use the prescribed rate in effect at that time.

How do you report these benefits?

Report the benefits in this way:

- If an employee receives a loan or incurs a debt because of employment, report the benefit on a T4 Supplementary slip. Enter the amount of the benefit in box 36 and box 14. Make sure you identify the amount the employee can deduct. In the box "footnotes," enter: "Box 36, Home loan $_____."
- If a person or partnership that was a shareholder (or was related to a shareholder) receives a loan or incurs a debt, you generally have to report the benefit on a T4A Supplementary. Enter the amount in box 28, "Other income," on the borrower's T4A Supplementary. In the area marked "footnotes" (box 38), enter: "Box 28 $_____ benefit under subsection 80.4(2)." In the footnote code box, enter code 17.

Deductibility of deemed interest benefit

The taxable benefit that you include in an individual's income (see the previous sections, "Loans received because of employment" or "Loans received because of shareholdings") is the borrower's interest expense for the year. If the borrower uses the funds to earn income from business, property, or employment, the borrower may be able to deduct this interest from income. You still have to include the full benefit in the earnings you report on the T4 or T4A Supplementary slips.

Prescribed rates of interest

The following chart shows the prescribed rates of interest:

Quarterly rates

Quarter	1985	1986	1987	1988	1989	1990	1991	1992	1993
1st	12%	9%	9%	9%	11%	13%	13%	9%	8%
2nd	10%	11%	8%	9%	12%	13%	11%	8%	7%
3rd	10%	10%	8%	9%	13%	14%	10%	7%	6%
4th	10%	9%	9%	10%	13%	14%	9%	6%	5%

Medical expenses paid by an employer

If you pay for, or provide an amount to pay for, an employee's medical expenses in a taxation year, these amounts are considered a taxable benefit to the employee. For more information, see Interpretation Bulletin IT-519, *Medical Expenses and Disability Tax Credits.*

Some medical expenses that qualify for the medical expense tax credit may be subject to GST. Any taxable GST component on such a taxable benefit is 7% of the amounts included in the benefit (net of any provincial sales tax).

If you have any questions about how the GST applies in this case, contact your nearest Excise/GST office.

Municipal officer's expense allowance

A municipal corporation or board may pay an expense allowance to an elected officer to perform the duties of that office.

If the expense allowance is **more** than one-third of the officer's total salary and allowances, the excess amount is a taxable benefit. Enter it in box 40, and include the amount in box 14 of the T4 Supplementary slip.

If the expense allowance is **not more** than one-third of the officer's total salary and allowances, do not include this amount in the officer's income. In the "footnotes" area of the T4 slip, enter: "Municipal officer's allowance, not included in box 40, $_____."

There is no taxable GST component on this type of allowance.

If you would like more information, see Interpretation Bulletin IT-292, *Taxation of Elected Officers of Incorporated Municipalities, School Boards, Municipal Commissions and Similar Bodies*, available at your income tax office.

Premiums under provincial hospitalization and medical care insurance plans, and certain federal government plans

An employee may be paying premiums or contributing to a provincial hospital and/or medical care insurance plan. If this is the case, and you

- pay all or part of these amounts out of your own funds; or
- pay an amount to the employee for these premiums;

the amount you pay is considered a taxable benefit to the employee.

In addition, if you are the former employer of an employee who has retired, any amounts you pay as a contribution to a provincial health services insurance plan for the retired employee are a taxable benefit. Report this benefit in box 28 of a T4A Supplementary. In the "footnotes" area, enter: "Box 28, Medical premium benefit: $_____." In the footnote code box, enter code 18. If you need more information, see Interpretation Bulletin IT-247, *Employer's Contribution to Pensioners' Premiums Under Provincial Medical and Hospital Services Plans.*

Any amount that the federal government pays for premiums under a hospital or medical care insurance plan for its employees and their dependants serving outside Canada is a taxable benefit. This also applies to dependants of members of the RCMP and Armed Forces serving outside Canada.

There is no taxable GST component on this type of benefit.

As an employer, if you have to pay amounts to a provincial or territorial authority that administers a hospital or medical insurance plan, the payments you make are not considered a taxable benefit to employees.

Registered retirement savings plans (RRSPs)

Contributions you make to an employee's RRSP are considered a taxable benefit to the employee. This does not include an amount you withheld from the employee's remuneration and contributed on the employee's behalf.

There is no taxable GST component on this benefit.

Stock options

When a corporation enters into an agreement to sell or issue its shares to an employee, the employee may receive a taxable benefit. The taxable benefit is the difference between the fair market value of the shares when the employee acquires them, and the amount paid, or to be paid, for them. In addition, a benefit can accrue to the employee if the employee's rights under the agreement become vested in another person, or if the employee transfers or sells the rights.

There is no taxable GST component on this benefit.

Include this benefit in box 14, and report it in box 38 of the T4 Supplementary. Indicate the deduction that the employee can claim in the "footnotes" area of the T4. This amount is one-quarter of the amount you include in box 38.

There are two sections in the *Income Tax Act* that entitle an employee to claim a "stock option and shares deduction":

- paragraph 110(1)(d) for all other shares and options; and
- paragraph 110(1)(d.1) for shares or options issued by a Canadian-controlled private corporation.

Make sure you indicate the correct section in the "footnotes" area of the T4 Supplementary.

For paragraph 110(1)(d)

We consider the employee to have received the benefit in the **same** year he or she acquired the shares. The employee can claim a deduction under paragraph 110(1)(d) of the *Income Tax Act* if:

- after February 15, 1984, a corporation agreed to sell or issue to the employee a share of its capital stock, or the capital stock of another corporation that it does not deal with at arm's length;
- the employee dealt at arm's length with these corporations immediately after the agreement was made;
- the share was a prescribed share at the time of its issue or sale, whichever the case may be; and
- the price of the share is not less than its fair market value at the time the agreement was made.

The employee's deduction is one-quarter of the amount of the benefit that arises because shares were acquired, or rights for shares were transferred or otherwise disposed of after 1989. In the "footnotes" area of the T4 Supplementary, identify the amount of the deduction that the employee can claim under paragraph 110(1)(d) of the *Income Tax Act*. To do this, enter: "Stock option 110(1)(d) $_____." This amount is one-quarter of the amount in box 38.

Note

Under proposed tax changes, the effect of foreign exchange gains and losses will be eliminated when determining if an individual is eligible for this deduction. This change will apply to the 1992 and following taxation years.

For paragraph 110(1)(d.1)

We consider the employee to have received the benefit in the year the employee disposes of the shares, and **not** in the year the employee acquires them if:

- at the time the agreement (to sell or issue shares to the employee) was concluded, the issuing or selling corporation was a Canadian-controlled private corporation;
- the employee acquired shares after May 22, 1985; and
- the employee dealt at arm's length with the corporation or any other corporation involved, immediately after the agreement was concluded.

In this case, the employee can claim a deduction under paragraph 110(1)(d.1) of the *Income Tax Act* if:

- the shares are disposed of in the year;
- the employee did not dispose of the shares within two years of acquiring them; and
- the employee did not deduct an amount under paragraph 110(1)(d) for the benefit.

The deduction that the employee can claim is one-quarter of the amount of the benefit for shares disposed of or exchanged after 1989. In the "footnotes" area of the T4 Supplementary, identify the amount of the deduction the employee can claim under paragraph 110(1)(d.1). To do this, enter: "Stock option 110(1)(d.1) $_____." This amount is one-quarter of the amount in box 38.

Note

"Arm's length" refers to parties that are not related in any way other than as employer and employee.

If you would like more information on stock options and shares, see Interpretation Bulletin IT-113, *Benefits to Employees - Stock Options.*

Travelling expenses

If a spouse accompanies an employee on a business trip, the amount you reimburse the employee for the spouse's travelling expenses is a **taxable benefit** to the employee.

The reimbursement is not considered a taxable benefit if the spouse went at your request, and was mostly engaged in business activities during the trip. For more information, see Interpretation Bulletin IT-131, *Convention Expenses.*

The taxable GST component on this type of taxable benefit is 7% of the amounts included in the benefit (net of any provincial sales tax).

Travelling allowances to a part-time employee

If you give a part-time employee a reasonable allowance, or reimburse the employee for travelling expenses to and from a part-time job, you do not have to include the amount in the employee's income. This applies as long as:

- you and the part-time employee are not related to each other;
- during the period the expenses were incurred, the part-time employee had other employment or carried on a business; and
- the duties of part-time employment were performed at a location no less than 80 kilometres from both the employee's home and principal place of employment or business.

For more information, see Interpretation Bulletin IT-522, *Vehicle and Other Travelling Expenses - Employees.*

Tuition fees, scholarships, and bursaries

If you pay tuition fees for an employee, or reimburse (in whole or in part) an employee for tuition fees the employee paid, the fees are considered a taxable benefit. The amount you pay has to be included in the employee's income in the year that you make the payment. Tuition fees that you paid for a person related to your employee, are also considered a benefit to the employee. If you reimburse the employee for books and supplies, these amounts are also taxable in the year you make the payment. However, these amounts are not considered tuition fees.

Tuition fees you pay are **not** taxable if you ask the employee to take the course for your benefit rather than for the employee's. This is usually the case if the employee takes the course during regular working hours, and you give the employee time off with pay to take it. This can also occur if you ask the employee to take the course on the employee's own time because there isn't enough time during regular working hours. Generally, when an employee takes a course on his or her own time, this usually indicates that the employee is taking the course for his or her personal benefit.

If a student, during or immediately after employment with you, makes an arrangement with you which gives the student a scholarship or bursary on condition that the student returns to your employ, the amount of the scholarship or bursary is considered to be the student's employment income.

If, as part of an educational institution, you provide free tuition for an employee, or the employee's spouse or child, include the fair market value of the benefit in the employee's income.

If you need more information, see Interpretation Bulletins IT-75, *Scholarships, Fellowships, Bursaries, Prizes and Research Grants*, IT-470, *Employees' Fringe Benefits*, IT-516, *Tuition Tax Credit*, and their Special Releases, as well as Information Circular 75-23, *Tuition Fees and Charitable Donations Paid to Privately Supported Secular and Religious Schools*.

Certain tuition fees may be subject to GST. If the payment or provision of tuition fees results in a taxable benefit to an employee, and if the fees are subject to GST, the taxable GST component on the taxable benefit is 7% of the benefit (net of any provincial sales tax).

Wage-loss replacement plans or premiums paid to an income maintenance plan

If you pay a premium to a wage-loss replacement plan or an income maintenance plan on behalf of an employee, the premium is considered a taxable benefit if you pay it to a **non-group** plan that is:

- a sickness or accident insurance plan;
- a disability insurance plan; or
- an income maintenance insurance plan.

There is no taxable GST component on this benefit.

Disability-related employment benefits

Certain benefits that you may provide to employees with a disability are not taxable.

Reasonable transportation costs between an employee's home and work location are not taxable if you pay them to, or for, an employee who:

- is legally blind; or
- has a severe and prolonged mobility impairment.

These transportation costs can include an allowance for taxis or specially designed public transport and parking that you provide or subsidize for these employees.

You may have an employee with a severe and prolonged mental or physical impairment. If you provide any reasonable benefits for an attendant to help the employee perform his or her duties of employment, these benefits are not taxable to the employee. The benefits can include readers for the blind, signers for the deaf, and coaches for the mentally handicapped.

Note

Do not deduct tax or CPP contributions from these disability-related employment benefits. However, they are insurable and you have to deduct UI premiums as a result.

Discounts on merchandise and commissions on sales

If you usually sell merchandise to your employees at a **discount**, the benefit they get from this is not usually considered a taxable benefit. However, this does not apply:

- to a special arrangement you make with a particular employee or a select group of employees to buy merchandise at a discount;
- to an arrangement where you allow an employee to buy merchandise (other than old or soiled merchandise) for less than your cost; or
- when there is a reciprocal arrangement between two or more employers where employees of one employer can buy merchandise at a discount from another employer.

If you sell merchandise to an employee at below cost, the taxable benefit is the difference between the fair market value of the goods and the price the employee paid.

A **commission** that a sales employee receives on merchandise he or she bought for personal use is not taxable. Similarly, when a life insurance salesperson acquires a life insurance policy and receives a

commission on the policy, the commission is not taxable as long as he or she owns the policy and has to make the required premium payments.

If a taxable benefit arises under any discount arrangement, the taxable GST component on the benefit is 7% of the amounts included in the benefit (net of any provincial sales tax).

Premiums under a private health services plan

If you make a contribution to a private health services plan for an employee, there is no taxable benefit to the employee.

Do not deduct income tax from benefits you provide to an employee under a private health services plan. For more information, see Interpretation Bulletin IT-339, *Meaning of Private Health Services Plan*.

Recreational facilities

Generally, if you supply recreational facilities for your employees' general use, the value of any benefit the employees receive when they use the facilities is **not taxable**. This applies whether you provide the facilities free of charge or for a fee.

If you pay fees for an employee to be a member of a social or athletic club, and it is clear that the employee's membership is primarily to your advantage, the fees you pay are **not a taxable benefit** to the employee.

You generally have to include the value of meals, lodging, or both **as a taxable benefit** in the employee's remuneration, if you provided them at a property you own (e.g., at a summer hotel or hunting lodge that you maintain). The taxable GST component on this type of taxable benefit is 7% of the amounts included in the benefit (net of any provincial sales tax).

Moving expenses

When you transfer an employee from one of your places of business to another, the amount you pay or reimburse the employee for certain moving expenses is not considered a taxable benefit. This includes any amounts incurred to move the employee, the employee's family, and household effects. This also applies when the employee accepts employment at a different location from the location of his former residence.

Also, if you pay certain expenses to move an employee, the employee's family, and household effects, out of a remote place when the employment duties there have been completed, the amount you pay is not a taxable benefit.

The following expenses are not considered a taxable benefit to the employee if you paid or reimbursed them:

- the cost of house-hunting trips to the new location, which includes child and pet care expenses while the employee is away;
- travelling costs (including a reasonable amount spent for meals and lodging) while the employee and members of the employee's household were moving from the old residence to the new residence;
- the cost to the employee of transporting or storing household effects while moving from the employee's old residence to the new residence;
- costs to move personal items such as an automobile, boat, or trailer;
- charges and fees to disconnect a telephone, television aerial, water, space heaters, air conditioners, gas barbecues, automatic garage doors, and water heaters;
- fees to cancel a lease;
- mortgage discharge penalties;
- mortgage interest, property taxes, heat, hydro, insurance, and grounds maintenance costs to keep up the old residence after the move, when all reasonable efforts to sell it have not been successful;
- charges to connect and install utilities, appliances, and fixtures that existed at the old residence;
- adjustments and alterations to existing furniture and fixtures to arrange them in the new residence, which includes plumbing and electrical changes in the new residence;

- automobile licence, inspection, and drivers' permit fees, if the employee owned these items at the former location;
- legal fees and land transfer tax to buy the new residence;
- the cost to revise a will, if needed because of the move;
- reasonable temporary living expenses while waiting to occupy the new, permanent accommodation;
- long-distance telephone charges that relate to the sale of the old residence;
- loss on the sale of the old residence as outlined in paragraph 37 of Interpretation Bulletin IT-470, *Employees' Fringe Benefits*; and
- interest costs on bridge financing to buy the new residence, as long as all reasonable efforts have been made to sell the old residence.

If you pay or reimburse moving costs that we do not list above, the amounts may be considered a taxable benefit to the employee.

The taxable GST component on this type of taxable benefit is 7% of the amounts included in the benefit (net of any provincial sales tax).

Allowances that an employee does not have to account for are called "non-accountable allowances." We consider a non-accountable allowance for incidental relocation or moving expenses of **up to $650** to be a reimbursement of expenses that the employee incurred because of the move. Therefore, this type of allowance is not taxable. To be considered a reimbursement for incidental expenses, the employee has to certify in writing that expenses were incurred for at least the amount of the allowance, up to a maximum of $650.

Example

- If an employee received a non-accountable allowance of less than $650, and certifies that expenses were incurred for the amount of the allowance, the employee will not be taxable on the amount received.
- If the employee receives an amount that is more than $650, the employee will not be taxable on the portion of the expenses he or she can certify, up to a maximum of $650.

Do not report the amount of the reimbursement on a T4 or T4A Supplementary. Report any part of the non-accountable allowance that is over $650 in the usual way.

There is no taxable GST component on these allowances.

If you do not reimburse, or only partly reimburse, an employee for moving expenses, the employee may be able to claim some of the moving expenses as a deduction from income when filing an income tax return. If you or the employee would like more information, see Interpretation Bulletin IT-178, *Moving Expenses*, and its Special Release, and the pamphlet, *Are You Moving?*. Both are available at any income tax office.

Subsidized school services

In remote areas, employers often take responsibility for essential community services that a municipality usually provides. If you provide free or subsidized school services for your employees' children, the employees are not considered to receive a taxable benefit. This does not include an educational allowance you pay directly to your employees as discussed earlier in this chapter under the heading "Educational allowances."

Transportation to the job

For security or other reasons, there are times when public and private vehicles are neither allowed nor practical at an employment location. As a result, you may need to provide your employees with transportation from pick-up points to that location. This transportation is **not** a taxable benefit. For more information, see "Employment at special and remote work sites and remote locations" in Chapter 8 of the *Employers' Guide to Payroll Deductions — Basic Information.*

Uniforms and special clothing

Employees are **not** considered to receive a taxable benefit when:

- you supply them with a distinctive uniform that they have to wear while they carry out their employment duties; or
- you provide them with special clothing (this includes safety footwear) that is designed to protect them from particular hazards associated with the employment.

When you pay an accountable allowance (where receipts are required) to an employee for the purchase of distinctive uniforms or special protective clothing, this amount is considered to be a reimbursement of expenses and not a taxable benefit.

If you reimburse your employees for the cost of protective clothing that they bought, and they did not have to support their purchase with receipts, the reimbursements are considered a **non-taxable benefit** if:

- the law requires the protective clothing to be worn on the work site;
- the employee purchased the protective clothing; and
- the amount of the reimbursement is reasonable.

If these three conditions are not met, the payments are a **taxable** benefit.

You may pay a laundry or dry cleaner to clean uniforms and special clothing for your employees. You may also reimburse the employees for these expenses. If you do either of these, the amounts you pay are **not** a taxable benefit to the employees.

Volunteer firefighters — expense allowance

Income up to $500 that a volunteer firefighter receives as an expense allowance from a government, municipality, or other public authority is **not** a taxable benefit. Include any amounts that exceed $500 in box 14 of the firefighter's T4 Supplementary.

Employer-provided parking

Employer-provided parking generally constitutes a taxable benefit to the employee. The amount of the benefit is based on the fair market value of the parking **less** any payment the employee makes to use the space. If the fair market value cannot be determined, do not add a benefit to the employee's remuneration. For instance, this could happen in the following situations:

- a business operates from a shopping centre or industrial park, where parking is available to employees and non-employees; or
- an employer provides "scramble" parking (i.e., there are fewer spaces than there are employees, and the spaces are available on a first-come, first-served basis.

To determine if an employee has received a benefit, each case must be examined separately. If you are not sure if employer-provided parking is a taxable benefit, or if you are unable to determine its value, contact your income tax office.

Don't forget

1. **Goods and services tax (GST) component on taxable benefits**
   As of 1992, you had to calculate the taxable GST component on benefits paid to employees based on the gross amount of the benefits, without taking into account any amounts reimbursed by the employee for those benefits.

2. **Holiday trips, other prizes, and incentive awards**
   A holiday trip, an all-expenses-paid vacation, or any other award you may give an employee is considered a taxable benefit from employment. The value of the benefit is the fair market value of the trip or vacation.

3. **Registered retirement savings plans (RRSPs)**
   Contributions you make to an employee's RRSP are considered a taxable benefit to the employee.

4. **Travelling expenses**
   If a spouse accompanies an employee on a business trip, the amount you reimburse the employee for the spouse's travelling expenses is a **taxable benefit** to the employee.

   The amount you pay the employee for expenses is not considered a taxable benefit if the spouse went at your request, and was mostly engaged in business activities during the trip.

5. **Employer-provided parking**
   Employer-provided parking generally constitutes a taxable benefit to the employee. The amount of the benefit is based on the fair market value of the parking less any payment the employee makes to use the space.

   If the fair market value cannot be determined, do not add a benefit to the employee's remuneration.

Chapter 3
Non-Residents

Contents

* * *

If you employ a non-resident, this chapter will tell you how to make all the necessary deductions from the employee's remuneration. It will also give you information about other special situations.

Non-resident employees who perform services in Canada

Non-residents of Canada who are in regular and continuous employment in Canada are subject to tax deductions in the same way as Canadian residents. This applies whether or not the employer is a resident of Canada.

Deducting income tax (Form TD1 — *Personal Tax Credits Return)*

Non-residents employed in Canada, and certain individuals that we consider to be employed in Canada, can claim personal tax credits on their TD1 form. However, they can only do this if they are going to include **90% or more** of their total world income for the year when they determine the taxable income they earned in Canada. Non-residents who report **less than 90%** of their total world income for the year cannot claim personal tax credits. In this case, they have to use claim code 0 on the TD1 form.

A person who claims personal tax credits for non-resident dependants, may only do so for a spouse, and under certain conditions for children, grandchildren, or for the children or grandchildren of a spouse. For further information, see items 2 and 3 on the back of the TD1 form. Please carefully review the TD1 forms that non-resident employees file.

For more information, see Interpretation Bulletins IT-161, *Non-resident's Exemption from Tax Deductions at Source on Employment Income* and its Special Release, IT-168, *Employees of Football, Hockey and Similar clubs*, IT-171, *Non-Resident Individuals — Taxable Income Earned in Canada Special Release*, IT-221, *Determination of an Individual's Residence Status* and its Special Release, and IT-420, *Non-Residents — Income Earned in Canada.*

Which payroll deduction tables should you use for non-residents

Use the tables in *Payroll Deductions Tables for In Canada Beyond the Limits of Any Province or Outside Canada* for the following non-resident individuals:

- employees engaged outside Canada for the performance of services outside Canada;
- teachers formerly resident in Canada whom we consider to be employed in Canada;
- workers employed in certain foreign or overseas employment;
- offshore oil and gas workers in Canada beyond the limits of any province; and
- students abroad who receive a taxable amount such as a scholarship, bursary, or research grant from a Canadian source.

These payroll deduction tables also apply to non-resident individuals engaged in Canadian employment. Examples of this are commuters, sojourners, or workers from abroad who work for a term or for seasonal periods in agricultural or other occupations. It can also include foreign students from abroad who are periodically employed, or who receive a taxable amount such as a scholarship, bursary, or research grant from a Canadian source.

To determine the amount of tax to withhold from non-resident employees, see Chapter 4 of the *Employers' Guide To Payroll Deductions — Basic Information.*

Remitting deductions

If you deduct amounts for tax, CPP, and UI from non-residents engaged in regular and continuous employment, send us the amounts in the same way you do for residents. Send in the deductions with remittance Form PD7A, *Remittance Form For Current Source Deductions.*

Penalties

You are subject to penalties if you do not deduct tax from non-resident employees (this includes employees who are deemed residents because they lived in Canada for 183 days or more in the year). If this happens, you will be liable to pay as tax the amount you should have deducted. This will include a penalty, plus interest on the penalty, and interest on the amount that you should have deducted. We charge interest at the prescribed rate per year. If you have to pay any tax on behalf of a non-resident employee, you can recover the tax from the employee.

Which amounts do you report on a T4 Supplementary?

Use the T4 Supplementary to report salary, wages, bonuses, and other remuneration paid to a non-resident during the year in the usual course of an office (including that of a non-resident director) or employment. For more information, see "How to complete the T4 Supplementary" in Chapter 6 of the *Employers' Guide to Payroll Deductions — Basic Information.* This information applies whether the person who receives the income is a resident or non-resident of Canada.

A non-resident of Canada employed by a Canadian employer may participate in that employer's registered pension plan or deferred profit-sharing plan. In this case, the employer has to report a pension adjustment (PA) in box 52 of the employee's T4 Supplementary.

Send us the appropriate information return on or before the last day of February following the calendar year in which you paid the remuneration.

Application for a refund of tax overpayment

To receive a refund of a tax overpayment, a non-resident employee has to file an income tax return, and attach the T4 Supplementary that you, the payer, issued.

Other non-residents who perform services in Canada

Withholding tax

Any payments you make for services rendered in Canada (i.e., fees, commissions, etc.) by a non-resident independent operator (individual, partnership, or corporation), not considered to be in regular and continuous employment, are subject to a 15% tax deduction. Use Form PD7A to send in the tax you deducted. For more information about remittances, see Chapter 5 of the *Employers' Guide to Payroll Deductions — Basic Information.*

Penalties

If you do not deduct or withhold the correct amount of tax from an amount paid to a non-resident for services rendered, you are liable to pay the tax yourself. In addition to the tax, you may have to pay a penalty, plus interest on the penalty, and interest on the amount that you should have originally deducted. We charge interest at the prescribed rate per year. However, if you pay tax on a non-resident's behalf, you are entitled to recover the money from the non-resident.

Which amounts do you report on a T4A-NR Supplementary?

Use the T4A-NR Supplementary to report all amounts you paid to non-resident individuals and corporations for services rendered in Canada that they did not perform in the ordinary course of an office or employment. See the exhibits at the back of this guide for a sample of the T4A-NR Supplementary. For information on how to report these amounts, see "How to complete the T4A-NR Supplementary" in Chapter 6 of the *Employers' Guide to Payroll Deductions — Basic Information.*

Use the T4A-NR Summary to report the totals of all the amounts reported on the T4A-NR Supplementaries. See the exhibits at the back of this guide for a sample of the T4A-NR Summary.

Send us the appropriate information return on or before the last day of February following the calendar year in which you paid the remuneration.

Application for a refund of tax overpayment

Independent operators (individuals, partnerships, or corporations) not resident in Canada may want to receive a refund of part of the 15% tax withheld. To do this, they have to file the appropriate income tax return (a T1 or T2) and attach the T4A-NR Supplementary issued by the payer.

Directors' fees

If a non-resident individual receives directors' fees for services rendered in Canada, consider the amount of the fees as salary or wages. When you pay remuneration in addition to directors' fees, deduct income tax the same way you would for an employee who is a resident. When you only pay directors' fees, the withholding tax is 15% of the gross amount. For more information, see Interpretation Bulletins IT-377, *Director's, Executor's and Juror's Fees*, and IT-468, *Management or Administration Fees Paid to Non-Residents*, and Information Circular 75-6, *Required Withholding from Amounts Paid to Non-Resident Persons Performing Services in Canada.*

Amounts paid, other than for services performed in Canada, subject to non-resident withholding tax (Part XIII of the *Income Tax Act*)

If you are a Canadian (e.g., a tenant, mortgagee, or debtor) paying or crediting an amount to a non-resident, you may have to withhold tax on certain types of payments. Under Part XIII of the *Income Tax Act*, you have to withhold tax at the rate of 25% (subject to various tax conventions and agreements) from the gross amount you pay or credit to the non-resident. Canadian-source income from which you have to deduct the 25% withholding tax includes:

- rent;
- management or administration fees or charges;
- interest, dividends, and patronage dividends;
- motion-picture film and videotape payments;
- superannuation and pension benefits (see the following Note);
- RRSP payments, annuity payments, and retiring allowances;
- deferred profit-sharing plan benefits;
- royalties and similar payments; and
- alimony.

For a full description of payments paid or credited to a non-resident of Canada, and that are subject to a withholding tax under Part XIII, see Information Circular 77-16, *Non-Resident Income Tax.* For the applicable rate of Part XIII tax on amounts paid or credited to persons in treaty countries, see Information Circular 76-12, *Applicable Rate of Part XIII on Amounts Paid or Credited to Persons in Treaty Countries* and its Special Release.

Note

If part of the pension income relates to employment outside Canada, it may be exempt from Canadian tax. For information on the exempt portion of a pension when an employee was a non-resident, see Interpretation Bulletin IT-76, *Exempt Portion of Pension When Employee Has Been a Non-Resident.*

Which amounts are not subject to non-resident withholding tax?

Do not withhold tax at source from the following payments:

- social assistance payments from a registered Canadian charitable organization, or from federal or provincial authorities;
- exempt superannuation or pension benefits (i.e., CPP and OAS pension benefits); and
- the portion of a superannuation or pension benefit that was for services rendered when the individual was not living in Canada, was not employed, or was only occasionally employed in Canada.

Reduction in the amount of non-resident tax required to be withheld

A non-resident of Canada who receives alimony, pension, and similar payments can apply for a reduction in the non-resident tax that you have to withhold. To do this, the non-resident should use Form NR5, *Application by a Non-Resident of Canada for a Reduction in the Amount of Non-Resident Tax Required to be Withheld.* For more information, see Interpretation Bulletin IT-163, *Election by Non-Resident Individuals on Certain Canadian Source Income.*

Non-residents who receive rental income from real property in Canada can request that the payers or their agents deduct tax on the net amount instead of the gross amount. To do this, non-residents have to complete Form NR6, *Undertaking to File an Income Tax Return by a Non-Resident Receiving Rent From Real Property or Receiving a Timber Royalty.* They should file this form on or before January 1 of the taxation year for which the request applies, **or** on or before the date the first rental payment is due. Although we accept late-filed NR6 forms, the effective date for withholding on the net amount will be the first day of the month in which we receive the form. Any gross rental income paid or credited to a non-resident before this effective date will be subject to the 25% withholding rate.

Sending in deductions

To send tax to Revenue Canada that you withheld under Part XIII of the *Income Tax Act*, use Form PD7AR-NR, *Non-Resident Remittance Form.* The deductions you make during a month on a non-resident's Canadian income, taxable under Part XIII, must be received by the 15th day of the following month.

Reporting amounts on an NR4B Supplementary

Use the NR4B Supplementary (see the exhibits at the back of this guide for a sample) to report alimony, pensions, annuities, or investment income. This includes interest, dividends, rents, royalties, and estate or trust income, when these amounts are paid or credited to non-resident individuals, trusts, and corporations. When you complete the NR4B information return, mail it to us by the last day of March for the previous calendar year, or within 90 days of the end of the taxation year of an estate or trust for that taxation year. See the *Guide for Payers of Non-Resident Tax* before you complete the NR4B return.

Do not include the NR4B Supplementary as part of a T4 or T4A information return. For more information on Part XIII tax, see Information Circular 77-16, *Non-Resident Income Tax.*

Application for a refund of tax overpayments

To get a refund of excess or incorrectly withheld Part XIII tax, the non-resident, payer, **or** disbursing agent must complete Form NR7-R, *Application for Refund of Non-Resident Tax.* This has to be done within two years of the end of the calendar year in which the tax was sent to us.

Don't Forget

1. **Reporting amounts paid to non-residents**
   - **T4 Supplementary** — Use this form to report amounts paid to non-resident employees who perform services in Canada.
   - **T4A-NR Supplementary** — Use this form to report amounts paid to non-residents (individuals, partnerships, or corporations) who render services in Canada (not considered to be in regular or continuous employment).
   - **NR4B Supplementary** — Use this form to report all other amounts paid to non-residents of Canada.

2. **Filing dates**
   - **T4 and T4A-NR (information returns)** — Send these information returns on or before the last day of February following the calendar year in which you paid the remuneration.
   - **NR4B (information return)** — Send the return to us by the last day of March for the previous calendar year or within 90 days of the end of the taxation year of an estate or trust for that taxation year.

Exhibits

Revenue Canada
Customs, Excise and Taxation

Revenu Canada
Accise, Douanes et Impôt

T4A-NR
Supplementary - Supplémentaire
Rev. 93

STATEMENT OF FEES, COMMISSIONS OR OTHER AMOUNTS PAID TO NON-RESIDENTS OF CANADA TO WHICH SUBSECTION 105(1) OF THE INCOME TAX REGULATIONS APPLIES

ÉTAT DES HONORAIRES, DES COMMISSIONS OU D'AUTRES SOMMES PAYÉS À DES PERSONNES QUI NE RÉSIDENT PAS AU CANADA ET AUXQUELLES S'APPLIQUE LE PARAGRAPHE 105(1) DU RÈGLEMENT DE L'IMPÔT SUR LE REVENU

YEAR / ANNÉE	18 GROSS INCOME (SEE REVERSE) / REVENU BRUT (VOIR AU VERSO)	20 TRAVEL EXPENSES / FRAIS DE DÉPLACEMENT	22 INCOME TAX DEDUCTED / IMPÔT SUR LE REVENU RETENU	24 PROVINCE OR TERRITORY WHERE SERVICES RENDERED / PROVINCE OU TERRITOIRE OÙ LES SERVICES ONT ÉTÉ FOURNIS	26 NUMBER OF DAYS RECIPIENT WAS IN CANADA DURING THE CALENDAR YEAR / NOMBRE DE JOURS OÙ LE BÉNÉFICIAIRE A SÉJOURNÉ AU CANADA DURANT L'ANNÉE CIVILE
USE FORM T4 SUPPLEMENTARY TO REPORT AMOUNTS PAID FOR SERVICES PERFORMED IN THE ORDINARY COURSE OF AN OFFICE OR EMPLOYMENT LES SOMMES PAYÉES POUR DES SERVICES RENDUS DANS LE COURS NORMAL D'UNE CHARGE OU D'UN EMPLOI SONT DÉCLARÉES SUR LE FEUILLET T4 SUPPLÉMENTAIRE.		12 FOREIGN SOCIAL SECURITY NUMBER / NUMÉRO DE SÉCURITÉ SOCIALE À L'ÉTRANGER	14 * CANADIAN SOCIAL INSURANCE NUMBER / NUMÉRO D'ASSURANCE SOCIALE DU CANADA	16 PROFESSIONAL NAME (IF APPLICABLE) / NOM PROFESSIONNEL (S'IL Y A LIEU)	

* IF YOUR SOCIAL INSURANCE NUMBER IS NOT SHOWN, SEE THE BACK OF THIS FORM.
SI VOTRE NUMÉRO D'ASSURANCE SOCIALE NE FIGURE PAS DANS CETTE CASE, REPORTEZ-VOUS AU VERSO DE CETTE FORMULE.

Non-Resident Recipient Surname First and Full Address / **Bénéficiaire non résidant Nom de famille d'abord et adresse complète**

EMPLOYER'S OR PAYER'S NAME
NOM DE L'EMPLOYEUR OU DU PAYEUR

28 ACCOUNT NUMBER
NUMÉRO DE COMPTE

Country
Pays

RETURN WITH T4A-NR SUMMARY
À RETOURNER AVEC LA T4A-NR SOMMAIRE **1**

Revenue Canada
Taxation

Revenu Canada
Impôt

NR4B
Supplementary
Supplémentaire

STATEMENT OF AMOUNTS PAID OR CREDITED TO NON-RESIDENTS OF CANADA
ÉTAT DES SOMMES PAYÉES OU CRÉDITÉES À DES NON-RÉSIDENTS DU CANADA

10 Year / *Année*	11 Recipient Type / *Code du bénéficiaire*	12 Country Code / *Code du pays*	13 Payer or Remitter Identification Number / *Numéro d'identification du payeur ou de l'agent payeur*	14 Account Number / *Numéro de compte*	15 Foreign Social Security Number / *Numéro de sécurité sociale à l'étranger*

Line / *Ligne*	16 Income Code / *Code de revenu*	17 Currency Code / *Code de devise*	18 Gross Income / *Revenu brut*	20 Income Subject to Withholding Tax / *Revenu assujetti à la retenue d'impôt*	22 Non-Resident Tax Withheld / *Impôt retenu des non-résidents*	24 Exemption Code / *Code d'exemption*
1						
2						
3						
4						
5						

Non-Resident Recipient Surname First and Full Address / *Bénéficiaire non résidant Nom de famille d'abord et adresse complète*

Name and Address of Disbursing Agent or Payer / *Nom et adresse du payeur ou de l'agent payeur*

To be returned with NR4B Summary
À retourner avec la NR4B Sommaire **1**

Revenue Canada
Customs, Excise and Taxation

Revenu Canada
Accise, Douanes et Impôt

SUMMARY OF REMUNERATION PAID
(For the year ending December 31, 1993)
SOMMAIRE DE LA RÉMUNÉRATION PAYÉE
(Pour l'année se terminant le 31 décembre 1993)

T4A-NR
SUMMARY – SOMMAIRE

1993

Complete this return using the instructions in the "Employers' Guide to Payroll Deductions" or the "Payroll Deductions for Small Business Employers" guide.

Cette déclaration doit être remplie selon les instructions du «Guide de l'employeur sur les retenues sur la paie » ou du guide des «Retenues sur la paie des employeurs qui exploitent une petite entreprise».

Copy Copie 1

If you file your T4A-NR return on tape or diskette, tick (✓) inside the circle at left. For shipping instructions, see Box "B" on the back of this form.

Si vous produisez votre déclaration T4A-NR sur disquette ou sur bande, cochez (✓) le symbole qui figure sur la gauche. Faites parvenir le tout selon les instructions fournies à la case «B», au verso de cette formule.

IMPORTANT

EMPLOYER'S NAME AND NUMBER MUST BE THE SAME AS THAT SHOWN ON YOUR FORM PD7A, TAX DEDUCTION, CANADA PENSION PLAN, UNEMPLOYMENT INSURANCE REMITTANCE RETURN.

LE NOM ET LE NUMÉRO DE L'EMPLOYEUR DOIVENT ÊTRE LES MÊMES QUE CEUX QUI FIGURENT SUR LA FORMULE PD7A, DÉCLARATION DE VERSEMENTS (RETENUES D'IMPÔT, RÉGIME DE PENSIONS DU CANADA, ASSURANCE-CHÔMAGE.).

Employer account number (see form PD7A)
N° de compte de l'employeur (selon la formule PD7A)

Name and address of employer
Nom et adresse de l'employeur

Taxation centre
Centre fiscal

DO code
Code du BD

T4A-NR SUPPLEMENTARY SLIPS TOTALS

For returns with over 300 T4A-NR slips, please see instructions in the "Employers' Guide to Payroll Deductions" about the breakdown of large returns.

TOTAUX DES FEUILLETS T4A-NR SUPPLÉMENTAIRE

Pour les déclarations renfermant plus de 300 feuillets T4A-NR, consultez le «Guide de l'employeur sur les retenues sur la paie» pour la répartition des déclarations volumineuses.

Total number of T4A-NR slips filed
Nombre total de feuillets T4A-NR produits 88

Gross income
Revenu brut 18

Travel expenses
Frais de déplacement 20

DEPARTMENTAL USE ONLY

RÉSERVÉ AU MINISTÈRE

Total tax deductions reported (see T4A-NR Supplementaries)
Total des retenues d'impôt déclarées (selon les T4A-NR Supplémentaire) 22

Minus: Remittances – Moins : Versements 82

Difference – Différence

We do not charge or refund a difference of less than $2.00.
Une différence inférieure à 2 $ ne sera ni exigée ni remboursée par le Ministère.

Overpayment
Paiement en trop 84

* Balance due
Solde à payer 86

* If you have not paid the total tax deducted, include the balance with this completed return. You may be subject to a penalty for late payment if you have any balance owing.
Si vous n'avez pas payé le montant total des retenues déclarées, veuillez joindre le solde à payer à la présente déclaration. Tout solde à payer est assujetti à une pénalité pour paiement tardif.

Canadian-controlled private corporations or unincorporated employers: enter the social insurance number of the proprietor(s).
Corporations privées dont le contrôle est canadien ou employeurs non constitués : inscrivez le numéro d'assurance sociale du (des) propriétaire(s).

74 75

Person to contact about this return – Personne avec qui communiquer au sujet de cette déclaration
76 First name – Prénom Surname – Nom de famille

Telephone number – Numéro de téléphone
78 Area code – Indicatif régional

CERTIFICATION – ATTESTATION

I HEREBY CERTIFY that the information given in this T4A-NR return, T4A-NR Summary form and related T4A-NR Supplementary forms, is true, correct and complete in every respect.
J'ATTESTE PAR LA PRÉSENTE que les renseignements fournis dans la déclaration; cette formule Sommaire et les formules connexes T4A-NR Supplémentaire, sont vrais, exacts et complets sous tous les rapports.

Date | Signature of authorized person – Signature de la personne autorisée | Position or office – Titre du poste

FOR DEPARTMENTAL USE ONLY: PLEASE DO NOT WRITE IN THIS AREA – RÉSERVÉ AU MINISTÈRE : NE RIEN ÉCRIRE ICI

Transfer / Transfert
90 1 Last to current / Précédente à courante
2 No action / Aucune mesure
3 Other / Autre

ProForma
91 1 No / Non
2 Yes / Oui
92 3 1 1 Type / Genre

93 Date
MAN. CAL. TD - CAL. MAN. IR
94 A
B

Memo – Note

Prepared by – Établi par | Date

	Code 2	Corr.	Inc.	TPC – CCT	Dressed – MAP	Rev. – Rév.	No Accounts – Aucun n°
Initials – Initiales							
Date							

- KEEP THE WORKING COPY OF THIS SUMMARY FOR YOUR RECORDS.
- IF YOU DO NOT FILE BY MAGNETIC MEDIA, SEND COPIES 1 AND 2 OF THIS SUMMARY AND COPIES 1 AND 2 OF RELATED T4A-NR SUPPLEMENTARY FORMS TO THE APPROPRIATE TAXATION CENTRE ADDRESS IN BOX "A" ON THE BACK OF THIS FORM.

Canadian Human Rights Act Federal Information Bank Number: 15615.
Form authorized by the Minister of National Revenue.

- CONSERVEZ LE BROUILLON DE CETTE FORMULE SOMMAIRE POUR VOS DOSSIERS.
- SI VOUS NE PRODUISEZ PAS DE DÉCLARATION SUR SUPPORT MAGNÉTIQUE, ENVOYEZ LES COPIES 1 ET 2 DE CETTE FORMULE SOMMAIRE AINSI QUE LES COPIES 1 ET 2 DU T4A-NR SUPPLÉMENTAIRE CONNEXE AU CENTRE FISCAL APPROPRIÉ, DONT L'ADRESSE FIGURE À LA CASE «A» AU VERSO DE CETTE FORMULE.

Loi canadienne sur les droits de la personne : Numéro de la banque fédérale de données : 15615.
Formule autorisée par le ministre du Revenu national.

Revenue Canada Taxation | Revenu Canada Impôt

NR4B
Summary
Sommaire
Rev. 93

RETURN OF AMOUNTS PAID OR CREDITED TO NON-RESIDENTS OF CANADA
DÉCLARATION DES SOMMES PAYÉES OU CRÉDITÉES À DES NON-RÉSIDENTS DU CANADA

THIS NR4B SUMMARY SHOULD BE COMPLETED IN CONJUNCTION WITH THE INSTRUCTIONS OUTLINED IN THE GUIDE FOR PAYERS OF NON-RESIDENT TAX.

CETTE NR4B SOMMAIRE DOIT ÊTRE REMPLIE SUIVANT LES INSTRUCTIONS DONNÉES DANS LE GUIDE D'IMPÔT POUR LES PERSONNES VERSANT L'IMPÔT DES NON-RÉSIDENTS.

FOR THE YEAR ENDING DECEMBER 31 / POUR L'ANNÉE SE TERMINANT LE 31 DÉCEMBRE: 1 9 (Y – A)

OR / OU

ESTATES AND TRUSTS FISCAL YEAR END / FIN DE L'EXERCICE FINANCIER DES SUCCESSIONS ET FIDUCIES: 1 9 (Y – A) (M – M) (D – J)

IMPORTANT

Payer's or disbursing agent's name and account number must correspond to that shown on your Non-Resident Tax Remittance Form PD7AR-NR.

Le nom et numéro de compte du payeur ou de l'agent payeur doivent correspondre à ceux qui figurent dans votre formule de versement de l'impôt des non-résidents, PD7AR-NR.

NAME AND ADDRESS OF PAYER OR DISBURSING AGENT
NOM ET ADRESSE DU PAYEUR OU DE L'AGENT PAYEUR

1 ACCOUNT NUMBER / NUMÉRO DE COMPTE

TAXATION OFFICE – BUREAU D'IMPÔT

2 DO CODE / CODE DU BD

NR4B SLIPS FILED / FEUILLETS NR4B JOINTS	NR4B SUPPLEMENTARY TOTALS / LES TOTAUX DES NR4B SUPPLÉMENTAIRE		GROSS INCOME – REVENU BRUT		TAX WITHHELD – IMPÔT RETENU
88	AMOUNTS **REPORTED** ON NR4B SUPPLEMENTARIES / MONTANTS DÉCLARÉS DANS LES NR4B SUPPLÉMENTAIRE	18		22	
	AMOUNTS **NOT REPORTED** ON NR4B SUPPLEMENTARIES / MONTANTS NON DÉCLARÉS DANS LES NR4B SUPPLÉMENTAIRE	26		28	
	TOTALS (18 + 26) / TOTAL (18 + 26)	30			

TOTAL NON-RESIDENT TAX WITHHELD (22 + 28) / TOTAL DES RETENUES D'IMPÔT DES NON-RÉSIDENTS (22 + 28) 32

SUPPCAL / CALSUPP

SUBTRACT TOTAL REMITTANCES FOR THE YEAR / MOINS LE TOTAL DES VERSEMENTS POUR L'ANNÉE 82

DIFFERENCE / DIFFÉRENCE

We do not charge or refund a difference of less than $2.00.
Un montant de moins de deux dollars n'est ni exigé ni remboursé

OVERPAYMENT / PAIEMENT EN TROP 84

* BALANCE DUE / SOLDE À PAYER 86

* If you have not remitted the full amount of Non-Resident Tax Withheld, the balance should be remitted immediately with this Summary. Any balance owing may be subject to penalty for late-remitting.

* Si vous n'avez pas versé le montant intégral des retenues d'impôt des non-résidents, veuillez verser le solde sans délai avec le présent sommaire. Tout solde exigible peut faire l'objet d'une pénalité pour versement tardif.

Person from who further information may be obtained regarding the NR4B return:
Name (print)
Nom (en lettre moulées) _____

Personne pouvant fournir des renseignements supplémentaires au sujet de la déclaration NR4B :
Telephone number / Numéro de téléphone ( )

CERTIFICATION: I HEREBY CERTIFY that the information given in the NR4B return (Form NR4B Summary and related forms NR4B Supplementaries), is true, correct and complete in every respect.

ATTESTATION : J'ATTESTE PAR LA PRÉSENTE que les renseignements donnés dans la déclaration NR4B (Formule NR4B Sommaire et formules connexes NR4B Supplémentaire) sont vrais, exacts et complets sous tous les rapports.

Signature of authorized officer
Signature d'un cadre autorisé _____ Date _____

Position or office – Titre ou poste _____ Telephone number / Numéro de téléphone ( )

PLEASE DO NOT WRITE IN THIS SPACE – NE RIEN ÉCRIRE ICI

TAXATION YEAR / ANNÉE D'IMPOSITION

TRANSFER ACTION / MESURE DE TRANSFERT
1 LAST TO CURR. / PRÉC. À COUR.
2 NO ACTION / AUCUNE MESURE
3 OTHER / AUTRE

TYPE / GENRE
1 ORIGINAL / INITIALE
2 AMEND / MODIFICATION

REJECT CORRECTIONS ONLY / CORRECTIONS DE REJET SEULEMENT
3 DELETE / SUPPRIMÉ

REJECT NUMBER – NUMÉRO DE REJET

TOTAL NON-RESIDENT TAX WITHHELD / TOTAL DES RETENUES D'IMPÔT DES NON-RÉSIDENTS + –

Y - A M - M D - J DATE OF RECEIPT / DATE DE RÉCEPTION

PREPARED BY – ÉTABLI PAR DATE

	CODE 2	CORR.	INC	TPC / CAC	DRESSED / MAP
INITIALS – INITIALES					
DATE					

PAYER CODE / CODE DU PAYEUR

THE PRIVACY ACT – PERSONAL INFORMATION INDEX BANK NUMBER RCT-P10
LOI SUR LA PROTECTION DES RENSEIGNEMENTS PERSONNELS – FICHIER DE RENSEIGNEMENTS PERSONNELS RCT-P10

FOR TAXATION OFFICE / POUR LE BUREAU D'IMPÔT 1

Telecommunication Device for the Deaf (TDD) — TDD users can call 1-800-665-0354 during regular hours of service.

Regular hours of telephone and counter service — Monday to Friday — 8:15 a.m. to 5:00 p.m. (holidays excepted)

Prov.	District Taxation Offices	Payroll and Non-Resident Enquiries		Forms Request	
		Local	Long Distance	Local	Long Distance
NF	**St. John's** — Sir Humphrey Gilbert Building, P.O. Box 5968, A1C 5X6	772-2639	1-800-563-2639	772-5088	1-800-563-2600
PE	**Charlottetown** — 94 Euston St., P.O. Box 8500, C1A 8L3	628-4244	1-628-4244	628-4250	1-628-4250
NS	**Halifax** — 1256 Barrington St., P.O. Box 638, B3J 2T5	426-3296	1-800-563-3296	426-2210	1-800-565-2210
	Sydney — 47 Dorchester St., P.O. Box 1300, B1P 6K3	564-7099	1-800-561-7099	564-7120	1-800-563-7120
NB	**Bathurst** — 120 Harbourview Blvd., 4th floor, P.O. Box 8888, E2A 4L8	548-6744	1-800-561-5591	548-7100	1-800-561-6104
	Saint John — 126 Prince William Street, E2L 4H9	636-4462	1-800-222-8472	636-4618	1-800-222-9622
QC	**Chicoutimi** — 100 Lafontaine St., Office 211 G7H 6X2	698-5780	1-800-463-1825	698-5580	1-800-463-4421
	Laval — 3131 St. Martin Blvd. West H7T 2A7	956-9120	1-800-363-2219	956-9115	1-800-363-2218
	Montréal — 305 René-Lévesque Blvd. W. H2Z 1A6	283-5585	1-800-363-9700	283-5623	1-800-361-2808
	Québec — 165 de la Pointe-aux-Lièvres South G1K 7L3	648-5809	1-800-463-1825	648-4083	1-800-463-4421
	Rimouski — 320 St. Germain E. 4th floor G5L 1C2	722-3111	1-800-463-1825	1-800-463-4421	
	Rouyn-Noranda — 44 du Lac Avenue, J9X 6Z9	764-3474	1-800-567-6487	764-5171	1-800-567-6403
	Sherbrooke — 50 Place de la Cité J1H 5L8	821-4008	1-800-567-3582	821-8565	1-800-567-7360
	St-Hubert — 5245 Cousineau Blvd., Suite 200 J3Y 7Z7	283-5585	1-800-363-9700	445-5264	1-800-361-2808
	Trois-Rivières — 25 des Forges St., Suite 111 G9A 2G4	373-8783	1-800-663-2035	373-2723	1-800-567-9325
ON	**Belleville** — 11 Station St. K8N 2S3	962-2563	1-800-267-8038	969-3707	1-800-267-8043
	Hamilton — 150 Main St. W., P.O. Box 2220, L8N 3E1 . . . . . from area code 416 and 905 . . . . . from area code 519	(905) 572-2026	1-800-263-8562 1-800-263-9297	(905) 522-7902	1-800-263-9205 1-800-263-9215
	Kingston — 385 Princess St. K7L 1C1	545-8665	1-800-267-7817	1-800-267-8043	
	Kitchener — 166 Frederick St. N2G 4N1	579-0490	1-800-265-6373	579-8951	1-800-265-2210
	London — 451 Talbot St. N6A 5E5	645-4223	1-800-265-4498	645-4244	1-800-265-4900
	Mississauga — 77 City Centre Drive, P.O. Box 6000, L5A 4E9 . . . . . from area codes 519, 705 and 905	(905) 566-6702	(905) 566-6702	(905) 566-6005	1-800-387-1710
	North York — Suite 1000, 5001 Yonge St. M2N 6R9 . . . . . from area codes 519, 705 and 905	(416) 221-5695	1-800-263-1170	(416) 221-8492	1-800-387-1700
	Ottawa — 360 Lisgar St. K1A 0L9 . . . . . from area code 613 . . . . . from area code 819	957-8109	1-800-267-6550 1-800-267-3323	957-8088	1-800-267-8440 1-800-267-4735
	Peterborough — 185 King St. W. K9J 8M3	876-7319	1-800-267-8038	1-800-267-8043	
	St. Catharines — 32 Church St., P.O. Box 3038, L2R 3B9	688-3523	1-800-263-5421	685-4000	1-800-263-5672
	Scarborough — 200 Town Centre Court M1P 4Y3 . . . . . from area code 905 . . . . . from area codes 519 and 705	(416) 296-0757	1-800-387-5228 1-800-387-5183	(416) 296-0104	1-800-387-5229 1-800-387-5183
	Sudbury — 19 Lisgar St. S. P3E 3L5 . . . . . from area code 705 . . . . . from area codes 613 and 807	671-0530	1-800-461-3518 1-800-461-3518	671-0581	1-800-461-4060 1-800-461-8320
	Thunder Bay — 130 South Syndicate Avenue, P7E 1C7	623-3039	1-800-465-6842	623-2751	1-800-465-6981
	Toronto — 36 Adelaide St. E. M5C 1J7	367-9990	(416) 367-9990	865-9469	(416) 865-9469
	Windsor — 185 Ouellette Ave. N9A 5S8	252-6518	1-800-265-5826	258-8302	1-800-265-4841
MB	**Winnipeg** — 325 Broadway Avenue, R3C 4T4	983-3918	1-800-542-3441	983-3942	1-800-282-8079
SK	**Regina** — 1955 Smith St. S4P 2N9	780-6999	1-800-667-7157	780-6015	1-800-667-7555
	Saskatoon — 340-3rd Avenue North, S7K 0A8	975-5692	1-800-667-6844	975-4577	1-800-772-1644
AB	**Calgary** — 220-4th Ave. S.E. T2G 0L1 . . . . . from Southern Alberta	221-8970	1-800-332-1003	221-8900	1-800-472-9701
	Edmonton — Suite 10, 9700 Jasper Ave. T5J 4C8 . . . . . from northern Alberta . . . . . from northeastern B.C. and Northwest Territories	423-3200	1-800-667-6217 1-800-663-3765	423-4044	1-800-661-4597 1-800-661-3350
BC	**Penticton** — 277 Winnipeg St. V2A 1N6	492-9470	1-800-663-5062	492-9200	1-800-663-5065
	Vancouver — 1166 West Pender St. V6E 3H8 . . . . . from northwestern B.C. and Yukon Territory . . . . . from northeast B.C. (to Edmonton District Office)	669-2990	1-800-663-5650 1-800-663-3765	669-1033	1-800-663-1665 1-800-661-3350
	Victoria — 1415 Vancouver St. V8V 3W4	363-3373	1-800-663-2598	363-3291	1-800-663-7006
INTERNATIONAL TAX OFFICE 2540 Lancaster Road, Ottawa, Ontario, K1A 1A8	Calls from the Ottawa area Calls from anywhere in Canada Calls from outside Canada	952-3741	1-800-267-5177 (613) 952-3741		

Employers located in the following provinces, territories or cities	**Contact the following Taxation Centres**
Nova Scotia, New Brunswick, Prince Edward Island and Newfoundland	St. John's Taxation Centre, Freshwater Road/Empire Avenue, St. John's, NF
Sherbrooke, Québec, Rouyn-Noranda, Chicoutimi, Rimouski and Trois-Rivières	Jonquière Taxation Centre, 2251 de la Centrale Blvd., Jonquière, QC
Montréal, St-Hubert and Laval	Shawinigan Taxation Centre, 4695 — 12th Avenue, Shawinigan-Sud, QC
Ottawa, Toronto, Mississauga, North York and Scarborough	Ottawa Taxation Centre, 875 Heron Road, Ottawa, ON
Kingston, Belleville, Hamilton, Kitchener, Peterborough, St. Catharines, London, Windsor, Sudbury and Thunder Bay	Sudbury Taxation Centre, 1050 Notre Dame Avenue, Sudbury, ON
Alberta, Saskatchewan, Manitoba and Northwest Territories	Winnipeg Taxation Centre, 66 Stapon Road, Winnipeg, MB
British Columbia and Yukon Territory	Surrey Taxation Centre, 9755 King George Highway, Surrey, BC

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Long-distance calls — We accept collect calls	Problem Resolution Program — If your problem is not resolved to your satisfaction, call the Problem Resolution Program coordinator.				
District Taxation Office	**Other Business Enquiries**	**Problem Resolution**	**Chief of Employer Services**	**Director**	**Fax Number**
St. John's	772-4068	772-0172 1-800-563-9330	772-5128 1-800-563-2639	772-5074	(709) 754-5928
Charlottetown	628-4227 1-628-4227	628-4092 1-628-4092	628-4030	628-4011	368-0248 1-368-0248
Halifax	426-2577 1-800-663-2577	426-4909 1-426-4909	426-3135	426-4253 1-426-4253	(902) 426-7170
Sydney	564-7122 1-800-563-7122	564-7123 1-564-7123	564-7112	564-3168 1-564-3168	(902) 564-3095
Bathurst	636-5314 1-800-363-1052	548-6745 1-800-561-2199	548-7929	548-7927	(506) 548-9905
Saint John	636-5314 1-800-363-1052	636-3920 1-800-561-9629	636-3837	636-4760	(506) 648-9658
Chicoutimi	649-3277	1-800-263-3479	698-5570	698-5560	(418) 698-5544
Laval	956-6705 1-800-363-2218	956-6664 1-800-465-4779	956-6685	956-6666	(514) 956-6915
Montréal	283-5328 1-800-361-2808	496-1606	283-5334	283-6539	(514) 496-1309
Québec	649-3277	649-4056 1-800-263-3479	649-3227 1-800-463-1825	648-4586	(418) 649-6478
Rimouski	649-3277	1-800-263-3479	1-800-463-1825	722-3104	(418) 722-3027
Rouyn-Noranda	1-800-363-2218	797-4674 1-800-567-3973	797-7337 (819) 797-7337	797-7300 (819) 797-7300	797-8366 (819) 797-8366
Sherbrooke	821-8504 1-800-567-7372	821-8528 1-800-263-7804	821-8541	821-8597	(819) 564-4226
St-Hubert	283-5328 1-800-361-2808	445-5237 1-800-267-0478	445-5250	445-5217	(514) 445-6301
Trois-Rivières	1-800-567-7372	1-800-567-9330	371-7017	371-7027	(819) 371-2744
Belleville	391-2727 1-800-267-8030	391-2728 1-800-565-7603	391-2681	391-2665	(613) 969-7845
Hamilton . . . . . from area code 416 and 905 . . . . . from area code 519	(905) 572-2917 (416) (905) 572-2917 (416) (905) 572-2917	(905) 572-2449 1-800-363-4389 1-800-363-4389	(905) 572-2376 (416) (905) 572-2376 (416) (905) 572-2376	(905) 572-2601 (416) (905) 572-2601 (416) (905) 572-2601	(905) 546-1615 (416) (905) 546-1615 (416) (905) 546-1615
Kingston	545-8371 1-800-267-9447	541-3636 1-800-267-9447	541-3640	541-3629	(613) 545-3272
Kitchener	570-7453	570-7562 1-800-565-3870	570-7587	570-7400	(519) 579-4532
London	645-4493 1-800-265-4900	645-4240 1-800-268-2976	645-5357 1-800-265-4498	645-4180	(519) 432-2807
Mississauga . . . . . from area codes 519, 705 and 905	(905) 566-6155	(905) 566-6168 (905) 566-6168	(905) 566-6207 (905) 566-6207	(905) 566-6165 (905) 566-6165	(905) 566-6182 (905) 566-6182
North York . . . . . from area codes 519, 705 and 905	(416) 221-7281 (905) 221-7281	(416) 221-6048 1-800-668-4467	(416) 512-4094 1-800-387-0703	(416) 512-4000 (905) 512-4000	(416) 512-2558 (905) 512-2558
Ottawa . . . . . from area code 613 . . . . . from area code 819	941-2019 (613) 941-2019 (613) 941-2019	941-2022 1-800-668-2964 1-800-668-2964	598-4092 1-800-267-6550 1-800-267-3323	941-2020 (613) 941-2020 (613) 941-2020	238-7125 (613) 238-7125 (613) 238-7125
Peterborough	(613) 391-2727	876-3138 1-800-565-7603	876-3102	876-3100	(705) 876-6422
St. Catharines	984-2259	984-2285 1-800-668-2298	984-2230 (905) 984-2230	984-2202	(416) 688-5996
Scarborough . . . . . from area code 905 . . . . . from area codes 519 and 705	(416) 973-6960 1-800-387-5229 1-800-387-5183	(416) 973-4673 1-800-667-1604 1-800-667-1604	(416) 973-4141 1-800-387-5229 1-800-387-5183	(416) 973-3945 1-800-387-5229 1-800-387-5183	(416) 973-5126 (905) 973-5126 (905) 973-5126
Sudbury . . . . . from area code 705 . . . . . from area codes 613 and 807	671-0541 (705) 671-0541 (705) 671-0541	671-0595 1-800-667-8959 1-800-667-8959	671-0521 (705) 671-0521 (705) 671-0521	671-0590 (705) 671-0590 (705) 671-0590	671-3988 (705) 671-3988 (705) 671-3988
Thunder Bay	625-7074	625-7033 1-800-665-6825	625-7171	625-7061	(807) 622-8512
Toronto	973-3071	973-3392	973-3301	954-2759	(416) 360-8908 (416) 954-5961
Windsor	973-7904 1-800-265-4841	973-7907 1-800-565-3536	973-7141	973-7101	(519) 973-7188
Winnipeg	983-6350 1-800-282-8079	983-2346 1-800-661-3436	983-4200	983-7085	(204) 943-3928
Regina	780-6075	780-7703 1-800-667-5862	780-6032	780-7702 1-800-667-5862	(306) 757-1412
Saskatoon	975-4643 1-800-667-2083	975-5483 1-800-563-7712	975-4612	975-6470	(306) 652-3211
Calgary . . . . . from Southern Alberta	691-6567 (403) 691-6567	292-5063 1-800-661-6634	691-6950 (403) 691-6950	691-6886 (403) 691-6886	264-5843 (403) 264-5843
Edmonton . . . . . from northern Alberta . . . . . from northeastern B.C. and NT	495-3624 (403) 495-3624 (403) 495-3624	423-3815 1-800-661-9476 1-800-661-4248	495-6564 (403) 495-6564 (403) 495-6564	495-3622 (403) 495-3622 (403) 495-3622	428-1584 (403) 428-1584 (403) 428-1584
Penticton	492-9285	492-9418 1-800-565-9333	492-9203	492-9393	(604) 492-8346
Vancouver . . . . . from northwestern B.C. and YT . . . . . from n-east B.C. (to Edmonton)	669-8367 1-800-663-1511 (403) 495-3624	669-8647 1-800-663-9334 1-800-661-4248	669-8520 (604) 669-8520 (403) 495-6564	669-8374 (604) 669-8374 (403) 495-3622	689-7536 (604) 689-7536 (403) 428-1584
Victoria	363-3474	363-3219 1-800-661-1705	363-3382	363-3219	(604) 363-3726
INTERNATIONAL TAX OFFICE . . . . . Calls from the Ottawa area . . . . . Calls from anywhere in Canada		(613) 952-3502 1-800-661-4985		526-6477 (613) 526-6477	941-2505 (613) 941-2505

Source Deduction Enquiries	**Instalments and Payments**	**Problem Resolution**	**Assistant director**	**Director**	**Fax Number**
A1B 3Z1	**A1B 3Z3**	**772-0271 1-800-563-3131**	**772-6599**	**772-0279**	**(709) 754-3416**
G7S 5J1	**G7S 5J3**	**548-9171 1-800-263-1485**	**548-0881**	**699-0540 1-800-263-1485**	**(418) 548-0846**
G9N 7S6	**G9N 7W2**	**537-9381 1-800-263-4888**	**537-6693**	**536-6200 1-800-263-4888**	**(819) 536-7078**
K1A 1A2	**K1A 1B1**	**941-3333 1-800-461-5018**	**954-9606**	**954-9622**	**(613) 739-1147**
P3A 5C1	**P3A 5C3**	**671-0317 1-800-661-7419**	**670-5570**	**670-5563**	**(705) 671-3994**
R3C 3M2	**R3C 3P8**	**984-2469 1-800-565-3439**	**984-3431**	**984-2470**	**(204) 661-6989**
V3T 5E1	**V3T 5E5**	**585-7318 1-800-661-1950**	**585-5765**	**585-5760**	**(604) 585-5769**

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AREA FOR YOUR NOTES AND CALCULATIONS

Revenue Canada
Customs, Excise and Taxation

Revenu Canada
Accise, Douanes et Impôt

Order Form

Please list the titles or numbers of the publications required in the boxes below. Print your name and address in the area provided, and submit your completed form to your Revenue Canada income tax office.

Names of requested guides or other publications							
Numbers of requested forms, information circulars, or interpretation bulletins							
Name							
Address							
City							
Province					Postal code		

T4130E-OF
December 1993

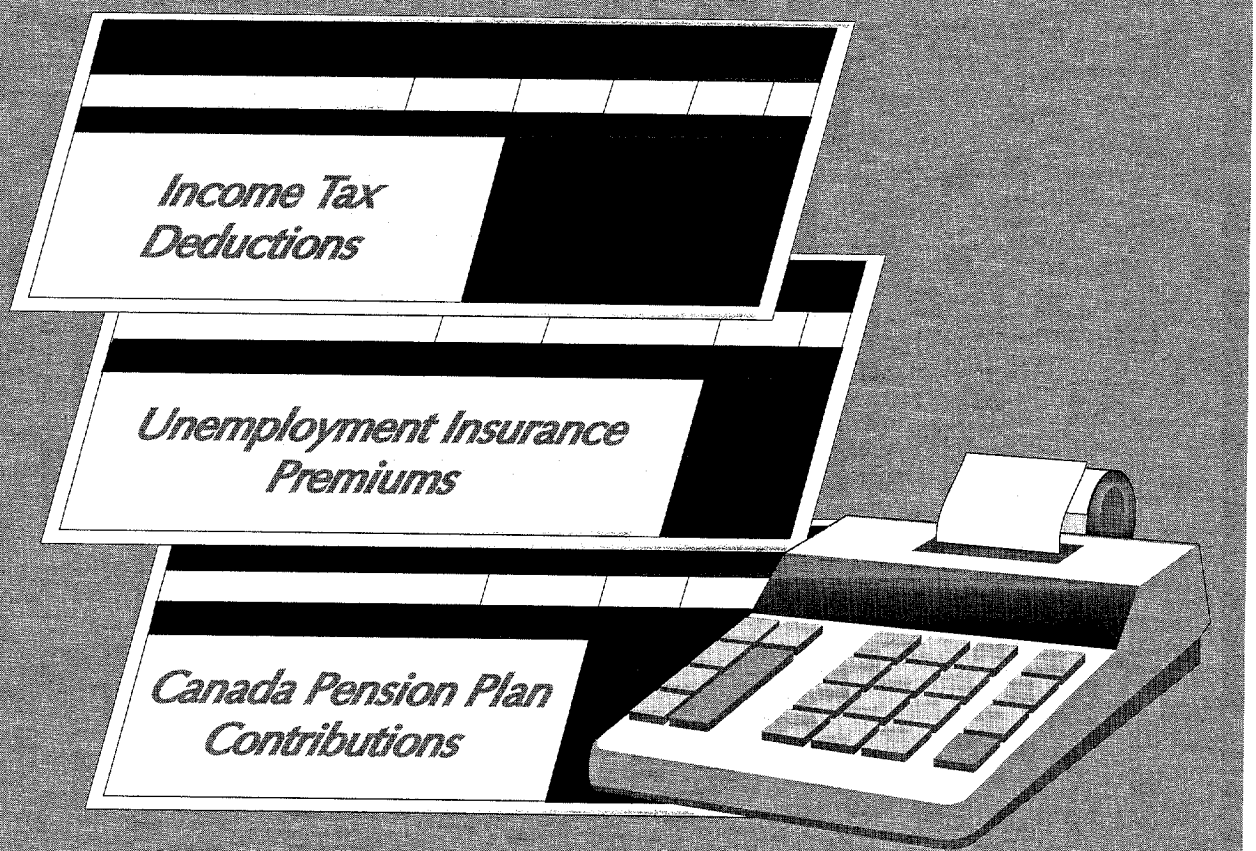
Revenue Canada Revenu Canada

1994

Employers' Guide to Payroll Deductions

Taxable Benefits and Non-Resident Information

Update 1994



How and what to deduct

How to report deductions

How to send in deductions

T4130-1(E)

Canada

Important

As part of Revenue Canada's ongoing efforts to save money and paper, we will not be publishing the *Employers' Guide to Payroll Deductions — Taxable Benefits and Non-Resident Information* in its entirety. Instead, we prepared this update to provide new information and the latest legislative changes that affect the employers.

As a result, you have to keep the original guide you already have for four years (1993 to 1997).

How to use this update

As you will notice by looking through this update, we have presented all the changes in the same order and style as the original guide. Each change is highlighted in grey.

To allow you to keep your guide and updates together in a binder, we are producing these publications in a three-hole format with a detachable spine. Just tear off the pages in the update and replace the pages in the guide with the corresponding page in the update.

To update the information in your guide:

Remove	**Insert**
Front page	Front page
Page vii	Page vii and viii
Chapter 1 Pages 1-7 to 1-12	**Chapter 1** Pages 1-7 to 1-12
Chapter 2 Pages 2-1 to 2-4	**Chapter 2** Pages 2-1 to 2-4
Telephone listing Pages 4-4 and 4-5	

If you have any questions about the changes or about your tax obligations, or if you would like a new copy of the original guide, contact your Revenue Canada income tax office.

Think recycling!

Printed in Canada

Update 1994

Revenue Canada Revenu Canada

Notice to Employers

New Telephone Numbers

The telephone lists that appear in the original versions of the following guides are not up-to-date:

- *Employers' Guide to Payroll Deductions – Basic Information*, 1993 to 1997, pages 9-8 and 9-9; and
- *Employers' Guide to Payroll Deduction – Taxable Benefits and Non-Resident Information*, 1993 to 1997, pages 4-4 and 4-5.

Please use the telephone lists on page 15 and 16 of the *Employers' Guide to Payroll Deductions – Basic Information*, Update 1994.

Reminder

The telephone number for the Problem Resolution Program at the Surrey Tax Centre is listed incorrectly in the English version of the original *Employers' Guide to Payroll Deductions – Basic Information*, 1993 to 1997.

The correct toll-free telephone number is **1-800-661-1950**.

Français au verso.

S95-001

Canada

Revenu Canada | Revenue Canada

Avis aux employeurs

Nouveaux numéros de téléphone

Veuillez noter que les listes téléphoniques qui se trouvent dans la version originale des guides indiqués ci-dessous ne sont pas à jour :

- *Guide de l'employeur – Retenues sur la paie : Renseignements de base*, 1993 à 1997, pages 9-8 et 9-9;
- *Guide de l'employeur – Retenues sur la paie : Avantages imposables et renseignements concernant les non-résidents*, 1993 à 1997, pages 4-4 et 4-5.

Veuillez plutôt utiliser les listes qui se trouvent aux pages 15 et 16 de la mise à jour pour 1994 du *Guide de l'employeur – Retenues sur la paie : Renseignements de base.*

Rappel

Le numéro de téléphone du Programme de solution de problèmes au Centre fiscal de Surrey est inexact dans la version originale anglaise du *Guide de l'employeur – Retenues sur la paie : Renseignements de base*, 1993 à 1997.

Le numéro de téléphone sans frais est le **1-800-661-1950.**

English on reverse.

S95-001

Canada

What's New for 1994?

The information in this update reflects the tax changes the Minister of Finance announced after we published the 1993 to 1997 guide.

Automobile benefits

This legislation applies to employees whose principal source of employment is selling or leasing automobiles.

For 1994 and subsequent taxation years, the Minister of Finance proposed that, for employees whose principal source of employment is selling or leasing automobiles and make use of an automobile supplied by the employer, the 12¢ per kilometre fixed rate for determining the benefit received by them be reduced to 9¢ per kilometre.

We have revised the work sheet shown at pages 1-7 and 1-8 accordingly to help you determine the value of automobile benefits.

Group term life insurance policies that are more than $25,000 — employer-paid premiums

Effective July 1, 1994, there is no longer an income tax exemption for the first $25,000 of coverage under a group term life insurance policy. This change applies to both current and former employees (retirees) who receive group term life insurance benefits from their present or former employer.

Deducting at source and reporting

Employers

When an employer contracts directly with an insurance company to provide life insurance coverage for its employees, the employer will be required to deduct at source based on the total of salary or wages and employment benefits (including life insurance). The employer will have to report these amounts on each employee's T4 Supplementary slip (T4A Supplementary slip for retirees) at the end of the year. The employer will report the benefit from employer-provided group term life insurance in box 40 of the T4 Supplementary slip, "Other taxable allowances and benefits" (box 28, "Other income," on the T4A Supplementary slip). The $500 reporting threshold for T4A Supplementary slips described in the *Employers' Guide to Payroll Deductions — Basic Information* in Chapter 6 under "How to complete the T4A Supplementary" will not apply.

Multi-employer benefit plans

A multi-employer benefit plan is a plan under which two or more unrelated employers provide benefits to their employees. The employers pay amounts (usually determined by union contract) to the plan administrators or trustees who administer the plan.

When, instead of contracting directly with an insurance company, an employer makes payments to a multi-employer benefit plan administrator or trustee to provide group term life insurance benefits for its employees, the requirement for employers to deduct from the employees pay for the amounts paid to plan administrators or trustees is waived.

Employers are responsible under the *Income Tax Act* for reporting all benefits from employment, regardless of whether these benefits are provided through multi-employer plans. However, given the special circumstances that multi-employer plans create, it is possible that employers cannot calculate the benefit from group term life insurance for the employees because of missing information. The multi-employer benefit plan administrators or trustees will have to provide the necessary information to the employers or they will have to declare the employees' benefits on behalf of the employers. In that case, the administrators or trustees have to report the benefit in box 28, "Other income," on the employees' slips. Nevertheless, they will not be required to make deductions at source from the benefits they report on behalf of employers. However, when administrators report the benefit from employer-provided group term life insurance on T4A Supplementary slips they prepare on behalf of employers as outlined above, the $500 reporting threshold for T4A Supplementary slips described in Chapter 6 of the *Employers' Guide to Payroll Deductions — Basic Information* will not apply.

A publication called *Employer — Provided Group Term Life Insurance* is available at your local income tax office.

Prescribed rates of interest for 1994

Quarter	1994
1st	5%
2nd	4%
3rd	6%
4th	7%

Changes to non-resident forms

We have made changes to the following forms:

- **PD7AR-NR** — To send tax that you withheld under Part XIII of the *Income Tax Act*, you have to use the remittance portion (Part 2) of Form NR76, *Non-Resident Tax Statement of Account*, instead of Form PD7AR-NR, *Non-Resident Remittance Form*.
- **NR4B** — You have to use information slip NR4 Supplementary, *Statement of amount paid or credited to non-residents of Canada* and Form NR4 Summary, *Return of amounts paid or credited to non-residents of Canada* instead of information slip NR4B Supplementary, *Statement of amount paid or credited to non-residents of Canada* and Form NR4B Summary, *Return of amounts paid or credited to non-residents of Canada*. The NR4 forms are available from your income tax office.
- **T4A-NR Summary** — We have modified Form T4A-NR Summary, *Summary of remuneration paid*. You can obtain copies of this form from your income tax office.

Foreign pension plan (FPP)

On December 18, 1992, the Department of Finance released draft legislation relating to retirement savings plans. The legislation included measures to ensure that the uniform limits on tax-deferred retirement savings also take into consideration savings under a foreign pension plan.

These proposed changes had not been enacted at the time we prepared this guide.

If you are contributing to a foreign pension plan for a non-resident of Canada who is in regular and continuous employment with you, you may have to declare, or elect to declare, a Pension Adjustment (PA) annually on the employee's T4 Supplementary slip.

If you have any questions about foreign pension plans, contact:

Registered Plans Division
Revenue Canada
400 Cumberland Street
Ottawa ON K1A 0L8

or call toll-free:

1-800-267-3100 (English)
1-800-267-5565 (French)

Telephone listing

Please remove the telephone listing at pages 4-4 and 4-5 of the original guide. Some numbers may not be up-to-date. You can find an updated list of the address and telephone numbers of district offices and taxation centres in the *Employers' Guide to Payroll Deductions — Basic Information — Update 1994*.

CALCULATION OF AUTOMOBILE BENEFITS FOR 1994 AND SUBSEQUENT TAXATION YEARS

Last name	First name	Social insurance number
Address		

PLEASE READ THE FOLLOWING INSTRUCTIONS CAREFULLY:

1. PST means provincial sales tax, GST means goods and services tax.
2. For the meaning of "cost of automobile," see the definitions at the beginning of this chapter.
3. The number of days the automobile was available to the employee must be determined for the entire calendar year (including weekends and holidays).
4. * When you divide the total days available by 30, round off the result to the nearest whole number if it is more than one.

   Examples: Available 20 days ÷ 30 = 0.67 (do not round off).
   Available 130 days ÷ 30 = 4.33 (round to 4).
   Available 135 days ÷ 30 = 4.50 (round to 4).
   Available 140 days ÷ 30 = 4.67 (round to 5).
5. The "highest average cost of autos" is one of the following amounts, whichever is more:
   a) the average cost of all automobiles you acquired to sell or lease in the year; or
   b) the average cost of all **new** automobiles you acquired to sell or lease in the year.
6. Calculate the standby charge at a reduced rate if both of the following conditions are met:
   a) you require the employee to use the automobile in the performance of his or her duties of office or employment; and
   b) the employee uses the automobile at least 90% of the time for business purposes.
7. Keep in mind that the optional calculation in "Step 3 - Operating cost benefit" may not be beneficial in all cases.

Step 1 - Standby charge: choose 1, 2, or 3

1) Employer owned automobile: cost of auto **(including PST, excluding GST)** ..... $ _____ x 2% $ _____ (1)
2) Employer leased automobile (lessee): monthly leasing cost **(including PST, excluding GST and insurance)** ..... $ _____ x 2/3 $ _____ (2)
3) Employee sells or leases autos: highest average cost of autos, **including PST, excluding GST** (see 5 above) ..... $ _____ x 1.5% $ _____ (3)

Reducing the standby charge (see 6 above)

Amount from 1, 2, or 3 above: $ _____ x (Number of days auto available to employee / 30 *) x [Personal kilometres / (Number of days auto available to employee / 30 *) x 1,000] = _____ $ _____ (4)

Minus: Employee reimbursements attributable to standby charge ..... $ _____ (5)

Standby charge benefit (if negative, enter "0") ..... $ _____ (A)

Step 2 - GST component on standby charge: choose 1, 2, or 3

1) Employer owned automobile: cost of auto **(excluding PST and GST)** ..... $ _____ x 2% $ _____ (1)
2) Employer leased automobile (lessee): monthly leasing cost **(excluding PST and insurance)** ..... $ _____ x 2/3 $ _____ (2)
3) Employee sells or leases autos: highest average cost of autos, **excluding PST** (see 5 above) ..... $ _____ x 1.5% $ _____ (3)

Reducing the standby charge (see 6 above)

Amount from 1, 2, or 3 above: $ _____ x (Number of days auto available to employee / 30 *) x [Personal kilometres / (Number of days auto available to employee / 30 *) x 1,000] = _____ $ _____ (4)

Multiply the amount on line 4 above by the GST factor ..... x 7%

GST component on standby charge ..... $ _____ (B)

(see reverse)

Step 3 - Operating cost benefit

You do not have to calculate an operating cost benefit when the employee reimburses you for all operating expenses attributable to personal use no later than 45 days after the end of the year.

Basic calculation

Complete this calculation if both of the following conditions are met:

a) the employee does not reimburse or only partially reimburses you for operating expenses attributable to personal use no later than 45 days after the end of the year; and

b) the employee did not elect to use the optional calculation, and:

i) the employee's principal source of employment is selling or leasing automobiles

Personal kilometres driven ..... _____ x 9¢ = $ _____ (1)

or

ii) the employee occupies any other employment

Personal kilometres driven ..... _____ x 12¢ = $ _____ (2)

OR

Optional calculation

You can use this calculation, if the employees meet both of the following conditions:

a) they use the auto 50% or more for business purposes; and

b) they request (in writing before the end of the year) that you use this method.

($ _____ (A) + $ _____) x 50% = $ _____ (3)

Standby charge amount

Employee reimbursements attributable to standby charge

Amount 1, 2, or 3 above ..... $ _____

Minus: Employee reimbursements attributable to the operating cost benefit made no later than 45 days after the end of the year ..... $ _____

Operating cost benefit (if negative, enter "0") ..... $ _____ (C)

Total of amounts (A), (B), and (C) (Employee taxable benefit to be reported in box 14 and box 34 of the T4 Supplementary or, if applicable, in box 28 of the T4A Supplementary) ..... $ _____

Payroll deductions and reporting automobile benefits

To make payroll deductions easier to calculate, you can estimate in advance the yearly value of the automobile benefit by using the work sheet discussed earlier in this chapter.

After you have estimated the value of the benefit, prorate the amount to the employee's pay period. Add the resulting amount, and the value of other benefits to the employee's salary in order to arrive at the total amount subject to payroll deductions of tax and Canada Pension Plan (CPP) contributions per pay period. At the end of the year, or when that person is no longer your employee, recalculate the benefit using the automobile's actual availability, and the kilometres driven for the taxation year. Adjust the last pay accordingly.

After you have calculated the final amount, report it in box 14 "Employment income before deductions," and in box 34, "Personal use of employer's auto" on the employee's T4 Supplementary for the taxation year. If a shareholder receives the benefit in his or her capacity as a shareholder, report the benefit on a T4A Supplementary in box 28 "Other Income." If a shareholder receives the benefit in his or her capacity as an officer or employee, report the benefit on the T4 Supplementary.

Partnerships

You have to include a standby charge plus the related GST component in the income of a partner or an employee of a partner, if a partnership makes an automobile available for personal use to:

- a partner, or a person related to the partner; or
- an employee of a partner, or a person related to an employee of a partner.

Automobile allowances

An employer's allowance to an employee is different than a reimbursement. A **reimbursement** is a payment an employer makes to an employee as a repayment for amounts the employee spent while conducting the employer's business. Generally, the employee completes a claim or expense report detailing the amounts spent. The reimbursement, which becomes part of the employer's business expenses, is not included in the employee's income.

However, an **allowance** is a payment an employer makes to an employee in addition to the employee's remuneration. For example, when an employer pays an employee a flat rate of $250 per month, or 30¢ per business kilometre, for the use of the employee's automobile in conducting the employer's business, we consider such a payment to be an allowance.

Non-taxable allowances

If you pay your employees a reasonable allowance for the use of their own automobile, you do not have to include this amount in their income.

An allowance for the use of an automobile is considered reasonable only if:

- it is based solely on the number of business kilometres driven in a year;
- the rate per kilometre is reasonable; and
- you did not reimburse the employee for expenses that relate to the same use.

An exception to this rule applies if you reimburse an employee for toll or ferry charges, supplementary business insurance, or parking if you have determined the allowance without including the reimbursed expenses.

Note

The type of vehicle and the driving conditions generally determine whether an automobile allowance is considered reasonable. The automobile allowance rates per kilometre we usually consider reasonable are the amounts prescribed in the *Income Tax Regulations*.

The current rates are:

- 31¢ per kilometre for the first 5,000 kilometres;
- 25¢ per kilometre thereafter; and
- an additional 4¢ per kilometre for travel in the Yukon and Northwest Territories.

These rates are used for determining the maximum amount that may be deducted by an employer and, therefore, are only a guideline.

Payroll deductions and reporting of automobile allowances

In the following sections, the term "allowance" refers to an amount you pay your employees to use their own automobile to carry on your business. There are four different types of allowances.

- **Your employee is paid an automobile allowance based solely on a reasonable per kilometre rate** — This amount is not included in income and is not taxable. It is not subject to income tax deductions, CPP contributions, or UI premiums. Do not report this amount on the employee's T4 Supplementary.
- **Your employee is paid a flat-rate automobile allowance** — This allowance is not deemed to be a reasonable allowance. The total amount paid is subject to income tax, CPP, and UI deductions. Include the yearly total of the flat-rate allowance in box 14 "Employment income before deductions" and in box 40 "Other taxable allowances and benefits" on the employee's T4 Supplementary. When your employee completes an individual income tax return, he or she may be able to deduct the allowable expenses, providing the conditions of paragraph 8(1)(f) or (h.1) of the *Income Tax Act* are met. Your employee has to complete Form T2200, *Declaration of Conditions of Employment*, and include it with his or her tax return.
- **Your employee is paid an automobile allowance that is based on a per kilometre rate that we do not consider reasonable** — In this case, the total amount is subject to income tax, CPP, and UI deductions. Include the yearly total of these allowances in box 14 "Employment income before deductions" and in box 40 "Other taxable allowances and benefits" on your employee's T4 Supplementary. When your employee completes an individual income tax return, he or she may be able to deduct the allowable expenses, providing the conditions of paragraph 8(1)(f) or (h.1) of the *Income Tax Act* are met. Your employee has to complete Form T2200, *Declaration of Conditions of Employment*, and include it with his or her tax return.
- **Your employee is paid both a flat-rate automobile allowance PLUS a reasonable per kilometre automobile allowance** — We consider these to be two separate allowances. The flat-rate allowance is **included** in income, and the reasonable per kilometre allowance is **excluded** from income. An employee in this situation would not usually be able to claim automobile expenses since the employee received an allowance that was excluded from income. However, we offer administrative relief to employees who receive both types allowances. When the employee completes an individual income tax return, both automobile allowances are included in income and the employee can claim allowable expenses. The employee must complete Form T2200, *Declaration of Conditions of Employment*, and include it with his or her tax return.

  You have to deduct income tax, CPP, and UI from the flat-rate allowance. The reasonable per kilometre allowance is **not** subject to these deductions.

  Report the yearly total of the allowances on the employee's T4 Supplementary as follows:

  - Include the yearly total of the employee's flat-rate allowance in box 14 "Employment income before deductions" and in box 40 "Other taxable allowances and benefits."
  - Do not include the yearly total of the employee's reasonable allowance in box 14 "Employment income before deductions" or in box 40 "Other taxable allowances and benefits." Enter the yearly total of the reasonable per kilometre allowances in the "Footnotes" area only, as follows:

    Plus total reasonable per kilometre allowance of $ _____

Averaging allowances

You cannot average a flat-rate or lump-sum automobile allowance at the end of the year to determine a reasonable per kilometre rate.

To comply with the rules on automobile allowances, employees must file expense claims with you on an ongoing basis in order to claim a per kilometre allowance. We understand, however, the administrative problems that can result from this. As a result, we are providing you with an alternative. If you make accountable advances to employees for automobile expenses, the advances are not taxable if they meet the following conditions:

- There is a pre-established per kilometre rate that is not more than a reasonable amount.
- The rate and the advances are reasonable under the circumstances.
- You document this method in the employee's record.
- No other provision of the *Income Tax Act* requires the advances to be included in the employee's income.

If you meet **all** these conditions, we will not tax the accountable advances for the automobile allowance.

The employee has to account for the business kilometres travelled and any advances received. This must be done on the date the employee ceases employment in the year, or by the calendar year-end, whichever is earlier. At that time, you must pay any amounts you owe the employee, and the employee must repay any amount over expenses. **It is not acceptable for you to simply report the excess advances on the employee's T4 Supplementary.**

Reducing tax deductions at source on certain automobile allowances

In many cases, automobile allowances that are not based solely on a reasonable per kilometre rate can later be substantially offset by the employee's expense deductions when the employee completes an individual income tax return. The employee can ask to reduce or eliminate payroll deductions (commonly called a "waiver") from the allowance. To do this, the employee has to send a request to the Source Deductions section at his or her district taxation office and include the following information:

- the type of employment for which the allowance will be paid;
- an estimate of the total automobile allowances the employee will receive in the year;
- an estimate of the business kilometres the employee will drive in the year;
- an estimate of the employee's automobile expenses for the year; and
- the amount for which the waiver is being requested.

If you have a number of employees in the same situation, you can obtain a bulk waiver for the group instead of individual waivers. For more information, contact your district taxation office.

Don't forget

1. **Automobile benefits — calculation of the operating cost benefit**
   For the 1993 and subsequent taxation years, if your employee has not chosen to, or is unable to, use the optional operating cost benefit. Calculate the operating cost benefit using a charge based on a fixed rate of 12¢ per kilometre of personal use, minus any reimbursement your employee makes within 45 days after the end of the year.

   Proposed legislation
   This legislation applies to employees whose principal source of employment is selling or leasing automobiles.

   For 1994 and subsequent taxation years, the Minister of Finance proposed that, for employees whose principal source of employment is selling or leasing automobiles and who make use of an automobile supplied by the employer, the 12¢ per kilometre fixed rate for determining the benefit received by them be reduced to 9¢ per kilometre minus any reimbursement the employees make no later than 45 days after the end of the year.

   No benefit will accrue where the employee fully reimburses you for **all** operating expenses attributable to personal use within 45 days after the end of the year. A full reimbursement is considered to have been made only where the employee pays back the portion of all operating expenses (including GST) paid or payable by the payor, attributable to personal use.

2. **Automobile benefits — work sheet**
   The work sheet will help you calculate the value of an employee's automobile benefit. The result obtained represents the taxable benefit you have to report in boxes 14 and 34 of the T4 Supplementary or, if applicable, in box 28 of the T4A Supplementary.

3. **Non-taxable automobile allowances**
   The automobile allowance rates per kilometre we usually consider reasonable are the amounts prescribed in the *Income Tax Regulations*. The current rates are:
   - 31¢ per kilometre for the first 5,000 kilometres;
   - 25¢ per kilometre thereafter; and
   - an additional 4¢ per kilometre for travel in the Yukon and Northwest Territories.

   These rates are used for determining the maximum amount that may be deducted by an employer and, therefore, are only a guideline.

Chapter 2
Other Taxable Benefits

Contents

* * *

There are many types of benefits that you may have to include in an employee's income. Whether or not the benefits are taxable depends on the type of benefit, and the reason an employee or officer receives it. In this chapter, we list and describe certain benefits, and tell you if they are taxable.

Report most taxable benefits on a T4 Supplementary, or in some cases on the T4A Supplementary.

There is a goods and services tax (GST) component on many of the taxable benefits that you include in employment income for income tax purposes. The GST component is considered a separate taxable benefit. The benefit is 7% of the amount of the taxable benefit. However, this does not apply to:

- cash remuneration (such as salary, wages, and allowances);
- a taxable benefit that is an "exempt supply" (as defined in the *Excise Tax Act*); or
- a "zero-rated supply" (as defined in the *Excise Tax Act*).

Note

You have to calculate the taxable GST component on benefits paid to employees based on the gross amount of the benefits, without taking into account any amounts reimbursed by the employee for those benefits.

You can find more information about the GST component throughout this chapter when we explain each taxable benefit.

Educational allowances

If you pay any amounts to an employee as an educational allowance for the employee's child, you have to include these amounts in the employee's income for the year.

However, under certain conditions the educational allowance is not taxable. If you would like more information, contact your Revenue Canada income tax office.

If any part of the educational services provided are taxable, calculate a taxable GST component of 7% (net of any provincial sales tax).

Employee counselling services

The fees you pay to provide services such as financial counselling or income tax preparation for an employee are usually considered a taxable benefit to the employee who receives the benefit. This applies whether you pay the fees directly or indirectly.

The taxable GST component on such a taxable benefit is 7% of the amounts included in the benefit (net of any provincial sales tax).

Some employee counselling services are exempt from tax. Counselling services are not considered to be a taxable benefit if they relate to:

- the mental or physical health (e.g., tobacco, drug, and alcohol abuse, as well as stress management) of an employee, or a person related to an employee (this does not include amounts for the use of recreational or sporting facilities and club dues);
- an employee's reemployment; and
- an employee's retirement.

Gifts

A gift, either in cash or in kind, that you give to an employee is considered a benefit from employment. However, if the gift is for a wedding, Christmas, or similar occasion and is $100 or less, you do not have to include the amount in the employee's income if you agree not to claim the cost of the gift as an expense when you calculate taxable income.

This policy only applies to one gift per employee per year. However, you are allowed to give two gifts in the year an employee marries, as long as one of them is a wedding gift.

If the gift is all in cash, there is no taxable GST component. If any part of the gift is in kind, calculate the taxable GST component on the taxable benefit as 7% of the amounts included in the benefit (net of any provincial sales tax).

Group term life insurance policies that are more than $25,000 — employer-paid premiums

Effective July 1, 1994, there is no longer an income tax exemption for the first $25,000 of coverage under a group term life insurance policy. This change applies to both current and retired employees who receive group term life insurance benefit from their present or former employer.

The employee benefit is the total of the employer paid premiums for the following three items, as they apply:

- the employee's term insurance benefit;
- the employee's prepaid insurance benefit; and
- sales and excise taxes that apply to the employee's insurance coverage, **minus** premiums and any sales and excise taxes the employee paid either directly or through reimbursement to the employer.

For 1994, an employee's total benefit from employer-provided group term life insurance will consist of the total of the benefit calculated for the first six months of the year under the current rules (except that to calculate the benefit, you exclude a lump-sum premium paid after February 1994, for an individual who is living at the end of June 1994, and the related insurance coverage) **plus** the benefit calculated for the last six months of the year by using the rules provided in the draft amendments as described below.

Benefit calculation for term insurance

For 1994, each day in the year after June 30:

- multiply the amount of term insurance in force for the employee on that day by the average daily cost of insurance;
- total the above amounts for each day in the year;

- add the sale tax applicable to the premium paid for the coverage for the year; and
- subtract any amount the employee paid for the term insurance and sales tax for the year.

The "average daily cost of insurance" referred to above is determined by:

- adding the total of the premiums payable for the calendar year under the policy for term insurance **and** any premiums paid in the year for prior years (e.g., premium deficiencies) which have not as yet been included in the calculation of the cost of insurance for any year;
- subtracting from the above total any policy dividends or experience rating refunds the employer received in the year; and
- dividing the remainder by the amount determined by:
  a) calculating the total amount of term insurance in force for all employees for each day in the year; and
  b) adding together these daily amounts, to give a total for the year as a whole.

Example for purposes of deducting at source

Assumptions

For example, let us assume that:

- three employees earning salaries of $38,000, $41,000, and $42,500 respectively are covered under the policy;
- the employees are expected to work all year, and their salaries are not expected to change;
- the benefit payable in the event of death is 2 × salary;
- employees are paid biweekly;
- annual premium charged by the insurer is $1,200 (estimated);
- the policy is not experience-rated;
- the coverage is fully employer-paid; and
- sales tax applies at the rate of 8%.

Using the above assumptions, the taxable benefit for purposes of deducting at source for the employee earning $41,000 is calculated as follows:

i) Average daily cost $= \dfrac{\text{(premiums} - \text{refunds)}}{\text{Sum for the year of total coverage for each day}}$

$$= \frac{(\$1{,}200 - 0)}{[(\$38{,}000 \times 2) + (\$41{,}000 \times 2) + (\$42{,}500 \times 2)] \times 365}$$

$$= \frac{\$1{,}200}{\$88{,}695{,}000}$$

$$= \$0.000013529$$

ii) Term insurance benefit for the pay period

(Employee coverage × average daily cost) × number of days in pay period
($82,000 × $.000013529) × 14 = $15.53

iii) Sales tax

$15.53 × 8% = $1.24/pay period

iv) Estimated benefit for the pay period

Term insurance benefit + sales tax benefit
$15.53 + $1.24 = $16.77

Alternative methods

The proposed rules provide flexibility in determining the average daily cost of insurance by also permitting the use of any other reasonable method specified above. In some cases, an example of a reasonable method would be the use of the policy year instead of the calendar year.

Prepaid insurance

In general terms, an employee's prepaid insurance benefit for a year is equal to the amount of lump-sum premiums the employer paid in the year for that employee.

More specifically, an employee's prepaid insurance benefit for a year is the total of:

- each lump-sum premium paid in the year for insurance on the life of the employee (except a premium paid before March 1994, or a paid-up premium paid before 1997); and
- one-third of each paid-up premium for insurance on the life of the employee, when the premium was paid:
  a) after February 1994 and before 1997; and
  b) in the year, or one of the two preceding years.

Any amounts the employee paid for prepaid insurance either directly, or by way of reimbursement, are not included for the purpose of calculating the employee's benefit from prepaid insurance.

Please note that the sales tax that applies to paid-up premiums cannot be prorated in the same way as premiums. The **full amount** of the sales tax that applies to paid-up insurance is a taxable benefit in the year the employer pays it.

Penalties and interest

As long as an employer has made a reasonable effort to implement the new provisions as quickly as possible, we will not assess penalties and interest for late remittance for this benefit in 1994. Nevertheless, employers should note that, once implementation is complete they have to catch up with any deductions they missed during the implementation period in subsequent pay periods in 1994. This will minimize the possibility of employees having a tax balance outstanding at the year-end.

Additional information

For more details, contact your Revenue Canada income tax office.

Holiday trips, other prizes, and incentive awards

A holiday trip, an all-expenses-paid vacation, or any other award you may give an employee is considered a taxable benefit from employment. The value of the benefit is the fair market value of the trip or vacation.

If you give an employee a prize, or an award related to sales or other work performance, the amount the employee receives is considered employment income. This applies whether the payment is in cash or in kind.

If a manufacturer of items or goods gives prizes, cash awards, or awards in kind **to the dealer** of the items or goods, the manufacturer does not have to report the prizes or awards on an information slip. However, if the dealer passes the prizes or awards on to an employee, the dealer has to report the cash payment or the value of the benefit in boxes 14 and 40 on the employee's T4 Supplementary.

If a manufacturer gives a cash award or a prize directly **to the employee** of a dealer or other sales organization, the manufacturer has to report the value of the award or prize as a benefit in box 28, "Other income", on a T4A Supplementary.

If you would like more information, see Interpretation Bulletin IT-470, *Employees' Fringe Benefits*, and its Special Release.

There is no taxable GST component on the part of a prize or award that you give in cash. However, if any part of the prize or award is in kind, the taxable GST component on the taxable benefit is 7% of the amount included in the benefit (net of any provincial sales tax.)

Housing, board, and lodging

If you provide a house, apartment, or similar accommodation rent-free to an employee, or for less than the fair market value of such accommodation, the employee is considered to receive a taxable benefit. As the employer, you have to estimate a reasonable amount for the benefit. This is usually the fair market value for the same type of accommodation, **less** any rent the employee paid. Report the taxable benefit on the employee's T4 Supplementary in box 14 and box 30, "Housing, board, and lodging."

If you provide a rent-free or low-rent residence or other accommodation to a **member of the clergy** who is in charge of, or ministers to, a diocese, parish, or congregation, you have to estimate the value of the benefit and report it on the individual's T4 Supplementary. This also applies to clergy members who occupy a full-time administrative position by appointment of a religious order or denomination. If the clergy members inform you in writing that they will claim a deduction from income for the residence or other accommodation, do not include the value of this benefit in their income for the purpose of withholding tax deductions at source.

If the clergy is provided with free or low-rent accommodation, the benefit is **pensionable** but **not insurable**.

If the clergy is provided an allowance to cover the cost of accommodation, the benefit is **pensionable** and **insurable**.

If you provide **free** board and lodging to an employee, the employee is considered to have received a taxable benefit. As a result, you must add to the employee's remuneration the fair market value of the board you provide. Report this amount on the employee's T4 Supplementary in box 14 and box 30, "Housing, board, and lodging."

If you provide **subsidized** board and lodging to an employee, determine the value of the benefit for "board" as described in the next section, "Subsidized meals." The lodging benefit is the fair market value of the accommodation, **less** any amount the employee paid. Report the benefits on the employee's T4 Supplementary in box 14 and box 30, "Housing, board, and lodging."

We make an exception to these rules when you provide board and lodging to an employee who works at a remote location, or a special work site. For more information, see "Employment at special work sites and remote locations" in Chapter 8 of the *Employers' Guide to Payroll Deductions — Basic Information.*

When you provide a house, apartment, or similar accommodation to an employee, the value of the accommodation is generally not subject to GST as long as the employee occupies it for at least one month. To find out if the accommodation you provide your employee is subject to GST, contact your nearest Excise/GST office for more information. If GST applies to the accommodation, calculate the taxable GST component as 7% of the amount of the benefit (net of any provincial sales tax) that has to be included in income.

Subsidized meals

If you provide subsidized meals to an employee (e.g., in an employee dining room or cafeteria), these meals are not considered a taxable benefit as long as the employee pays a reasonable charge. A reasonable charge is one that covers the cost of the food, its preparation, and service. The value of the benefit is the cost of the meals **minus** any payment the employee makes. Include the taxable benefit in box 14 and box 30, "Housing, board, and lodging," on the employee's T4 Supplementary slip.

The taxable GST component on subsidized meals is 7% of the amounts included in the benefit (net of any provincial sales tax).

Interest-free and low-interest loans

You have to include in income any benefits that an individual receives as a result of an interest-free or low-interest loan because of **employment or shareholdings**. The benefit is the amount of interest that would have been paid for the year at the prescribed interest rates (see "Prescribed rates of interest" discussed later in this section) **less** the amount of interest that the borrower pays on the loan in the year (or within 30 days after the end of the year). Some loans (see "Exceptions" discussed later in this section) are excepted from this rule, and special rules apply to home-relocation and home-purchase loans.

Include the benefit in box 14, and enter it in box 36 of the T4 Supplementary. If you file a T4A Supplementary instead of a T4 Supplementary, enter the benefit in box 28, "Other income," on the T4A Supplementary.

There is no taxable GST component on these benefits.

Loans received because of employment

An employee is considered to receive a taxable benefit if the employee receives a loan because of employment or intended employment. Any individual may receive the loan, including the employee or the employee's spouse. Also, a loan includes any other indebtedness (e.g., the unpaid purchase price of goods or services).

The taxable benefit the employee receives in the taxation year is the total of the following two amounts:

a) the interest on each loan and debt, calculated at the prescribed rate for the period in the year during which it was outstanding;

b) interest on the loan or debt that was paid or payable for the year by you the employer (for this purpose, an "employer" is a person or partnership that employed or intended to employ the individual, and also includes a person related to the person or partnership);

minus the total of the following two amounts

c) the interest for the year that any person or partnership paid on each loan or debt within 30 days after the end of the year; and

d) any part of the amount in b) that the employee pays back to the employer within 30 days after the end of the year.

Note

Sometimes these rules do not apply. See "Exceptions," discussed later in this section, for more information.

If you would like information about similar taxable benefits resulting from loans received by virtue of services performed by a corporation that carries on a personal services business, see Interpretation Bulletin IT-421, *Benefits to Individuals, Corporations and Shareholders from Loans or Debt.*

Example

Joshua is your employee. He borrowed $150,000 from you and agreed to pay it back. The prescribed rate for the loan is 11% for the first quarter of the year, 12% for the second quarter, and 13% for the third and fourth quarters. Joshua paid you $8,000 interest on the loan within 30 days after the end of the year. Also, during the year, a company related to you paid $3,000 interest on the loan on Joshua's behalf. Before the end of the same year, Joshua paid back the company that paid the $3,000. This is how you would figure out the benefit to include in Joshua's income:

a) Prescribed rate × loan amount for the period in the year:

• 11% × $150,000 × 1/4 =	$4,125	
• 12% × $150,000 × 1/4 =	4,500	
• 13% × $150,000 × 2/4 =	9,750	$18,375

plus