

# Staying on the Right Side of the CRA

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# Agenda

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- What are Benefits and Allowances?
- Your Responsibilities
- Non-Taxable Employee Benefits
- WSIB and other Workers' Compensation Boards (WCBs)
- The Ag Stream
- Q&A

# Benefits and Allowances

# What are Benefits and Allowances?

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## Benefits and Allowances:

- Employees receive a benefit if you pay for, or give something that is personal in nature:
  - Directly to your employee; or
  - To a person who does not deal at arm's length with the employee (spouse, child, sibling, etc.)

# Your Responsibilities

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- Determine if the benefit is taxable;
- Calculate the value of the benefit;
- Calculate payroll deductions; and
- File an information return

# Non-Taxable Benefits

# Non-Taxable Employee Benefits

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- A way to compensate employees without adding to their tax bill
- Benefits that employers can provide, that are 100% deductible as an expense to the employer and not taxable to an employee

# Auto Allowances

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- Car allowances not taxable as long as they are based on a reasonable per km rate and on the distance driven
- 31 cents (or 35 cents in the Yukon or Northwest Territories) for the first 5,000 kilometres and 25 cents (or 29 cents in the Yukon or Northwest Territories) for the remaining kilometres
- Travel between the employee's residence and place of business does not count
- Ask for a mileage log at the end of each year



# Overtime Meals and Allowances

- Meals and meal allowances given to staff during work overtime are not considered taxable benefits as long as the meal's value is reasonable
- According to CRA, "reasonable" is \$17 or less per meal
- Employees must work at least 2 hours of overtime outside of regularly scheduled hours
- Overtime must be infrequent and occasional; if overtime occurs frequently, CRA consider the meals to be a form of additional compensation

# Education Costs

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- Scholarships awarded to employee's children or reimbursed tuition fees, books, and expenses are not taxable benefits to an employee if they relate to postsecondary education
- The fair market value of the amounts should be reported on a T4A issued to the child
- This often results in the amount being taxed at a much lower rate

# Relocation and Moving Expenses

- Employees can be reimbursed for moving expenses
- This normally includes costs incurred to move the employee, their family, and their household effects, as well as house-hunting trips, reasonable travelling costs, commissions on the sale of the old house, legal fees, and land transfer taxes on the purchase of a new house
- In the event that an employee's old house was sold at a loss, the employer can reimburse their employees up to \$15,000 of that loss without it being considered a taxable benefit
- If the loss and subsequent reimbursement are in excess of \$15,000, only half of the excess is considered a taxable benefit

# Loans

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- Employers can arrange a mortgage or other financing for employees, and make payments directly to the financial institution for a portion of an employee's interest cost
- Generally, there will be no taxable benefit to an employee as long as their interest cost remains at or above the prescribed rate set quarterly by tax law (currently 1%)
- Financing should be arranged by the employer directly

# Cell Phones

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- Company cell phones can be provided to employees to assist them with carrying out their work-related duties
- If the basic plan is reasonable, fixed amount and personal use of the device does not result in additional charges
- CRA does not consider a cell phone to be a taxable benefit

# Non-Cash Gifts

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- Employees are eligible to receive an unlimited number of gifts/awards without attracting a tax bill, provided the total value of all gifts does not exceed \$500 annually
- Gifts cannot be cash, and employee cannot be related to the employer
- Employer can deduct 100% of the gift's value as a business expense
- Gifts in excess of \$500 during the year remain taxable
- Cash and near-cash awards, such as gift certificates, will always be considered taxable benefits when received from an employer

# Anniversary or Service Awards

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- In some organizations, employees are eligible to receive service or anniversary awards every five years
- Restrictions on these awards are such that the first award must be presented after five years of service
- The tax-free limit on these awards is \$500 provided the award is non-cash
- Thresholds for annual gifts and service awards must be calculated separately

# Promotional Items

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- Items of nominal or immaterial amount, such as coffee mugs, shirts with company logos, plaques, etc. are not considered taxable benefits
- CRA does not have a defined monetary threshold for these items, but will take into account the value and frequency of such nominal benefits



# Social Events

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- Holiday parties and social events are considered non-taxable benefits, provided the cost per employee is less than \$100

# Parking

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- An employer can provide parking as a non-taxable benefit if employees are required to use their vehicles for work, and the parking is provided for business purposes

# Travel Allowance

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- A reasonable allowance for meals while travelling, or per diem paid for an employee's travel expenses is not considered taxable, provided the expenses relate to job performance as an agent of the company

# Death Benefit

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- A non-taxable death benefit can be paid following an employee's death
- This payment is made to the spouse, common-law partner, or other beneficiary in recognition of the employee's service
- The first \$10,000 can be received on a tax-free basis, and can be split among multiple beneficiaries

# WSIB and Other Workers' Compensation Boards (WCBs)

# WSIB

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- Workplace Safety and Insurance Board
  - Committed to delivering fast, accessible services, and fair benefits at a fair price to workers and employers
  - Specific to Ontario

# WSIB

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- What benefits can workers receive?
  - Benefits for Loss of Earnings (LOE)
  - Benefits for Non-Economic Loss (NEL)
  - Loss of Retirement Income (LRI) Benefits
  - Benefits for Future Economic Loss (FEL)
  - Health Care Benefits
  - Health Care Equipment and Supplies
  - The Occupational Disease and Survivor Benefits Program
  - Benefits for Seriously Injured Workers
  - Compensation Amounts for Survivors

# WCBs in other Provinces

- WCB of Alberta
- WorkSafeBC
- WCB Manitoba
- WorkSafeNB (New Brunswick)
- Workplace Health, Safety & Compensation Commission of Newfoundland and Labrador
- WCB of the Northwest Territories and Nunavut
- WCB of Nova Scotia
- WCB of Prince Edward Island
- Commission des normes, de l'équité, de la santé et de la sécurité du travail (CNESST)
- Saskatchewan WCB
- Yukon Workers' Compensation, Health and Safety Board



# The Ag Stream

# The Ag Stream

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- The Agricultural Stream allows employers to hire Temporary Foreign Workers (TFWs) for a maximum period of 24 months when Canadians and permanent residents are not available
- To qualify for this stream, employers must meet 2 criteria:
  - production must be in specific commodity sectors; and
  - the activity must be related to on-farm primary agriculture

**Note:** Employers hiring temporary foreign workers (TFW) under the Agricultural Stream in Quebec must consult the information provided by the ministère de l'Immigration, de la Diversité et de l'Inclusion (French only). There are some variations to the requirements and the process that must be followed in this province.

# Housing: On-farm vs Off-site

Employers must provide TFWs with suitable and affordable housing.

- **On-farm housing** (e.g. bunkhouse)

- can deduct a maximum of \$30 per week (pro-rated for partial weeks) from the TFW's wage, unless applicable provincial/territorial labour standards specify a lower amount

- **Off-site housing** (e.g. commercial establishment)

- For lower-skilled workers:

- can deduct a maximum of \$30 per week (pro-rated for partial weeks) from the TFW's wage, unless applicable provincial/territorial labour standards specify a lower amount

- For higher-skilled workers:

- must ensure that the rent does not cost more than 30% of the TFW's gross monthly earnings

# Housing - Multiple TFWs

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If the employer is the leaseholder or the owner of the dwelling, where multiple TFWs are living, the employer must determine the rent according to the market rate. The rent must be divided equally between TFWs.

**Note:** The TFW is not required to stay in the housing provided by the employer and may choose to leave in favour of private accommodation. However, the TFW may need to provide advance notice to the employer or the commercial establishment regarding the departure date.

# Health Insurance

- Employers must always pay for the TFW's private health insurance
- Coverage begins from the time the TFW arrives in Canada until the worker is covered by the appropriate provincial/territorial health insurance plan
- The waiting period to be eligible for the provincial/territorial health insurance is available on the Ministry of Health websites for each province or territory
- The private insurance coverage provided to the TFW must be similar to the provincial/territorial health insurance plan

**Note:** Under no circumstances, can an employer recover the health insurance costs from the TFW.

# Questions?

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