



Part One: Income and Expenses

Employment Income, Expenses, and Allowable Deductions

Taxable Benefits Derived from Employment Income

The value of most benefits derived from employment is included in personal income. Among the myriad benefits that generally must be included in income are the following:

- tips and gratuities must be reported as income, even though they may not necessarily be included by employers on the employee's T4 slip
- employees who are awarded near-cash merchandise such as a gift certificate must take the fair market value (FMV) of

that award into account as taxable income

- subsidized long-term accommodation provided by an employer for the employee's benefit
- an employee or ex-employee who receives periodic payments under a disability insurance plan, sickness, or accident insurance plan or income maintenance insurance plan to compensate for loss of income from an office or employment must include that amount in income if the plan's premiums were paid for by the employer; however, they may deduct from income any amount they may have personally contributed toward such a plan
- employees who exercise an option to purchase an automobile from their employer at less than its fair market value are considered to have received a taxable benefit for the difference between the price paid and FMV

tax tip

Flexible employee benefit programs, which allow employees to custom design their own package of health and other benefits, are popular in the workplace. Care should be taken when structuring such plans, however, because taxable benefits can result. If, for example, an employee accumulates flex credits and those benefits are received in cash, that amount is generally considered taxable income

Non-Taxable Benefits Derived from Employment Income

Although the majority of benefits derived from employment must be included in personal income, there are several exceptions. These include employers' contributions to private health service plans, group sickness or accident plans, registered pension plans (RPPs), and deferred profit sharing plans (DPSPs).

Other examples of non-taxable benefits include, but are not limited to, the following:

- ordinary discounts on the employer's merchandise, available to all employees on a non-discriminatory basis
- subsidized meals available to all employees, provided a reasonable charge is made to cover direct costs
- an overtime meal allowance of up to \$17 in relation to two or more hours of required overtime adjacent to regular working hours, if the overtime is infrequent or occasional (generally once or twice a week, outside of peak periods)
- the cost for distinctive uniforms, protective clothing, or footwear required to be worn during employment, including related laundry expenses
- reimbursement of moving expenses upon relocation
- receipt of non-cash gifts and awards (for example, for Christmas, wedding, birthday) in one year to an arm's-length employee (that is, not a proprietor, shareholder, or their relatives), for certain material items and under certain conditions, up to a total value not exceeding \$500, including all applicable taxes
- receipt of a separate non-cash long service/anniversary award of a material nature up to \$500 in total value, including applicable taxes, provided such an award is for at least five years of service, or it has been at least five years since the last such service award was presented
- use of the employer's recreational facilities, or employer-sponsored membership in a social or athletic club, where such membership is considered all or primarily beneficial to the employer (despite the employer not being able to deduct the cost of such fees)
- an employer-mandated medical examination required as a condition of employment

- employer-sponsored personal counseling services in respect of the mental or physical health of an employee or a person related to an employee, or concerning re-employment or retirement
- employer-sponsored travel where the trip was undertaken predominantly for business reasons
- employer-sponsored training costs that are work-related
- tuition and related fees, if the course is required for employment and is primarily for the employer's benefit
- a reasonable per-kilometre automobile allowance
- employer-paid cellular phones and other such hand-held devices, as long as they were used primarily for business purposes
- board, lodging, and transportation to special worksites involving duties of a temporary nature, or to remote worksite venues away from the general community where the employee is required to be a reasonable distance away from their principal residence for at least 36 hours
- a reasonable employer-provided allowance for an employee's child to live at and attend the nearest suitable school, if one is not close to where their parents must reside for employment purposes
- the value of scholarship awards provided by an employer for the benefit of their spouse and/or children
- employer-paid expenses for moving an employee and their family, along with their household effects, out of a remote location upon the termination of employment
- exclusive on-site child care services provided by employers to all employees for minimal or no cost