



## **Taxable Employment Benefits: CRA Reduces Some of the Administrative Burden**

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The Canada Revenue Agency (the "CRA") recently announced changes to certain of its administrative policies for taxable employment benefits, some of which will be effective as of 2009. The changes are intended to minimize compliance costs for employers, increase fairness for employees, and also address the CRA's concerns regarding potential abuse of these policies. The following is a summary of some of the highlights of these changes.

### ***Overtime Meals and Allowances Provided to Employees.***

Effective for 2009, no taxable benefit arises where (1) the value of the meal or meal allowance is reasonable (i.e., generally a value up to \$17.00); (2) the employee works for two or more hours right before or right after his or her scheduled hours of work; and (3) the overtime is infrequent or occasional in nature. Generally, the CRA considers (i) less than three times a week or (ii) three or more times a week on an occasional basis to meet workload demands such as periodic financial reporting or major repairs to be infrequent or occasional. The CRA will treat overtime meal allowances to be a taxable benefit if the overtime occurs frequently or becomes the norm.

### ***Employer Provided Travel Allowances for Travel within Municipality or Metropolitan Area.***

As of 2009, employer paid travel allowances (including for meals) for travel within the municipality or metropolitan area that are primarily for the benefit of the employer may be excluded from income as a non-taxable benefit of the employee. Thus, if the employer's principal objective for paying for the allowances is to ensure that the employee's duties are undertaken in a more efficient manner during the course of a work shift, and where the allowances paid are not indicative of another type of remuneration, such allowances are excluded from the employee's income.

### ***Loyalty/Frequent Flyer Programs.***

Also as of 2009, where an employer does not control

the points accumulated by an employee under a loyalty or frequent flyer program, an employee will no longer be required to calculate and include in his or her income the fair market value of any benefits received or enjoyed provided that (i) the points are not converted into cash; (ii) the plan or arrangement is not indicative of an alternate form of remuneration; or (iii) the plan or arrangement is not for tax avoidance purposes. However, the CRA's policy with respect to employer controlled points has not changed. Consequently, employers will continue to be required to include in the employee's income the fair market value of any benefits received by the employee when employer controlled points are redeemed.

### ***Non-Cash Gifts and Non-Cash Awards.***

As of 2010, the CRA's gifts and awards policy will be subject to the following new rules:

- Arm's length employees who receive non-cash gifts and awards will not be taxed on those non-cash gifts and awards as long as the aggregate value of such gifts and awards to the employee does not exceed \$500 annually. The CRA will only treat the total value that is in excess of \$500 annually as a taxable benefit.
- A non-cash long service or anniversary award will not be treated as a taxable benefit to the employee as long as (i) the value of such award is \$500 or less, and (ii) the award is not for service of less than five years or for five years since the last long service award had been given to the employee.
- The thresholds for each of the non-cash gift or award and the non-cash long service or anniversary award are to be kept separate. The threshold of one cannot be used to offset the threshold of the other. For example, the portion of a \$750 non-cash gift that is treated as a taxable benefit cannot be "cured" by a \$350 non-cash long service award in the same year.
- Corporate logo items, coffee, tea, plaques, mugs and other similar type items of nominal or immaterial value will not be considered to be taxable benefits to employees. The CRA will look at various factors in determining

what an immaterial amount is including value, frequency, and administrative practicability of accounting for nominal benefits

***This update is intended as a summary only and should not be regarded or relied upon as advice to any specific client or regarding any specific situation.***

***If you would like further information regarding the issues discussed in this update or if you wish to discuss any aspect of this commentary, please feel free to contact us.***

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