

THE SPIRIT OF GIVING

As we gear up for all sorts of year-end festivities, many businesses and organizations will consider offering gifts to their staff, and many will also host various forms of social events to celebrate the year that will soon end and to express gratitude for their employees' contributions.

In doing so, we feel it is important to remind you of certain tax implications for the recipients of your generosity whether it be in form of a present, of a social event, or both.

The Canada Revenue Agency (CRA) has a policy that clearly outlines the tax implications of gifts and awards, and it is important that you be aware of its contents.

Gifts and Awards

The policy allows you to give each employee up to two non-cash gifts per year, tax-free, for a special occasion such as Christmas, Hanukkah, Dewali, a birthday, a wedding, or the birth of child.

It also allows you to give each employee up to two non-cash awards per year, tax-free. An award is given for an employment-related accomplishment such as long or outstanding service, employees' suggestions, or meeting or exceeding safety standards.

The policy limits the cost of the gifts to \$500, including taxes, and the cost of the awards to \$500, including taxes. If one non-cash gift costs you more than \$500, you must include the fair market value of the gift in the employee's income. As well, if one non-cash award costs you more than \$500, you must include the full fair market value of the award in the employee's income.

If you give more than one non-cash gift per year and the **total cost is more than \$500**, you are allowed to exclude the cost of up to two gifts from the employee's income, as long as the total cost of the excluded gift or gifts is not more than \$500. You must include the fair market value of the remaining gift(s) in the employee's income. The same limits apply for non-cash awards given to an employee.

If you give more than one non-cash gift per year and the **total cost is \$500 or less**, you are allowed to exclude the cost of any two of the gifts from the employee's income. You must include the fair market value of the remaining gift(s) in the employee's income. The same limits apply for non-cash awards given to an employee.

Regardless of the cost, the following gifts and awards are considered a taxable employment benefit:

- **cash or near cash gifts and awards** such as Christmas or holiday bonuses or near cash gifts and awards such as gift certificates, gold nuggets, securities, stocks, or any other item that can be easily converted to cash.
- **points** that can be redeemed for air travel or other rewards;
- **reimbursements** from an employer to an employee for a gift or an award that the employee selected, paid for and then provided a receipt to the employer for reimbursement;
- **hospitality rewards** such as employer-provided team building lunches and rewards in the nature of a thank you for doing a good job;
- **gifts and awards** given by closely held corporations to their shareholders or related persons;
- **disguised remuneration** such as a gift or award given as a bonus;
- **manufacturer provided gifts or awards** given directly by the manufacturer to the employee of a dealer.

Payroll deductions

Where the benefit is taxable, it is also pensionable. CPP contributions and income tax should be deducted. If the taxable benefit is paid in cash, it is insurable—EI premiums should be deducted. If it is a non-cash benefit, it is not EI insurable.

Reporting the benefit

The taxable gift, award or social event shall be included on a T4 slip.

Social Events

If you provide a free party or other social event to all your employees and the **cost is not more than \$100** per person, it is **not** considered to be a taxable benefit.

Ancillary costs such as transportation home, taxi fare, and overnight accommodation would increase the \$100 per person amount.

If the cost of the party is **greater than \$100**, the entire amount, including the ancillary cost, is a **taxable benefit**.

CHILDREN'S FITNESS TAX CREDIT (CFTC)

In our January 2007 edition of *The Learning Kurve*, we provided extensive information on the CFTC, effective 2007, whereby families will be able to claim a tax credit to cover eligible fees up to \$500 for enrollment in physical activity programs for each child under 16. The CRA has now communicated the information that will be required on the receipts that will substantiate your claim. As many of you gather various tax receipts throughout the year, you will soon be following up with those organizations where your children enjoyed fitness programs in 2007. The information that will be required on those receipts includes: (i) the organization's name and address, (ii) the name of the eligible program or activity, (iii) the total amount received from you, date received, and the amount eligible for the CFTC, (iv) the full name of the payer, (v) the name of the child and his/her date of birth, (vi) an authorized signature (unless the receipt is electronically generated). Be ahead of the game! and ensure your receipts are complete upon requesting and receiving them.

This 'n That at Logan Katz...

We've Grown!

Our past two issues of *The Learning Kurve* informed you of our wishes to hire new professionals to join our existing team. Our recruiting efforts are paying huge dividends. We are thrilled to announce that **Ms. Juan Gong** and **Ms. Julia Barak** will be joining our already incredible team this month. **Juan** is a C.A. candidate and graduate of York University. She also holds a Masters of Accountancy (taxation) from Brock University, and already has one year of small business practice experience with a regional firm in Belleville. **Julia**, also a graduate of York University has three years in small business public accounting practice in Toronto and will also be traveling the challenging road towards the C.A. designation. We are grateful to both Juan and Julia for having chosen us and we look forward to introducing them to you.

LK in the Community

Gary Katz was recently elected as Treasurer of *The Glebe Centre*, a non-profit, community based organization, offering accommodation, care, home support services, and a recreational and social centre for seniors in the Ottawa-Carleton area.

Upcoming Breakfast Seminar...

November 22, 2007 — **Stuart Ash** and **Kent Ledwell** from Gowlings will be discussing *"Intellectual Property and Self-Defence for SME's"*.

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