

A Two-Part Series on Non-Taxable Benefits (Part I)

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To recruit and retain key employees, it is essential that they be remunerated fairly. In doing so, employers will often consider adding various benefits to make the overall remuneration package more competitive. To assist you in determining the after-tax value of benefits to your employees, we felt it may be useful to list the various benefits that may be non-taxable, therefore making them even more attractive within a compensation package.

In relation to this, also ensure you consider the contents of the **November 2007** issue of *The Learning Kurve* which dealt with Gifts and Awards.

Counselling Services

Employee counselling services are not taxable if they relate to:

- the wellness, mental or physical health (such as tobacco, drug, and alcohol abuse, stress management, and employee assistance programs) of an employee or a person related to an employee (this does not include amounts for using recreational or sporting facilities and club dues);
- an employee's re-employment; or
- an employee's retirement.

Premiums under a private health services plan

If you make contributions to private health services plans (such as medical or dental plans) for employees, there is no taxable benefit to the employees.

Moving allowance - non-accountable allowance

Allowances that employees do not have to account for are called non-accountable allowances. A non-accountable allowance for incidental relocation or moving expenses of \$650 or less is considered to be a reimbursement of expenses that employees incurred because of the move. Therefore, this type of allowance is not taxable. Employees have to certify in writing that they incurred expenses for at least the amount of the allowance, up to a maximum of \$650.

Travel allowance

You have to include reasonable travel allowances in the income of employees who travel to perform the duties of the office or employment, unless the allowances are received by the employee for travelling away from the municipality and the metropolitan area where the employer's establishment is located and where the employee ordinarily works or reports.

Educational allowances for children

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, if the employee has to live in a specific location away from their home as required by their employer, and the schools in the area do not meet the educational needs of the employee's children, the educational allowance may not be taxable if all of the following conditions are met:

- the education provided is in the official languages of Canada primarily used by the employee;
- the school is the closest suitable one available in that official language;
- the child is in full-time attendance at the school; and
- the subsidy provided by you is reasonable.

Vehicle Allowance - reasonable per-kilometre allowance

If an allowance paid to your employees is based on a per-kilometre rate that is considered reasonable, it is not taxable. When your employees complete their returns, they do not include this allowance in income.

An allowance is considered to be reasonable only if all the following conditions apply:

- the allowance is based only 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 related to the same use, except in situations where you reimburse an employee for toll or ferry charges or supplementary business insurance if you have determined the allowance without including these reimbursements.

The type of vehicle and the driving conditions usually determine whether an allowance is considered to be reasonable.

Overtime meals or allowances

If you provide overtime meals, or a reasonable allowance for overtime meals, there is no taxable benefit if:

- the employee works three or more hours of overtime right after his or her scheduled hours of work; and
- the overtime is infrequent and occasional in nature (less than three times a week).

If overtime occurs on a frequent basis (more than twice a week), the overtime meal allowances are considered to be a taxable benefit since they start to take on the characteristics of additional remuneration.

KEEP AN EYE OUT FOR THE MAY 2008 ISSUE (COMING OUT BEFORE THE END OF THIS MONTH) WHICH WILL FEATURE PART II OF NON-TAXABLE BENEFITS!

Questions or comments?
Email us at office@logankatz.com
or call 613-228-8282 ext 0.

This 'n That at Logan Katz...

A New Face!

As of May 5, you will have the pleasure of being greeted by Carrie Demoors. Carrie is our new professional administrator / receptionist, and we are honored to have her welcome you at your next visit or call.

2008-2009 Breakfast Seminar Series

Logan Katz is currently organizing our 2008-2009 Breakfast Seminar Series. Please do not hesitate to contact Denis Chainé at dchaine@logankatz.com if you would be interested in a particular topic and / or speaker.

Attention Golf Fans!

Upcoming golf tournaments to consider:

Canadian Association of Family Enterprises (May 27) call Louise at 613.731.6201

Canadian Aviation Maintenance Council (June 17) email rboffone@camc.ca

Moore Wrinn Financial Group (June 20) email info@wrinnfinancial.ca

It's a Boy!

Tanya Gillis and her husband Pasquale welcomed their son Joseph Richard Cornacchia on March 23, 2008. The partners and staff of Logan Katz LLP extend warm congratulations to Tanya and her family.

A Word of Appreciation

Logan Katz is extremely grateful to Gurpreet Dhaliwhal and Jay Cutcheon for their invaluable assistance during our personal tax season. Gurpreet and Jay completed the co-op program at Algonquin College which requires a 6-week work term. Many thanks to Gurpreet, Jay and Algonquin College.