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What's Included in Employment Income

Tax legislation provides a non-exhaustive list of the amounts to include in employment income. As a rule, any income from employment is taxable unless otherwise specified.

There are two types of employment income: wages and benefits. Among the latter, the benefit related to the use of an automobile is undoubtedly the most important.

Automobile made available to an employee

Where an employer makes an automobile available to an employee, a taxable benefit is deemed to have been received by the employee. This taxable benefit is composed of two elements: a standby charge and an amount with respect to operating expenses.

Standby charge

The basic taxable benefit (standby charge) equals 2% per month of the original cost of an automobile, including taxes, or 2% of the lease costs, including taxes, but excluding insurance.

This benefit is proportionately reduced if the employee's personal use of the automobile is less than 20,004 kilometres per year, or 1,667 kilometres per month. However, this reduction is only available to individuals who:

- use the automobile primarily in the perfor-

mance of employment duties (i.e., more than 50% of the total kilometres driven); and

- are required by the employer to use the automobile in the performance of their duties.

The standby charge is also reduced by the amount the employee pays to the employer for the use of the automobile during the year.

Operating expense benefit

The operating expense benefit represents operating expenses paid by the employer in respect of the employee's personal use of the automobile. The employer may determine the amount of this benefit using a rate.

For 2010, the prescribed rate is 24 cents per kilometre travelled for personal use (21 cents in the case of a person selling automobiles).

However, eligible employees may elect to calculate the operating expense benefit as one-half of the standby charge. To take advantage of this calculation method, the employee must notify the employer in writing of his intention before the end of the year and the automobile must be used primarily (more than 50%) for business purposes.

The operating expense benefit must be reduced by the amount the employee paid to the employer for those expenses in the year or in the first 45 days following the end of the year.

Other items to be included in employment income

Here are some other items that form part of employment income. Some items on the list may surprise you.

- Tips received by an employee;
- GST/HST/QST rebates received by an employee in respect of previously incurred employment expenses;
- Benefit related to a loan granted by the employer to the employee at an interest rate below the prescribed rate;
- One-half of amounts in excess of \$15,000 received in respect of a decrease in value of the proceeds from disposition of an employee's old residence for employment reasons;
- Value of board and lodging provided by an employer free of charge, or at an unreasonably low charge, except in connection with employment at a special work site or remote location;
- Board and lodging allowances not exceeding \$315 per month that are
 - paid by registered charities or non-profit organizations to players on sports teams or members of recreational programs who are under 21; and
 - not employed as coaches, instructors, referees, or administrators
- are also excluded from employment income;
- Gifts and awards received from an employer. However, an employee may receive on a tax-free basis two non-cash gifts not exceeding a total value of \$500, and two non-cash awards not exceeding a total value of \$500 per year;
- Refunds by the employer for the cost of tools purchased by the employee for the performance of duties;
- Refunds or payments by the employer of an employee's tuition fees, provided the training is mainly for the employee's, not the employer's, benefit (a tax credit may be claimed in some cases);
- Refunds or payments by the employer of an employee's professional dues, unless the employer is the primary beneficiary of the refund or payment, which would be the case if the membership was a condition of employment;
- The benefit related to a free or subsidized parking space provided by the employer. The employee is not considered to receive a taxable benefit in the following situations:
 - the value of the benefit cannot be calculated because the parking spaces are available to both employees and non-employees (e.g., shopping mall parking) or are available on a first-come first-served basis and there are fewer spaces than the number of employees (e.g., scramble parking);
 - the employee is required to use his or her automobile regularly to perform employment duties;
 - the employee has a disability.
- If a benefit is applicable, it must be calculated at the fair market value of the parking space less any amount charged to the employee for the use of the space;
- Director's or other fees;
- Amounts payable on a periodic basis, received during the year, from an insurance plan to which the employer contributed, in respect of the loss of the taxpayer's income from employment. Contributions paid by the employee since being hired may reduce the amount of the benefit, as long as they have not been used to offset the taxable benefit in a previous year;
- Premiums paid by an employer to cover an employee under a group term life insurance policy, provincial hospital insurance plan, or any health care plan other than a private health services plan;
- Apprenticeship incentive grant.