

Taxable Benefits

2009

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1 Introduction

1.1 Content of this brochure

This brochure is intended for employers who provide benefits to their employees. It deals with the most common benefits received by employees, indicating whether such benefits must be included in an employee's income and, if so, in which boxes of the employee's RL-1 slip the benefits must be entered.

The information in this brochure applies to benefits provided where an employer-employee relationship exists, but does not necessarily apply to benefits provided to a shareholder who is not an employee. (Such benefits are discussed only in cases where an RL-1 slip must be issued to the shareholder.) Therefore, you should not necessarily infer that there is no tax incidence for a shareholder just because there is no information in the brochure concerning the tax treatment applicable to a particular benefit paid to the shareholder as a shareholder.

For more information, visit our website or contact us.

1.2 Explanation of references

The numbers and abbreviations at the end of certain paragraphs refer you to the law, regulation, or interpretation bulletin on which the text is based. Numbers unaccompanied by an alphabetic abbreviation refer to the *Taxation Act*; numerical references that include the letter "R" (for example, 1086R17) refer to sections of the *Regulation respecting the Taxation Act*; and references that begin with the letters IMP. refer to interpretation bulletins.

1.3 Abbreviations used in this brochure

BDC	Biotechnology development centre
CCPC	Canadian-controlled private corporation
CNNTQ	Centre national des nouvelles technologies de Québec
CNT	Commission des normes du travail
DPSP	Deferred profit-sharing plan
FMV	Fair market value
GST	Goods and services tax
HBP	Home Buyers' Plan
HST	Harmonized sales tax
IFC	International financial centre
LLP	Lifelong Learning Plan
MITZM	Montréal International Trade Zone at Mirabel
QPIP	Québec parental insurance plan
QPP	Québec Pension Plan
QST	Québec sales tax
R&D	Scientific research and experimental development
RAMQ	Régie de l'assurance maladie du Québec
RCM	Regional county municipality
RPP	Registered pension plan
RRSP	Registered retirement savings plan
SMB	Small or medium-sized business
TFSA	Tax-free savings account
WSDRF	Workforce Skills Development and Recognition Fund

In this brochure, GST is also used to mean GST/HST.

2 Principal changes

2.1 Benefit related to an employee's personal use of a motor vehicle, other than an automobile

Effective January 1, 2009, if a motor vehicle (other than an automobile) made available to an employee is essential to the operation of the business **and the** only personal use made of the motor vehicle by the employee is to travel between home and the workplace, the benefit related to such use may, under certain conditions, be calculated at the rate of \$0.24 per kilometre. For more information, see section 4.5 of this brochure.

2.2 TFSA contributions made by the employer

If you make a contribution to a tax-free savings account (TFSA) on an employee's behalf and pay the related administrative costs, you must include those amounts in boxes A and L of the employee's RL-1 slip. However, do not enter on the RL-1 slip any contributions you make to the employee's TFSA that were withheld from the employee's remuneration.

2.3 Frequent-flyer program

Effective January 1, 2009, if you do not control the number of frequent-flyer points an employee accumulates as a result of taking business trips, the employee is not required to include in his or her income the fair market value (FMV) of any benefits the employee may receive in exchange for such points unless

- the points are converted to cash;
- the plan or arrangement between you and the employee seems to be a form of additional remuneration; or
- the plan or arrangement is a form of tax avoidance.

3 General information

As a rule, benefits (including allowances) received by employees are taxable unless the *Taxation Act* states otherwise or unless, under certain conditions, a particular benefit is excluded from the calculation of the employee's income.

Chapters 4 to 8 of this brochure describe the most common benefits (including allowances) received by employees. Chapter 9 indicates which benefits are subject to source deductions, various employer contributions and compensation tax.

If a benefit does not meet the requirements for tax-exempt status (for example, where an allowance for the use of a motor vehicle is not reasonable), you must enter the **total value** of the benefit on the RL-1 slip. However, if the requirements are met but the value of the benefit exceeds a reasonable amount, the portion that exceeds the reasonable amount is taxable and must be entered on the RL-1 slip. (This rule does not apply if the amount must be reasonable for the benefit to be tax-exempt.) Benefits that are normally tax-exempt may be considered taxable if they prove to be a disguised form of remuneration.

When you include a taxable benefit in an employee's income, be sure to include any goods and services tax (GST) and Québec sales tax (QST) that the employee would have paid if he or she had personally purchased the property or service that constitutes a benefit. However, do not add GST and QST to taxable allowances or to other taxable cash benefits.

Expense allowance and expense reimbursement

The terms "expense allowance" and "expense reimbursement," used frequently in this brochure, are defined below.

Expense allowance

A predetermined amount paid to an employee, in addition to his or her salary or wages, that may cover all or only some of the expenses stipulated in the employment contract. The employee is not required to account for its use.

Notes

- The allowance does not necessarily correspond to the amount of expenses incurred by the employee, nor do the expenses which the allowance is intended to cover necessarily correspond to the expenses actually incurred.
- Whatever their purpose, expense allowances must be included in the employee's income unless the *Taxation Act* states otherwise.

Expense reimbursement

An amount paid to an employee on proof that the expenses were actually incurred.

Notes

- The expenses incurred always correspond exactly to the amount reimbursed, since a reimbursement is made after the expenses are incurred.
- An expense reimbursement does not have to be included in the employee's income unless it covers personal expenses and cannot be excluded from the calculation of the employee's income under the *Taxation Act*.

IMP. 37-9/R2

4 Motor vehicles

The table below indicates whether the use by an employee of a motor vehicle made available to the employee constitutes a taxable benefit and, if so, in which box(es) of the RL-1 slip the benefit must be entered.

The number that follows each benefit refers to the section of this chapter that deals with the benefit.

Benefit provided by the employer	Taxable benefit	Boxes of the RL-1 slip
Allowance for the use of a motor vehicle (4.2)	No, if the allowance is reasonable	Boxes A and L, if the allowance is not reasonable
Automobile made available by a partnership to a person related to an employee of a partner (4.3.4)	Yes	<ul style="list-style-type: none"> Box O of the employee's RL-1 slip for the standby charge Boxes A and W of the employee's RL-1 slip for the operating-costs benefit
Automobile made available by a partnership to an employee of a partner (4.3.4)	Yes	<ul style="list-style-type: none"> Box O for the standby charge Boxes A and W for the operating-costs benefit
Automobile made available to a partner (4.3.3)	Yes (standby charge only)	Box O
Automobile made available to a person related to a partner (4.3.5)	Yes (standby charge only)	Box O of the partner's RL-1 slip
Automobile made available to a person related to a shareholder (4.3.5)	Yes	Box O of the shareholder's RL-1 slip
Automobile made available to a person related to an employee (4.3.5)	Yes	Boxes A and W of the employee's RL-1 slip
Automobile made available to a shareholder (4.3.2)	Yes	<ul style="list-style-type: none"> Box O Boxes A and W, if the benefit is provided to the shareholder as an employee of the corporation, rather than as a shareholder
Automobile made available to an employee (4.3.1)	Yes	Boxes A and W
Automobile used by an employee for personal purposes, other than an automobile made available to the employee by the employer (4.4)	Yes	Boxes A and W
Emergency response vehicle that the employer makes available to a member of a police force or fire department (4.6)	No, if the conditions are met	Boxes A and W, if the conditions are not met
Motor vehicle, other than an automobile, that an employee uses for personal purposes (4.5)	Yes	Boxes A and W

Motor vehicle

An automotive vehicle designed or adapted to be used on highways and streets, other than a trolley bus or a vehicle designed or adapted to be operated exclusively on rails.

Automobile

A motor vehicle that is designed or adapted primarily to carry individuals on highways and streets and that seats no more than nine persons, including the driver. However, the term "automobile" does not include

- ambulances;
- clearly marked emergency medical response vehicles used by individuals to carry out their duties with an emergency medical response or ambulance service, and to carry emergency medical equipment together with one or more emergency medical attendants or paramedics;
- motor vehicles acquired or leased primarily to provide taxi services;
- buses used in a business of transporting passengers;
- hearses used in a funeral home business;
- pickup trucks, vans or similar vehicles that, in the taxation year they are acquired or leased,
 - are used primarily (more than 50%) to transport goods or equipment in order to gain income, and seat no more than three persons, including the driver, or
 - are used entirely or almost entirely (90% or more) to transport goods, equipment or passengers in order to gain income, regardless of seating capacity;
- pickup trucks, if the following conditions are met:
 - in the year it is acquired or leased, the pickup truck is used primarily to transport goods, equipment or passengers in order to gain income at a location in Canada;
 - at least one occupant of the vehicle works at a special work site where he or she performs temporary duties or at a location so remote from any established community that he or she cannot establish or maintain a dwelling there; and
 - the special work site or remote location is 30 kilometres or more from an urban area of at least 40,000 inhabitants.

Where the benefit related to the personal use of a motor vehicle is not provided to an individual by reason of his or her office or employment, the following vehicles are also excluded from the definition of the term "automobile":

- motor vehicles acquired or leased to be sold or leased in the course of carrying on a business of selling or leasing motor vehicles;
- motor vehicles used by a funeral home business to transport passengers.

4.1 More detailed information

The following information will help you in calculating a benefit related to the use of a motor vehicle.

Automobile made available to an employee

We consider that you make an automobile available to an employee where you entrust the automobile to the care and control of the employee, and authorize the employee to make personal use of the automobile or do not forbid such use. If the employee uses the automobile for work only, there is no taxable benefit even though the vehicle is available to the employee throughout the year. A taxable benefit results if the employee uses the automobile for personal purposes, or if the automobile made available to the employee is not required for his or her job.

Personal use of an automobile

"Personal use" of an automobile by an employee (or by a person related to the employee) means any non-business use of the automobile. We consider the use of an employer's automobile by an employee to travel between home and the workplace to be personal use of the automobile, even if the employee is required to return to work after regular hours.

However, if you ask or allow an employee (such as a travelling sales representative) to go directly from home to a place other than his or her usual workplace (or to return home from such a place), the employee is not considered to be using the automobile for personal purposes.

Automobile operating costs

Automobile operating costs include, for example, the cost of maintenance, repairs (minus any insurance proceeds), oil, fuel, insurance and registration. They do not include interest, capital cost allowance, leasing costs or parking fees.

Automobile leasing expenses

For the purpose of calculating the standby charge, automobile leasing expenses (variable E of the formula in section 4.3.1.1) correspond to the total amount payable to the lessor for the automobile, including goods and services tax (GST), Québec sales tax (QST), kilometrage charges, maintenance and repair costs, and terminal charges (amounts charged at the end of the lease), **minus** terminal credits (amounts credited at the end of the lease).

Leasing expenses do not include any amount paid as a penalty upon cancellation of the lease, unless the penalty is determined solely on the basis of the resale value of the automobile at the time of cancellation or is derived solely from an adjustment in the leasing price.

If there are any terminal charges or credits, **the employee may ask us** to adjust the value, over the term of the lease, of the taxable benefit resulting from the lease payments, provided the years covered are not statute-barred.

If a lease payment you make at the beginning of the lease reduces the monthly lease payments, you must, when calculating the standby charge, divide the initial payment by the number of months in the lease and add that amount to each monthly payment over the term of the lease. This initial payment must be a lease payment, however, and not a payment for the purchase of the automobile.

4.2 Allowance for the use of a motor vehicle

An allowance received by an employee for the use of a motor vehicle is considered **reasonable**, and does not have to be included on the RL-1 slip, if all of the following conditions are met:

- The measurement of the employee's use of the vehicle is based solely on the actual number of kilometres the vehicle is used in the performance of the employee's duties.
- The per-kilometre rate is reasonable.
- You do not pay the employee both an allowance and a full or partial reimbursement for expenses related to the use of the vehicle. However, if you pay a reimbursement in addition to an allowance, but the reimbursement is solely for supplementary business insurance, tolls or ferry charges not covered by the allowance, the allowance is considered reasonable, provided the two previous conditions are met.

As a rule, we consider that a per-kilometre rate is reasonable if it does not exceed the rate that an employer subject to income tax is authorized to deduct under Québec tax laws and regulations. For 2009, the per-kilometre rate considered reasonable by Revenu Québec is \$0.52 for the first 5,000 kilometres and \$0.46 for each additional kilometre. Please note that the type of vehicle and the driving conditions may also be taken into consideration in determining whether a given rate is reasonable. A rate that does not cover the expenses incurred by the employee is not considered reasonable.

If an allowance for the use of a motor vehicle is **not reasonable**, the full amount of the allowance must be included in boxes A and L of the RL-1 slip. The employee may, however, claim a deduction in his or her income tax return for expenses related to the use of his or her motor vehicle, provided the requirements of the *Taxation Act* are met. To claim the deduction, the employee must have you sign a copy of form TP-64.3-V, *General Employment Conditions*, or, in the case of a forestry worker, form TP-78-V, *Employment Expenses of Forestry Workers*, to certify that the general conditions of employment have been met. The form must be enclosed with the employee's income tax return.

Lump-sum allowance combined with a reasonable per-kilometre allowance

Where the employee receives, for the use of the same motor vehicle, both a lump-sum allowance and an allowance based on the actual number of kilometres travelled by the automobile, you must include both allowances in boxes A and L of the RL-1 slip.

37, 40.1, IMP. 40-1/R2 (except point 9)

4.3 Benefit related to an automobile made available to an employee, shareholder or partner, or to a person related to one of these persons

This section describes the steps and special rules that apply to the calculation of the benefit related to an automobile made available to an employee, a shareholder, a partner, or an employee of a partner, or to a person related to one of these persons. To determine the value of the benefit, you can use the *Work Chart for the Benefit Related to an Automobile* (TP-41.C-V), available on our website.

37, 38, 41 to 41.4, 87, 111, 117, IMP. 37-6/R1, IMP. 37-7/R2, IMP. 41-1/R8, IMP. 41.1.1-1/R2

4.3.1 Employee

There are two steps in the calculation of the benefit related to an automobile that you or a person related to you makes available to an employee. The first step is to calculate the standby charge for the automobile; the second step is to calculate the benefit related to the operating costs you pay. To do this calculation, you may use the instructions in this section or work chart TP-41.C-V, available on our website. The **value** of these benefits must be included in boxes A and W of the employee's RL-1 slip.

Note

Since the value of the benefit must be calculated over the course of the year, it is necessarily based on estimates. You must therefore repeat the calculation at the end of the year, using the actual number of kilometres travelled during the taxation year.

4.3.1.1 Step 1: Calculating the standby charge

Calculate the standby charge as follows:

$$\frac{A}{B} \times [2\% \times (C \times D) + 2/3 \times (E - F)],$$

where

A = the lower of

- the total number of kilometres travelled by the employee for personal purposes during the period in which the automobile is made available for his or her use (the amount is deemed to be equal to variable B, unless you require the employee to use the automobile to perform his or her duties, and the employee uses the automobile primarily (more than 50%) for this purpose), or
- the value of variable B;

$$B = 1,667 \times \frac{\text{total number of days (during the year) that the automobile is made available to the employee}}{30}$$

Note

If the automobile is made available to the employee for more than 30 days in the year, you must divide this number by 30 and round off the result to the lower whole number if the first decimal is 5 or less, or to the higher whole number if the first decimal is 6 or more. Thus, 7.5 is rounded off to 7, and 7.6 is rounded off to 8. If the automobile is made available to the employee for fewer than 30 days during the year, the exact fraction must be used (e.g., 19 days = 19/30);

C = the cost of the automobile to you (or to a person related to you);

D = the number of days that the automobile is made available to the employee while it is owned by you (or a person related to you), divided by 30. Round off to the nearest whole number, as for variable B;

E = the leasing expenses payable by you (or a person related to you) during the period in which the automobile is made available to the employee (period covered by variable D); and

F = the amount included in variable E that corresponds to the cost of insuring against loss of, or damage to, the automobile or liability resulting from the use or operation of the automobile.

GST and QST

When determining the value of variables C, E and F, include any tax on the automobile that is payable by you (or a person related to you), or that would be payable were it not for the exemption granted by reason of your employer status or the particular use of the automobile.

Amounts reimbursed by the employee

Any amounts, other than operating costs (see step 2), that an employee (or a person related to the employee) pays to you (or a person related to you) in the year for the use of the automobile must be subtracted from the reasonable amount corresponding to the standby charge. If the amounts paid exceed the reasonable amount, you may not use the difference to reduce the operating-costs benefit.

Automobile vendor or leasing agent

You may choose to calculate the standby charge **at the rate of 1.5% rather than 2%**, provided

- the employee is engaged **principally** in selling or leasing automobiles;
- you make an automobile that you own available to the employee (or to a person related to the employee); and
- you acquire at least one automobile in the year.

In this case, the cost of the automobile (variable C) corresponds to the higher of the following amounts:

- the average cost of all new automobiles you acquire in the year for sale or lease; or
- the average cost of all automobiles (new and used) you acquire in the year for sale or lease.

GST and QST must be included in the average cost.

41 to 41.0.2

4.3.1.2 Step 2: Calculating the operating-costs benefit

If you or a person related to you pays expenses related to the personal use of an automobile made available to an employee or to a person related to the employee, you must include an operating-costs benefit in the employee's income. For 2009, the operating-costs benefit is \$0.24 per kilometre, or \$0.21 per kilometre for employees engaged principally in selling or leasing automobiles. Contact us to find out the rates for 2010.

Simplified method

You may use the simplified method if both of the following conditions are met:

- The employee uses the automobile primarily (**more than 50%**) in the performance of his or her duties.
- The employee notifies you in writing, before the end of the year, of his or her intention to use the simplified method to calculate the operating-costs benefit.

Under this method, the operating-costs benefit equals **one-half of the reasonable amount corresponding to the standby charge**, as calculated in step 1, **before the deduction of any amounts reimbursed by the employee for the standby charge.**

Amounts reimbursed by the employee

If, in the year or within 45 days after the end of the year, the employee (or a person related to the employee) reimburses you (or a person related to you) for all the automobile operating costs (including taxes) for the year concerned, the employee receives no taxable benefit. If only a portion of these costs is reimbursed, subtract the amount reimbursed from the employee's operating-costs benefit.

41.1.1

4.3.1.3 Logbook

If you or a person related to you makes an automobile available to an employee or to a person related to the employee, the employee must keep a logbook of the trips made with the automobile and give you a copy of the logbook no later than

- January 10, 2010, if the automobile is available to the employee on December 31, 2009; or
- the 10th day following the day on which the automobile is returned to you (or to a person related to you).

The employee must enter the following information in the logbook:

- the total number of days that the automobile is made available to the employee (or to a person related to the employee) during the year;
- on a daily, weekly or monthly basis, the total number of kilometres travelled during the number of days referred to above; and
- on a daily basis, for each trip made by the employee to perform his or her duties,
 - the place of departure and the place of destination,
 - the number of kilometres travelled between those two places, and
 - any information necessary to establish that the trip is made by the employee to perform his or her duties.

Note

If the automobile is used solely for personal purposes, the employee must instead enter the following information in the logbook:

- the total number of days that the automobile is made available to the employee (or to a person related to the employee) during the year; and
- the kilometres registered on the odometer at the beginning and end of the year or of each period during which the automobile is made available, on a continuous basis, to the employee (or to a person related to the employee).

Penalty

An employee incurs a penalty of \$200 if he or she fails, within the time specified, to give you a copy of the logbook of the trips made using an automobile made available to the employee (or to a person related to the employee).

41.1.4, 41.1.5, 1049.34

4.3.2 Shareholder

If you make an automobile available to a shareholder who is not an employee, calculate the standby charge and the operating-costs benefit as you would for an employee (see section 4.3.1), and include these amounts in box O of the shareholder's RL-1 slip.

If, however, these benefits are provided to the shareholder because of the shareholder's office or employment with the corporation, enter these amounts in boxes A and W of the shareholder's RL-1 slip.

4.3.3 Partner

If you make an automobile available to a partner, calculate the standby charge using the formula set out in section 4.3.1.1 or work chart TP-41.C-V (step 1), available on our website. The partnership must file an RL-1 slip for the partner and include the value of the benefit in box O of the slip. **The operating-costs benefit does not apply in the case of a partner.**

4.3.4 Employee of a partner

Where a partnership makes an automobile available to a partner's employee (or to a person related to the employee), the standby charge is calculated using the formula set out in section 4.3.1.1 or work chart TP-41.C-V (step 1), available on our website.

The employee's operating-costs benefit corresponds to the total amount of expenses (including taxes) related to the personal use of the automobile, which are paid by the partnership for the year. Any amount that the employee (or a person related to the employee) reimburses to the partnership is subtracted from the employee's operating-costs benefit.

The value of the operating-costs benefit must be included in boxes A and W of the employee's RL-1 slip; the standby charge must be included in box O.

4.3.5 Person related to an employee, shareholder or partner

If you make an automobile available to a person related to an employee, shareholder or partner, calculate the benefit as you would for the employee, shareholder or partner. Add the value of the benefit to the income of the employee, shareholder or partner, by including it in boxes A and W of the RL-1 slip of the employee, shareholder or partner.

4.3.6 Sample calculations of the benefit related to an automobile

The calculations below are valid for 2009.

Example 1	
Basic data respecting the automobile	
Cost of the automobile, including taxes	\$23,000
Number of days (during the year) that the automobile is made available to the employee	365
Total kilometres travelled during the period	25,000 km
Total kilometres travelled for personal purposes	15,000 km
Percentage of use for employment purposes: $\frac{(25,000 - 15,000)}{25,000} \times 100 =$	40%
Total operating costs for the automobile, including taxes	\$3,000
Operating costs related to personal use: $\$3,000 \times \frac{15,000 \text{ km}}{25,000 \text{ km}} =$	\$1,800
Portion of the operating costs reimbursed by the employee in the year or within 45 days after the end of the year	\$1,000
Amount reimbursed in the year by the employee for the standby charge	\$2,000
Calculation of the standby charge	
$\frac{A}{B} \times [2\% \times (C \times D) + 2/3 \times (E - F)],$	
where	
A = B (since the percentage of use for an office or employment is 50% or less);	
$B = 1,667 \times \frac{365}{30} = 1,667 \times 12 = 20,004;$	
C = \$23,000;	
$D = \frac{365}{30} = 12;$ and	
E and F = 0.	
$\frac{20,004}{20,004} \times [2\% \times (\$23,000 \times 12)] =$	\$5,520
Minus: Amount reimbursed by the employee	– \$2,000
	= \$3,520
Calculation of the operating-costs benefit	
15,000 km x \$0.24 =	\$3,600
Minus: Amount reimbursed by the employee	– \$1,000
	= \$2,600
Total taxable benefit	+ \$2,600 = \$6,120

Example 2	
Basic data respecting the automobile	
Monthly leasing costs, including taxes	\$500
Monthly insurance premiums included in leasing costs	\$75
Number of days (during the year) that the automobile is made available to the employee	365
Total kilometres travelled during the period	20,000 km
Total kilometres travelled for personal purposes	5,000 km
Percentage of use for employment purposes: $\frac{(20,000 - 5,000)}{20,000} \times 100 =$	75%
Total operating costs for the automobile, including taxes	\$2,400
Operating costs related to personal use: $\$2,400 \times \frac{5,000 \text{ km}}{20,000 \text{ km}} =$	\$600
Portion of the operating costs reimbursed by the employee in the year or within 45 days after the end of the year	\$200
The automobile is leased by the employer and is used more than 50% for the purposes of an office or employment.	
Calculation of the standby charge	
$\frac{A}{B} \times [2\% \times (C \times D) + 2/3 \times (E - F)],$	
where	
A = the lower of	
• 5,000 km (personal use), or	
• variable B (20,004);	
$B = 1,667 \times \frac{365}{30} = 1,667 \times 12 = 20,004;$	
C and D = 0;	
E = \$500 x 12 months = \$6,000; and	
F = \$75 x 12 months = \$900.	
$\frac{5,000}{20,004} \times [2/3 \times (\$6,000 - \$900)] =$	\$849.83
Calculation of the operating-costs benefit	
If, before the end of the year, the employee notifies the employer in writing of his or her intention to use the simplified method, the operating-costs benefit is equal to one-half of the value of the standby charge, that is,	
$1/2 \times \$849.83 =$	\$424.92
Minus: Amount reimbursed by the employee	– \$200.00
	= \$224.92
Total taxable benefit	+ \$224.92 = \$1,074.75

Note

In example 2, it is to the employee's advantage to use the simplified method to calculate the operating-costs benefit (that is, $\$849.83 \div 2 = \424.92) rather than multiplying the number of personal-use kilometres by $\$0.24$ ($5,000 \text{ km} \times \$0.24 = \$1,200$). The employee is entitled to choose the simplified method because the automobile is used primarily (more than 50%) for the purposes of an office or employment.

Example 3

Basic data respecting the automobile

	Total cost	Average cost
3 new automobiles acquired in the year	\$60,000	\$20,000
147 used automobiles acquired in the year	\$1,500,000	\$10,204
150 automobiles acquired in the year	\$1,560,000	\$10,400
Taxes are included in the average cost and the total cost.		
Number of days (during the year) that the automobile is made available to the employee		365
Total kilometres travelled during the period		21,000 km
Total kilometres travelled for personal purposes		11,000 km
Percentage of use for employment purposes: $\frac{(21,000 - 11,000)}{21,000} \times 100 =$		48%
Total operating costs for the automobile, including taxes		\$5,000
Operating costs related to personal use: $\$5,000 \times \frac{11,000 \text{ km}}{21,000 \text{ km}} =$		\$2,619.05
Portion of the operating costs reimbursed by the employee in the year or within 45 days after the end of the year		\$1,000
The automobile is owned by the employer and the employee is an automobile vendor.		

Calculation of the standby charge

$$\frac{A}{B} \times [1.5\% \times (C \times D) + 2/3 \times (E - F)],$$

where

A = B (since the percentage of use for an office or employment is 50% or less);

$$B = 1,667 \times \frac{365}{30} = 1,667 \times 12 = 20,004;$$

C = the higher of

- the average cost of the new automobiles acquired for sale or lease during the year, including taxes (\$20,000), or
- the average cost of all automobiles (new and used) acquired for sale or lease during the year, including taxes (\$10,400);

$$D = \frac{365}{30} = 12; \text{ and}$$

E and F = 0.

$\frac{20,004}{20,004} \times [1.5\% \times (\$20,000 \times 12)] =$	\$3,600
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Calculation of the operating-costs benefit

11,000 km x \$0.21 =	\$2,310		
Minus: Amount reimbursed by the employee	– \$1,000		
	= \$1,310	+	\$1,310
Total taxable benefit	=		\$4,910

4.4 Benefit related to an employee's personal use of an automobile, other than an automobile made available to the employee by the employer

If you or a person related to you pays expenses related to the personal use by an employee or by a person related to the employee of an automobile other than one you make available to him or her, you must calculate the resulting benefit for the employee. This benefit corresponds to the automobile operating costs (including taxes) related to the personal use of the automobile, which are paid on behalf of the employee. Any amount reimbursed by the employee (or by a person related to the employee) must be subtracted from the value of the employee's operating-costs benefit.

41.1.2

The terms "automobile made available to an employee" and "automobile operating costs" are explained in section 4.1.

4.5 Benefit related to an employee's personal use of a motor vehicle, other than an automobile

If you make a motor vehicle that is not an automobile (such as an ambulance, pickup truck, van or bus) available for the personal use of an employee, you must calculate the employee's benefit. The value of the benefit corresponds to the fair market value (FMV) of the actual benefit, and must include all amounts that the employee would normally have had to pay for a comparable vehicle in an arm's-length transaction, such as leasing expenses and operating costs (explained in section 4.1).

If you make a motor vehicle that is not an automobile available for the personal use of a **shareholder** who is not an employee, the resulting benefit is calculated in the same manner.

If the vehicle is essential to the operation of your business and the only personal use made of it by the employee is to travel between home and the workplace, you may calculate the employee's benefit on the basis of a per-kilometre rate used for equivalent transportation. Effective January 1, 2009, Revenu Québec considers a benefit calculated at the rate of \$0.24 per kilometre to be reasonable, provided **all four of the following conditions** are met:

- The motor vehicle is not an automobile, as defined at the beginning of this chapter.
- You notify your employee in writing that the **only** personal use the employee may make of the vehicle is to travel between home and the workplace. Your employee must keep a logbook in which all the vehicle's trips are recorded, as proof that no other personal use is made of the vehicle.
- For valid business reasons, you require your employee to drive the vehicle home in the evening. For example,
 - tools and equipment cannot be safely left overnight at the work site or place of business, or
 - your employee is on call for emergencies and the motor vehicle is provided to reduce the emergency response time (see the note below).
- The motor vehicle is specially **designed or equipped** to meet the needs of your business or trade, and is **essential** for the employee to carry out his or her duties. (The employee's use of the vehicle to travel between home and the workplace does not, by itself, mean that the vehicle is "essential for the employee to carry out his or her duties.") Those two requirements are met in the following examples:
 - The vehicle is specially designed (or has been significantly modified) to transport tools, equipment or goods.
 - The vehicle (a van or pickup truck) is permanently equipped and used for transporting and storing heavy, bulky or numerous tools or pieces of equipment, and it would be difficult to load and unload the contents of the vehicle.

- The vehicle is used, on a regular basis, to transport harmful or foul-smelling materials (such as veterinary samples or fish and game).
- Your employee is on call for emergencies (see the note below) and requires
 - a clearly marked emergency response vehicle,
 - a vehicle specially equipped for responding to emergencies, or
 - a vehicle designed to transport specialized equipment to the scene of an emergency.

For purposes of calculating the benefit, an employee who uses any such vehicle to travel between home and the scene of an emergency is not considered to be making personal use of the vehicle.

Note

Typically, any situation in which the health and safety of the general public may be affected or in which the employer's activities are significantly disrupted may be considered an emergency.

133.2.1, IMP. 37-6/R1

4.6 Emergency response vehicle that the employer makes available to a member of a police force or fire department

If you or a person related to you makes an emergency response vehicle available to an employee who is a member of a police force or fire department, the employee receives no taxable benefit, provided the following conditions are met:

- A written directive limits the personal use of the vehicle and specifies that the vehicle must be returned to you in the event of an extended absence.
- The vehicle **is clearly identified with your name or has special equipment** allowing for prompt intervention in the case of events concerning public safety.

If these conditions are not met and the vehicle made available to the employee is an automobile, as defined at the beginning of this chapter, you must calculate the benefit as you would for an automobile (see section 4.3). However, if the vehicle is not an automobile, see section 4.5.

41.1.3

5 Contributions (or premiums) paid to insurance plans

The table below indicates whether insurance plan contributions (or premiums) you pay on behalf of an employee constitute a taxable benefit and, if so, in which boxes of the RL-1 slip the benefit must be entered.

The number that follows each type of plan refers to the section of this chapter that deals with the contributions (or premiums) paid by you under that type of plan.

Type of insurance plan	Taxable benefit	Boxes of the RL-1 slip
Group insurance plan (other than a multi-employer insurance plan) (5.1)	Yes, except for: <ul style="list-style-type: none"> a group insurance plan providing coverage for total or partial loss of income from an office or employment contributions paid for the benefit of the surviving spouse of a deceased employee 	<ul style="list-style-type: none"> Boxes A and J in the case of a private health services plan (see the definition below) Boxes A and L in all other cases
Multi-employer insurance plan (contributions paid by the employer to the administrator of the plan) (5.3)	Yes	Boxes A and P
Non-group insurance plan (5.2)	Yes	Boxes A and L
Top-up disability payments (insurance plan funded solely by employee contributions) (5.4)	No	Not applicable

Private health services plan

A medical care insurance plan or hospital care insurance plan (or both) or a contract of insurance in respect of medical expenses, hospital expenses or any combination of such expenses, provided the plan or contract

- covers only services or expenses that qualify for the non-refundable tax credit for medical expenses; or
- essentially covers services or expenses that qualify for the non-refundable tax credit for medical expenses, and substantially all of the premium or any other consideration payable for the coverage provided is attributable to the above-mentioned expenses.

A private health services plan does not include a plan or contract established by or pursuant to a law of a province that, in accordance with fiscal agreements, receives contributions from the federal government for health services provided under the plan or contract.

Notes

- This definition includes **group insurance plans** that cover such services or such medical expenses, as well as contracts and plans that provide full or partial coverage of dental expenses or expenses incurred for vision care.
- To qualify as a private health services plan, a plan must provide that, for an agreed consideration, a person is to indemnify another person for a loss or liability in respect of an event that may or may not occur. If an employer has made an arrangement to reimburse employees for expenses they or their dependants incur for medical, hospital or dental care, this arrangement may qualify as a private health services plan.

5.1 Contributions paid by the employer under a group insurance plan (including a private health services plan)

The contributions you pay under a group insurance plan for the coverage that a **current, past or future** employee (hereinafter referred to as an “employee”) receives during the year constitute a taxable benefit for the employee.

This applies to

- a private health services plan;
- a group life insurance plan (term or other);
- all other group insurance plans, except plans covering total or partial loss of income from an office or employment.

The contributions you pay under a group insurance plan that covers total or partial loss of income from an office or employment are not a taxable benefit for the employee.

37.0.1.1 to 37.0.1.6, 38

5.1.1 Plan backed by an insurance contract

If the group insurance plan provides coverage backed by an insurance contract with an insurance corporation, the taxable benefit related to this coverage is equal to the result of the following calculation:

- the premium and the related tax of 9% paid for the employee’s **coverage** (such as individual, family or single-parent coverage) and **benefits** (such as medical, hospital or dental expenses) for the year (see section 5.1.3 if this is a private health services plan);

minus

- the total of the following amounts:
 - the amount reimbursed by the employee during the year; and
 - the dividends, returns or refunds of premiums you received during the year with respect to the employee’s coverage and benefits.

Dividends, returns or refunds of premiums

If you receive an amount during the year as a dividend, return or refund of premiums (hereinafter referred to as a “refund”) that is determined **on the basis of all the types of benefits and coverage provided under the plan**, the portion of the refund (including the reimbursement of the related tax) that reduces the value of the benefit provided to a given employee is equal to the result of the following calculation:

Refunds you receive (except for the employees’ share in the cost of the plan, where this share is distributed to the employees during the year)	X	$\frac{\text{Premium paid for the employee}}{\text{Premiums paid for all employees}}$
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If the refund is determined only on the basis of certain types of benefits or coverage provided under the plan, the taxable benefit is reduced only for those employees who have the types of benefits or coverage on which the refund is calculated. The portion of the refund (including the reimbursement of the related tax) attributable to a given employee is equal to the result of the following calculation:

Refunds you receive (except for the employees’ share in the cost of the plan, where this share is distributed to the employees during the year)	X	$\frac{\text{Premium paid for the employee's benefits and coverage}}{\text{Premiums paid for all employees that have the same types of benefits and coverage as the employee}}$
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If you remit to an employee the portion of the refund that corresponds to his or her share in the cost of the plan, do not enter on the RL-1 slip the amount received by the employee. However, in the case of a private health services plan, this amount reduces the total amount of the premiums (paid by the employee to the plan) that gives entitlement to the tax credit for medical expenses.

If you remit to an employee the portion of the refund that corresponds to your share in the cost of the plan, you must include that amount in boxes A and L of the employee’s RL-1 slip.

5.1.2 Plan not backed by an insurance contract

If the group insurance plan provides coverage that is not backed by an insurance contract with an insurance corporation, the taxable benefit related to the coverage is equal to the result of the following calculation: the value of an employee’s coverage **minus** the total contribution paid by the employee to the plan during the year. Calculate the value of the employee’s coverage as follows:

$$\frac{(A \times B)}{C} + \frac{(D \times E)}{F},$$

where

- A = the total amount of benefits (including the related tax) paid in the year to all employees who have the same types of coverage and benefits as the employee (see section 5.1.3 if this is a private health services plan);
- B = the number of days (during the year) that the employee has the coverage and benefits concerned;
- C = the number of employee-days of coverage (that is, the total number of employees who have the types of coverage and benefits concerned, for each day in the year);
- D = expenses (including any related tax) incurred with respect to a third party, for the administration or management of the plan for the year;

E = the number of days (during the year) that the employee is covered under the plan; and

F = the number of employee-days of coverage under the plan (that is, the total number of employees covered by the plan, for each day in the year).

If optional types of benefits (for example, medical, hospital or dental expenses) or different types of coverage (such as individual, family or single-parent coverage) are provided under a plan, and the employees covered by the plan do not all have the same types of benefits or coverage, you must apply the formula $(A \times B) / C$ for each type of benefit the employee has.

Example

A private health services plan provides for two types of coverage—individual and family coverage. The plan also provides for two types of benefits—basic health insurance and coverage of dental expenses. An employee of a corporation opts for family coverage, and for both basic health insurance and coverage of dental expenses.

The following formula is used to calculate the value of the employee's coverage:

$$\frac{(A_1 \times B_1)}{C_1} + \frac{(A_2 \times B_2)}{C_2} + \frac{(D \times E)}{F},$$

where

A_1 = the total amount of benefits (including the related tax) paid in the year to all employees who have family coverage for basic health insurance;

B_1 = the number of days (during the year) that the employee has family coverage for basic health insurance;

C_1 = the number of employee-days of coverage (that is, the total number of employees who have family coverage for basic health insurance, for each day in the year);

A_2 = the total amount of benefits (including the related tax) paid in the year to all employees who have family coverage for dental expenses;

B_2 = the number of days (during the year) that the employee has family coverage for dental expenses; and

C_2 = the number of employee-days of coverage (that is, the total number of employees who have family coverage for dental expenses, for each day in the year).

In determining the value of an employee's coverage under a plan that does not distinguish between the types of coverage and benefits it provides, you cannot break down the amount of benefits paid by the plan according to the employees who do or do not have family coverage, or those who are or are not reimbursed for certain types of expenses.

Note

Since the value of the taxable benefit must be distributed over all of the pay periods, the value of the coverage provided to an employee is necessarily based on estimates. Any reasonable estimation method may be used (for example, the estimates may be based on data for the previous year or on a hypothetical premium). At the end of the year, however, you must calculate the value of the benefit on the basis of the actual data.

Group insurance plan covering employees subject to different legislation (variables A, C, D and F)

If a group insurance plan provides identical coverage to employees subject to different legislation (that is, Québec legislation and legislation in effect elsewhere), you may use one of the two methods explained below to calculate the benefit received by your employees subject to Québec legislation.

You must choose the method that best reflects the coverage provided to these employees.

Method A: The value of an employee's coverage is calculated on the basis of the actual data for all employees covered under the plan. (Method A is the standard method.)

Method B: The value of an employee's coverage is calculated on the basis of the actual data for the employees subject to Québec legislation only.

Employee subject to Québec legislation

An employee

- who reports for work at one of the employer's establishments in Québec; or
- who is not required to report for work at one of the employer's establishments in Québec, but who receives his or her remuneration or fringe benefits from such an establishment.

Example

Under a corporation's private health services plan, the three employees of the corporation who are subject to Québec legislation receive the same coverage as the 200 employees who report for work at one of the corporation's establishments in Ontario. If no benefit is paid to the employees subject to Québec legislation, or if the majority of benefits paid by the plan are paid to these employees, Method A must be used, because it best reflects the coverage provided under the plan to employees subject to Québec legislation.

Expenses incurred for the administration or management of the plan (variable D)

To calculate the value of an employee's coverage, you must take into account only the expenses incurred with respect to a third party. These expenses do not include consultation fees and other costs incurred to establish or amend a plan.

Stop-loss insurance (variable A or D)

Do not take into account the benefits paid under a stop-loss insurance contract (that is, a contract under which the insurer undertakes to cover losses beyond a certain amount for a given period) when calculating the value of an employee's coverage under a group insurance plan.

However, you must include in variable D the premiums (and the related tax) you pay for the year under such a contract if the stop-loss insurance applies without distinction to all types of coverage and benefits provided under the plan. If the stop-loss insurance applies only to certain specific types of coverage or benefits, you must include the premiums and the related tax in the variable A applicable to the coverage or benefits in question.

5.1.3 Services insured by the RAMQ

Coverage backed by an insurance contract

If the coverage provided under a private health services plan is backed by an insurance contract with an insurance corporation, exclude the portion of the premium paid for an employee that can reasonably be attributed to coverage related to the cost that would be assumed by the Régie de l'assurance maladie du Québec (RAMQ) for services insured under the *Health Insurance Act*.*

However, for a given period in the year, if an employee is not subject to the provisions of the *Health Insurance Act* (as in the case, for example, of an employee posted outside Canada) and if the plan provides the employee with coverage and benefits that comprise, at the least, all the services for which the employee would be covered under the *Health Insurance Act* if he or she were subject to it, subtract the prescribed amount from the premium paid for the employee and reduce the tax on the insurance premiums accordingly.

The prescribed amount is obtained by multiplying the number of days in the period concerned by \$2.74 (for an employee who has individual coverage) or by \$10.96 (in all other cases).

Coverage not backed by an insurance contract

If the coverage provided under a private health services plan is not backed by an insurance contract with an insurance corporation, exclude from variable A the amount of the benefits that can be considered to relate to the cost that would be assumed by the RAMQ for services insured under the *Health Insurance Act*.*

However, if an employee is not subject to the *Health Insurance Act* for a given period in the year (as in the case, for example, of an employee posted outside Canada) and the plan provides the employee with coverage and benefits that comprise, at the least, all the services for which the employee would be covered under the *Health Insurance Act* if he or she were subject to it, subtract the prescribed amount respecting the coverage and benefits in question from the total amount of benefits (variable A), and reduce the tax on the insurance premiums accordingly.

The prescribed amount is equal to the total of the amounts obtained by multiplying, for each employee in the situation described in the preceding paragraph, the number of days the employee is in that situation and has the specific types of coverage and benefits by \$2.74 (for an employee who has individual coverage) or by \$10.96 (in all other cases).

* The pharmaceutical services and medications that would be covered by the Québec prescription drug insurance plan, if the employee were not covered by a private health services plan, are insured under the *Act respecting prescription drug insurance*, and not under the *Health Insurance Act*. Therefore, you must not exclude the portion of the premium that can be attributed to coverage related to the cost of these services and medications.

Example

A private health services plan provides individual coverage to an employee who works in another country and who is not subject to the provisions of the *Health Insurance Act*. For 2009, the employer pays a premium of \$1,600 for the employee. The related tax on insurance premiums is \$144 (9% of \$1,600). No portion of the cost is reimbursed to the employer by the employee.

The prescribed amount that reduces the premium is equal to \$2.74 multiplied by the number of days in 2009 that the employee has coverage comprising, at the least, all the services for which the employee would be covered under the *Health Insurance Act* if he or she were subject to it.

Reduction of the premium: \$1,000.10

Premium paid for the employee (variable A)	\$1,600.00
Prescribed amount ($\$2.74 \times 365$ days)	– \$1,000.10
	= \$599.90

Reduction of the tax: \$90

Tax paid on the premium ($9\% \times \$1,600.00$)	\$144.00
Reduction of the tax ($9\% \times \$1,000.10$)	– \$90.00
	= \$54.00

Value of the benefit ($\$599.90 + \54.00) = \$653.90

1, 37.0.1.1 to 37.0.1.6, 37.0.1.2R1, 37.0.1.5R1

5.1.4 Paid-up life insurance

If coverage is provided for the year to a retired employee under a paid-up life insurance contract, the value of the taxable benefit corresponds to the portion of the single premium (and of the related tax) that can reasonably be attributed to the coverage and benefits provided to the person for any period of the year. This portion of the single premium must be calculated on the basis of the number of years the person can reasonably be expected to have the coverage (hereinafter referred to as the “applicable period”).

If the paid-up life insurance contract covers the retired employee until he or she reaches a set age, the applicable period is generally the number of years between the time the coverage takes effect and the set age. This number must be used to calculate the portion of the single premium that constitutes a taxable benefit.

The same principle holds for a paid-up life insurance contract that covers a retired employee until his or her death. In this case, the applicable period is generally the number of years between the time the coverage takes effect and the person’s normal life expectancy. This number must be used to calculate the portion of the single premium that constitutes a taxable benefit.

5.2 Premiums paid to a non-group insurance plan

The premiums you pay for an employee under a non-group insurance plan constitute a taxable benefit. This holds for all non-group insurance plans, including health insurance, accident insurance, disability insurance, life insurance and wage loss replacement plans.

Note

Since the value of the taxable benefit must be distributed over all of the pay periods, the value of the coverage provided to an employee is necessarily based on estimates. Any reasonable estimation method may be used (for example, the estimates may be based on data for the previous year or on a hypothetical premium). At the end of the year, however, you must calculate the value of the benefit on the basis of the actual data.

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5.3 Contributions to a multi-employer insurance plan

If you pay contributions to the administrator of a multi-employer insurance plan for a group insurance plan (other than insurance for total or partial loss of income from an office or employment), enter in boxes A and P of the employee’s RL-1 slip the portion of the contributions (and of the related tax) applicable to the work performed by the employee during the year.

Even though multi-employer insurance plans are group insurance plans, you must not enter an amount in boxes J and L of the employee’s RL-1 slip. The administrator of the plan will file an RL-22 slip and include, in box A of the slip, the value of the benefit received by the employee with respect to the plans covered by boxes J and L of the RL-1 slip. The administrator must also enter, in box B of the RL-22 slip, the value of the employee’s coverage under a private health services plan. This amount is already included in box A and may be considered an expense that gives entitlement to the tax credit for medical expenses. The amount in box B of the RL-22 slip is the same as the amount in box J of the RL-1 slip.

If you are the administrator of a multi-employer insurance plan, consult the *Guide to Filing the RL-22 Slip* (RL-22.G-V).

Multi-employer insurance plan

A plan providing for the insurance of persons which

- is applicable by operation of law, the regulations or a government order, to an economic sector, an industry, an activity, or a part of such a sector, industry or activity;
- is offered jointly by employers that belong to the same economic sector or industry, or that are engaged in the same activity; and
- is managed by a common administrator.

Note

Insurance plans applicable to employees in the construction industry are multi-employer insurance plans.

43.1 to 43.3, 78.6, 1086R1(i)

5.4 Top-up disability payments

If you make a top-up disability payment to one of your employees, the following rules apply:

- The payment is not considered a contribution made by you to or under the insurance plan of which the disability policy, for which the payment is made, is a part.
- If the payment is made to the employee, it is considered an amount received by the employee pursuant to the insurance plan referred to above.

A top-up disability payment received by an employee (or former employee) under a group disability insurance plan **funded solely by employee contributions** is not a taxable benefit.

Top-up disability payment

A payment made by an employer to replace, in whole or in part, periodic payments that an employee or former employee would have received under a group disability insurance contract covering the total or partial loss of income from an office or employment, had the insurer been solvent. The employer makes the payment

- to the **insolvent insurer** or to another insurer (thereby enabling the insurer to make the periodic payments to the employee or former employee); or
- to the **employee or former employee**, provided there is an arrangement requiring this individual to reimburse the employer if he or she recovers from the insolvent insurer or another insurer any of the periodic payments replaced by the employer.

43.0.1, 43.0.2

5.5 Contributions paid to a private health services plan for the benefit of the surviving spouse of a deceased employee

The value of the benefit related to the contributions you pay to a private health services plan covering the surviving spouse and the dependants of an employee after the employee's death is tax-exempt.

6 Board, lodging, transportation and meals

The table below indicates whether the board, lodging, transportation or meals provided to an employee constitute a taxable benefit and, if so, in which boxes of the RL-1 slip the benefit must be entered.

The number that follows each benefit refers to the section of this chapter that deals with the benefit.

Benefit provided by the employer	Taxable benefit	Boxes of the RL-1 slip
Board and lodging provided to an employee of a subcontractor (6.4)	Yes	Boxes A and V
Board and lodging provided to an employee working at a special work site or a remote location (6.8.1)	No, if the conditions are met	Boxes A and V, if the conditions are not met
Check-out allowance paid to an employee working at a special work site or a remote location (6.8.3)	Yes	Boxes A and L
Compensation allowance paid to an employee working at a special work site or a remote location (6.8.4)	Yes	Boxes A and L
Eligible paratransit pass provided or reimbursed to an employee (6.6)	No, in certain situations	Boxes A and L, if the benefit is taxable
Eligible transit pass provided or reimbursed to an employee (6.6)	No, in certain situations	Boxes A and L, if the benefit is taxable
Free or subsidized lodging (other than lodging provided to an employee working at a special work site or a remote location) (6.1)	Yes	Boxes A and V
Free or subsidized lodging provided to a member of the clergy or of a religious order (6.1)	Yes	Boxes A and V
Free or subsidized meals (6.2)	Yes	Boxes A and V
Lodging provided to a restaurant or hotel employee (6.7)	Yes	Boxes A and V
Meals and transportation for an employee who works overtime (6.5)	No, if the conditions are met	Boxes A and V or boxes A and L (as applicable), if the conditions are not met
Meals provided to a restaurant or hotel employee (6.7)	Yes	Boxes A and V
Transportation from a meeting point to the workplace (6.3)	No, if the conditions are met	Boxes A and L, if the conditions are not met
Transportation provided to an employee of a subcontractor (6.4)	Yes	Boxes A and L
Transportation provided to an employee working at a special work site or a remote location (6.8.2)	No, if the conditions are met	Boxes A and L, if the conditions are not met

6.1 Free or subsidized lodging

If you provide free or subsidized lodging to an employee, the value of the benefit corresponds to the cost of the lodging, including, where applicable, goods and services tax (GST) and Québec sales tax (QST), **minus** any amount paid by the employee. As a rule, the cost of the lodging is considered to be the fair market value (FMV) of the rent for the house or other lodging made available to an employee (that is, the amount the employee would have had to pay to rent from someone other than his or her employer).

In general, the supply of a room or other type of lodging occupied by the employee for at least one month is not subject to GST or QST.

Member of the clergy or of a religious order

If you provide free or subsidized lodging to a member of the clergy, a member of a religious order or a regular minister of a religious denomination, and this person is in charge of or ministers to a diocese, parish or congregation, you must enter the value of the benefit in boxes A and V of the person's RL-1 slip. This rule also applies if such a person is engaged exclusively in full-time administrative service by appointment of a religious order or religious denomination.

6.2 Free or subsidized meals

If you provide free or subsidized meals (such as meals in an employee dining room or cafeteria) to an employee, the value of the benefit corresponds to

- the cost of the food (including GST and QST) and, where applicable, the cost of preparing and serving the food, **minus**
- any amount paid by the employee.

If you pay compensation for meals and transportation to employees who work overtime, see section 6.5.

6.3 Transportation from a meeting point to the workplace

Transportation that you provide free of charge from a meeting point to the workplace is not considered a taxable benefit, provided the access roads are closed to public or private vehicles for safety or other reasons, or are otherwise impassable.

Compensation for travel expenses that is paid under collective agreements governed by the *Act respecting labour relations, vocational training and workforce management in the construction industry* (R.S.Q., c. R-20) to employees whose working conditions are governed by said Act does not constitute a taxable benefit.

Whether you provide transportation free of charge or pay travel expenses, if you do not meet all of the conditions, the value of the transportation benefit provided to the employee must be included in boxes A and L of the employee's RL-1 slip.

6.4 Board, lodging and transportation provided to an employee of a subcontractor

The value of the benefit (including GST and QST) provided in the form of board and lodging to an employee of a subcontractor by the general contractor or another subcontractor, **minus** the portion paid by the employee, must be entered in boxes A and V of the employee's RL-1 slip. Likewise, the value of the benefit provided to the employee in the form of transportation, **minus** the portion paid by the employee, must be entered in boxes A and L. However, such benefits are tax-exempt if they are provided to an employee working at a special work site or a remote location (see section 6.8).

Note

The person that provides the benefit must complete the RL-1 slip.

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6.5 Meals and transportation for an employee who works overtime

If you provide a meal or reimburse meal expenses to an employee who works overtime, the employee does not receive a taxable benefit if the following conditions are met:

- The overtime is done at your request and is expected to last for at least three consecutive hours.
- Overtime is done rarely or on an occasional basis (fewer than three times a week).
- The meal expenses incurred by the employee are reimbursed (in whole or in part) upon presentation of receipts.
- The meal expenses reimbursed or the value of the meal provided (as the case may be) is reasonable.

If these conditions are not met, you must include the value of the meal benefit in boxes A and V of the employee's RL-1 slip.

Likewise, where provided to an employee who works overtime, transportation or an expense reimbursement for taxi transportation between the employee's home and usual workplace does not constitute a taxable benefit if the following conditions are met:

- The overtime is done at your request and is expected to last for at least three consecutive hours.
- Overtime is done rarely or on an occasional basis (fewer than three times a week).
- The taxi expenses incurred by the employee are reimbursed (in whole or in part) upon presentation of receipts.
- Public transit is not available, or it is reasonable to consider that, under the circumstances, the employee's safety would be jeopardized because of the time of day the trip is made.

If these conditions are not met, you must include the value of the transportation benefit in boxes A and L of the employee's RL-1 slip.

37.0.3

6.6 Public transit passes

An employee does not receive a taxable benefit in the following situations:

- The employee receives a total or partial **reimbursement**, upon presentation of supporting documents, for an eligible subscription-type transit pass or an eligible paratransit pass that the employee acquired with a view to using it to commute between his or her usual place of residence and the workplace.
- You purchase an eligible transit pass or an eligible paratransit pass that is provided to the employee primarily to commute between his or her usual place of residence and the workplace.

However, if you pay the employee an allowance to compensate for the cost of his or her transit pass, you must include the value of this benefit in boxes A and L of the employee's RL-1 slip.

Where an employee of a public transit company receives a free or discounted transit pass, or a full or partial reimbursement for such a pass, the pass is not considered a taxable benefit, provided it **is to be used only** by the employee. However, the FMV of the pass constitutes a taxable benefit for the employee if the pass is for a member of the employee's family.

Eligible transit pass

A transit pass that allows the use of a public transit service, other than a paratransit service, provided by a public entity authorized by law to organize such a service.

Eligible paratransit pass

A transit pass that allows the use of a paratransit service provided by a public entity authorized by law to organize such a service.

Subscription-type transit pass

A transit pass in the form of a subscription for a minimum period of one month.

Public entities authorized by law to organize a public transit service

Municipal bodies, intermunicipal transit bodies, the Agence métropolitaine de transport and the authorities contemplated in the *Act respecting public transit authorities*, namely, the transit authorities of Laval, Lévis, Longueuil, Montréal, Outaouais, Québec, Saguenay, Sherbrooke and Trois-Rivières.

6.7 Restaurant or hotel employee

The value of the benefit related to the **meals** provided to a restaurant or hotel employee is calculated as follows:

- the lowest price (including taxes) charged to customers for a meal (such as a daily special, a table d'hôte meal, a buffet or a brunch), to a maximum of \$6.60 for 2009 and \$6.79 for 2010;

minus

- the total of the following amounts:
 - 20% of the above amount; and
 - the amount paid by the employee for the meal.

The value of the benefit related to the **lodging** provided to an employee is calculated as follows:

- the lowest weekly rate (including taxes) for a room rented to paying guests, to a maximum of \$44.25 for 2009 and \$46 for 2010;

minus

- the weekly rent paid by the employee for the room.

IMP. 37-1/R18, IMP. 37-1/R19

6.8 Employee working at a special work site or a remote location

6.8.1 Board and lodging

Any benefit you provide to an employee in cash (a reimbursement or an allowance not in excess of a reasonable amount) or otherwise for his or her board and lodging is tax-exempt if the following conditions are met:

- The benefit corresponds to the expenses incurred for the employee's board and lodging for a period during which the employee's duties require the employee to be away from his or her principal place of residence or at a **special work site** or a **remote location** for not less than 36 hours.
- Where the board and lodging are provided at a **special work site**, the employee performs temporary duties at that work site, and the dwelling that is the employee's principal place of residence
 - is available throughout the period for occupancy by the employee and is not rented to another person, and
 - is far enough from the work site that the employee could not reasonably be expected to return home every day (see notes 1 and 2 below).
- Where the board and lodging are provided at a **remote location**, the location is so remote from any established community that the employee could not reasonably be expected to establish or maintain a dwelling there (see note 3 below).

If these conditions are not met, the value of the board and lodging benefit provided to the employee must be included in boxes A and V of the employee's RL-1 slip.

Note 1

As a rule, we consider that it is not reasonable for an employee to travel between his or her principal place of residence and the workplace if the distance between those two places by the most direct route normally taken is at least 80 kilometres.

However, if the distance is less than 80 kilometres, we may, after taking into account the following factors, still consider that it is not reasonable for the employee to make that trip:

- the condition of the road taken;
- the available means of transportation;
- the number of hours of work required of the employee;
- the time the employee would have for rest if he or she returned home every day;
- the employee's general state of physical and mental health;
- the time it takes to travel the distance, and the time of day the travel takes place.

Note 2

You must write the note "Tax-exempt benefit for board and lodging" (or "Avantage non imposable pour logement et pension") in the centre of the employee's RL-1 slip, followed by the amount, if

- you provide a benefit (including an allowance or reimbursement fixed by a government order, by a decision of the Conseil du trésor or by a collective agreement made pursuant to the *Act respecting labour relations, vocational training and workforce management in the construction industry*) to the employee for board and lodging at a special work site; and
- the work site is in a northern zone or an intermediate zone prescribed by regulation and is situated within a radius of 30 kilometres of an established community of at least 40,000 inhabitants.

Note 3

As a rule, the location is considered remote if, by the most direct route normally taken, it is 80 kilometres or more from the nearest established community of at least 1,000 inhabitants.

However, in determining whether the location is remote, we also consider such factors as

- the available means of transportation;
- the distance between the remote location and the nearest established community of at least 1,000 inhabitants; and
- the time required to travel the distance.

Temporary duties

Duties performed on a short-term or interim basis.

Note

As a rule, we consider that an employee's duties are temporary where they will not provide continuous employment, for the employee or another person, for more than two years.

Dwelling

A house, an apartment or any other similar type of lodging where a person ordinarily eats and sleeps, and which is equipped with kitchen and bathroom facilities.

Note

A room in a boarding house or hotel, a bunkhouse, or a dormitory is not a dwelling.

Established community

A group of dwellings located relatively close to one another where people reside on a permanent basis. An established community offers essential community services and housing facilities.

6.8.2 Transportation

Any benefit you provide to an employee in cash (a reimbursement or allowance not in excess of a reasonable amount) or otherwise for his or her transportation is not a taxable benefit if the following conditions are met:

- The benefit corresponds to the expenses incurred for the employee's transportation for a period during which the employee's duties require the employee to be away from his or her principal place of residence or at a **special work site** or a **remote location for not less than 36 hours**.
- A board and lodging benefit in cash or otherwise is also provided to the employee for that period.
- The employee is transported
 - between his or her principal place of residence and the **special work site**; or
 - between the **remote location** and a location in Canada or in the country in which he or she is employed.

If these conditions are not met, the value of the transportation benefit provided to the employee must be included in boxes A and L of the employee's RL-1 slip.

6.8.3 Check-out allowance

Under some employment contracts, an employee who leaves a **special work site** or a **remote location** for the weekend receives a check-out allowance. This allowance usually corresponds to the value of board and lodging during the employee's absence. Such an allowance must be included in the employee's income. You must therefore include it in boxes A and L of the employee's RL-1 slip.

6.8.4 Compensation allowance

Under some employment contracts, after a specified work period, an employee can leave the **special work site** or the **remote location** for a vacation. If the cost of the employee's round trip is paid entirely by the employer, the value of the benefit must not be included in the employee's income (see section 6.8.2).

However, if the employee elects to remain at the **special work site** or the **remote location** and be paid a compensation allowance for having elected to forgo his or her right to leave, the allowance must be included in boxes A and L of the employee's RL-1 slip.

42, IMP. 42-1/R2

6.9 Employee working outside Canada

If you are a specified employer and you have an employee who is resident in Québec but works outside Canada, and for whom an RL-17 slip must be filed, the value of any board and lodging benefit, and any transportation benefit you provide to the employee must be entered on the employee's RL-1 slip.

Note that the employee may be entitled to a deduction on his or her income tax return with respect to the allowance, salary or wages he or she receives while outside Canada.

Consult the *Guide to Filing the RL-17 Slip* (RL-17.G-V) to find out whether you are a specified employer and how to complete the RL-17 slip. Consult the *Guide to Filing the RL-1 Slip* (RL-1.G-V) for information on how to complete the RL-1 slip.

737.24 to 737.26, IMP. 737.25-1

6.10 Dwelling located in a designated remote area

To find out how to determine the value of the benefit related to a dwelling located in a designated remote area (that is, in an area prescribed by regulation), consult the version of interpretation bulletin IMP. 37-5 applicable to the year in question.

37, IMP. 37-5/R13

7 Travel expenses

The table below indicates whether an allowance for travel expenses paid to an employee constitutes a taxable benefit and, if so, in which boxes of the RL-1 slip the benefit must be entered.

The number or numbers that follow each benefit refer to the section or sections of this chapter that deal with the benefit.

Benefit provided by the employer	Taxable benefit	Boxes of the RL-1 slip
Allowance for travel expenses (7.4 and 7.5)	No, if the conditions are met	Boxes A and L, if the conditions are not met
Allowance paid or amount reimbursed to a member of a board of directors or a committee member for travel expenses (7.2)	No, if the conditions are met	Boxes A and L, if the conditions are not met
Allowance paid or amount reimbursed to a member of the council of an RCM or of the Kativik Regional Government for travel expenses (7.1)	No, if the conditions are met	Boxes A and L, if the conditions are not met
Allowance paid or amount reimbursed to a part-time employee for personal travel expenses incurred by reason of his or her employment (7.3)	No, if the conditions are met	Boxes A and L, if the conditions are not met
Travel expenses paid for an employee's spouse during a business trip (7.6)	Yes, unless the spouse is to assist in achieving the objectives of the trip	Boxes A and L
Trips made by a resident of a designated remote area (7.7)	Yes	Boxes A and K

7.1 Allowance paid or amount reimbursed to a member of the council of an RCM or of the Kativik Regional Government for travel expenses

A reasonable allowance paid, or reasonable amount reimbursed, by a regional county municipality (RCM) or the Kativik Regional Government to a council member for personal travel expenses the member is required to incur by reason of his or her position is tax-exempt. Such expenses may include expenses incurred by the member to attend meetings of the council of the RCM or of the Kativik Regional Government, or to visit the organization's offices to prepare for a meeting, settle files or meet with members of the public.

However, if the allowance or reimbursement exceeds a reasonable amount, the excess portion is taxable and must be included in boxes A and L of the council member's RL-1 slip.

39.4, IMP. 39.4-1

7.2 Allowance paid or amount reimbursed to a member of a board of directors or a committee member for travel expenses

A reasonable allowance paid, or reasonable amount reimbursed, to a board or committee member elected or appointed by a corporation, association or other organization for travel expenses to enable the member to attend a board or committee meeting is not to be included in the member's income if

- the member is dealing at arm's length with the organization;
- the travel expenses are not incurred by the member for trips made in the performance of his or her duties;
- the meeting is held at a remote location at least 80 kilometres from the member's usual place of residence and,
 - in the case of a non-profit organization, in a place that can reasonably be regarded as connected to the territory within which the organization regularly carries on its activities, or
 - in the case of another type of organization, in a place that is within the local municipal territory or the metropolitan area where the head office or principal place of business of the organization is located.

If these conditions are met, but the **allowance or reimbursement exceeds a reasonable amount**, the excess portion is taxable and must be included in boxes A and L of the member's RL-1 slip. If the conditions are not met, the full amount of the allowance or reimbursement is taxable and must be included in boxes A and L of the RL-1 slip.

39.4.1

7.3 Allowance paid or amount reimbursed to a part-time employee for travel expenses

An allowance you pay, or an amount you reimburse, to a part-time employee (as opposed to a part-time office* holder) for travel expenses other than expenses incurred in the performance of the duties of the employment (for example, expenses incurred to travel to and from the workplace) is not to be included in the employee's income if he or she is dealing at arm's length with you and the following conditions are met:

- **For a part-time teacher:** The place where the teacher has part-time employment is at least 80 kilometres from his or her usual place of residence.
- **For any other employee:** The employee has other employment (as opposed to holding an office*) or carries on a business throughout the period he or she has part-time employment, and the place where the employee has part-time employment is at least 80 kilometres from his or her usual place of residence and from the principal place of his or her business or other employment.

If these conditions are met, but the **allowance or reimbursement exceeds a reasonable amount**, the excess portion is taxable and must be included in boxes A and L of the employee's RL-1 slip.

Note

As a rule, we consider that an employee has part-time employment if the amount of work he or she is required to do is less than that required of full-time employees performing equivalent duties for the same employer.

39.5, IMP. 39.5-1/R1

7.4 Allowance for travel expenses (employees whose duties consist in selling goods or negotiating contracts)

Do not include on an employee's RL-1 slip any **reasonable** allowance (including any such allowance related to the use of a motor vehicle) that you pay the employee for travel expenses incurred during periods when the employee's duties consist in selling goods or negotiating contracts for you.

However, if the allowance is not reasonable, it is taxable and the full amount must be included in boxes A and L of the RL-1 slip.

40(a), IMP. 40-1/R2 (except point 9)

7.5 Allowance for travel expenses (employees whose duties do not consist in selling goods or negotiating contracts)

Do not include on an employee's RL-1 slip any **reasonable** allowance that you pay the employee

- for the use of a motor vehicle, if the employee is required to travel in the course of his or her duties; or
- to cover travel expenses (other than those related to the use of a motor vehicle) incurred during trips outside the local municipal territory or metropolitan area where your establishment at which the employee normally works (or with which he or she is normally connected) is located.

However, if the allowance is not reasonable, it is taxable and the full amount must be included in boxes A and L of the RL-1 slip.

40(b) and (c), IMP. 40-1/R2 (except point 9)

7.6 Travel expenses paid for an employee's spouse

An amount you pay or reimburse to an employee for the travel expenses of the employee's spouse constitutes a taxable benefit for the employee, unless the spouse makes the trip at your request and the main reason for the spouse's trip is to assist in achieving the objectives of the business trip. If you pay such expenses, you must include goods and services tax (GST) and Québec sales tax (QST) in the value of the benefit.

* Office refers to a position that an individual holds that entitles the individual to remuneration. An office includes the position of member of the board of directors of a corporation even if the individual performs no administrative functions within the corporation. An individual who is a representative elected by popular vote, or who is appointed in a representative capacity, also holds an office.

7.7 Trips made by a resident of a designated remote area

If, during the year, you pay for trips made by an employee who works and resides in a designated remote area, you must include the total value of the benefit related to the trips (including GST and QST) in boxes A and K of the employee's RL-1 slip.

Moreover, the portion of the amount in box K that corresponds to trips made to obtain medical care must be indicated in the centre of the RL-1 slip, after the note "Box K – Trips for medical care" (or "Case K : voyages pour soins médicaux").

The total cost of a trip made to obtain medical care is equal to the travel expenses incurred for the employee or a member of his or her household for a trip to obtain medical services not available in the locality where the employee is living. If the person requiring medical care has to be accompanied during the trip, the accompanying person's travel expenses should be included in the cost of the trip. The value of the benefit related to any trips made for medical care may be deducted in the calculation of the employee's income, regardless of the number of trips made during the year.

The total cost of trips made for reasons other than business or medical reasons (for example, trips made because of a death or an unfortunate event, or annual leave) must also be entered in boxes A and K. The value of this benefit may be deducted in the calculation of the employee's income, subject to a limit of two trips for each member of the household.

For more information, and for a list of the areas concerned, consult guide TP-350.1.G-V, *Deduction for Residents of Designated Remote Areas*.

350.1 to 350.6

8 Other benefits

The table below indicates whether each of the other benefits an employee may receive constitutes a taxable benefit and, if so, in which box(es) of the RL-1 slip the benefit must be entered.

The number that follows each benefit refers to the section of this chapter that deals with the benefit.

Benefit provided by the employer	Taxable benefit	Boxes of the RL-1 slip
Amounts paid by the employer to an employee trust (8.10)	No	Box Q
Amounts paid by the employer under a salary deferral arrangement (8.10)	No	Not applicable
CCPC stock options (8.18.1)	Yes	Boxes A and L, in the year of disposition
Cell phone user fees (8.17)	Yes, if the employer derives no benefit	Boxes A and L
Commissions on goods purchased by the salesperson (8.22)	No, if the conditions are met	Boxes A and L, if the conditions are not met
Contributions made by the employer to a DPSP (8.10)	No	Not applicable
Contributions made by the employer to an RPP (8.10)	No	Not applicable
Contributions made by the employer under a retirement compensation arrangement (8.10)	No	Not applicable
Contributions made by the employer under a supplementary unemployment benefit plan (8.10)	No	Not applicable
Contributions made by the employer under an employee benefit plan (8.10)	No	Box Q
Counselling services (8.24)	No, if the conditions are met	Boxes A and L, if the conditions are not met
Debt forgiveness (8.23)	Yes	Boxes A and L
Employee QPIP premiums paid by the employer (8.7)	Yes	Boxes A and L
Employee QPP contributions paid by the employer (8.7)	Yes	Boxes A and L
Expense allowance or benefit provided to a person with an impairment (8.3)	No, if the conditions are met	Boxes A and L, if the conditions are not met
Expense allowance paid to a member of a municipal or school body (8.2)	Portion of the allowance that exceeds half of the salary	Boxes A and L
Financial compensation paid to an emergency service volunteer (8.5)	Portion of the compensation that is over \$1,025	Boxes A and L
Frequent-flyer program (8.21)	Yes, if the points are exchanged for personal use and the employer controls the number of points accumulated	Boxes A and L
Gifts (8.4)	Yes, with certain exceptions	Boxes A and L

Benefit provided by the employer	Taxable benefit	Boxes of the RL-1 slip
Interest-free or low-interest debts (8.11)	Yes	<ul style="list-style-type: none"> • Boxes A and L, if the benefit is provided to an employee • Box O, if the benefit is provided to a shareholder
Internet user fees (8.16)	Yes, if the employer derives no benefit	Boxes A and L
Location incentives (8.20)	Yes	Boxes A and L
Membership in a sports club (8.15)	Yes, if the employer derives little or no benefit from the membership	Boxes A and L
Merchandise discounts (8.22)	No, if the conditions are met	Boxes A and L, if the conditions are not met
Moving expenses (8.12)	Yes, except for certain payments made when the employee is hired to work in a locality other than the one in which he or she resides, when the employee is transferred to another locality or when the employment ends	Boxes A and L
Non-CCPC stock options or options to purchase mutual fund units, exercised after February 27, 2000 (8.18.2)	Yes	<ul style="list-style-type: none"> • Box Q, if the employee elected to defer the benefit • Boxes A and L, if the employee did not elect to defer the benefit
Parking provided or reimbursed by the employer (8.26)	Yes, with certain exceptions	Boxes A and L
Professional membership dues paid by the employer (8.6)	Yes	Boxes A and L
Rewards (8.4)	Yes, with certain exceptions	Boxes A and L
RRSP contributions made by the employer (other than contributions withheld from the employee's remuneration) (8.9)	Yes	Boxes A and L
Security options (8.18)	Yes	Boxes A and L
Social events (8.1)	Yes	Boxes A and L
Subsidized school services for children of employees who work in remote areas (8.25)	No, if no public school body provides education in the area	Boxes A and L, if a public school body provides education in the area
TFSA contributions made by the employer (8.8)	Yes	Boxes A and L
Tools (8.19)	Yes	Boxes A and L
Training expenses (8.13)	No, if the training benefits the employer	Boxes A and L, if the training does not benefit the employer
Tuition fees paid for personal-interest courses (8.14)	Yes	Boxes A and L
Tuition fees paid to enable an employee to acquire technical skills not related to the employer's business (8.14)	Yes	Boxes A and L

Benefit provided by the employer	Taxable benefit	Boxes of the RL-1 slip
Uniforms and special clothing (8.27)	No, if the conditions are met	Boxes A and L, if the conditions are not met
User fees for recreational facilities (8.15)	Yes, if the employer derives no benefit	Boxes A and L

8.1 Social events

An amount you pay so that an employee may attend a reception or social event to which he or she is invited constitutes a taxable benefit that you must include in boxes A and L of the employee's RL-1 slip, provided the employee's portion of the benefit can be identified and quantified.

The \$500 exemption that applies to gifts and rewards does not apply with respect to receptions or social events.

8.2 Expense allowance paid to a member of a municipal or school body

An allowance paid to a person to cover expenses incurred in the course of his or her duties (other than an allowance for travel expenses that does not have to be included in the person's income) is **taxable** if the person is

- an elected member of a municipal council (for example, a mayor or a municipal councillor);
- a member of the council or executive committee of a metropolitan community, a regional county municipality (RCM) or a similar body created under a Québec statute;
- a member of a municipal utilities commission or corporation, or of a similar body responsible for administering such services; or
- a member of a public or separate school board, or of a similar body responsible for administering a school district.

The respective amounts a member of one of the above bodies is paid as salary and as an allowance for expenses incurred in the course of his or her duties are generally **determined by a law or regulation**. The law or regulation specifies what portion of the overall amount (allowance and salary) constitutes an allowance for expenses incurred in the course of his or her duties. **This portion is tax-exempt to a maximum of one-half of the amount paid to the member as salary in the year.**

Do not enter the tax-exempt portion of the expense allowance in the boxes of the member's RL-1 slip. In the centre of the slip, write the note "Tax-exempt allowance for expenses incurred in the course of duties" (or "Allocation non imposable pour dépenses engagées dans le cadre des fonctions"), followed by the amount.

Where no law or regulation specifies what portion of the overall amount constitutes an allowance for expenses incurred in the course of duties, we consider that one-third of the overall amount (calculated without taking into account allowances that do not have to be included in the member's income) constitutes such an allowance and that the remaining two-thirds constitute salary.

However, if it is established that the allowance paid is less than one-third of the overall amount paid, only the allowance actually paid constitutes the allowance for expenses incurred in the course of duties. If no allowance is paid to a member, no portion of the member's remuneration may be considered paid as an allowance.

Example

	Overall amount paid, including allowance	Salary or wages	Allowance for expenses in connection with the duties		Amount to be included in box A	Amount to be included in box L
			Paid	Tax-exempt		
Amount determined by a law or regulation	\$3,000	\$2,000	\$1,000	\$1,000	\$2,000	—
	\$3,000	\$1,800	\$1,200	\$900	\$2,100	\$300
Amount not determined by a law or regulation	\$3,000	\$2,200	\$800	\$800	\$2,200	—
	\$1,200	—	\$1,200	\$400	\$800	\$800

39.3, IMP. 39.3-1/R1

8.3 Expense allowance or benefit provided to a person with an impairment

Benefits and reasonable allowances paid to an employee who is entitled to an amount for a severe and prolonged impairment in mental or physical functions (line 376 of the income tax return) are tax-exempt in certain cases.

This is the case for expenses incurred for

- **transportation** between the employee's home and the workplace (including expenses for parking near the workplace), if the employee is blind or has a severe and prolonged mobility impairment that significantly restricts his or her ability to carry out a basic activity of daily living. The expenses incurred for the employee's transportation may include an allowance for the use of taxis or a paratransit service, or an allowance for parking that you provide or subsidize;
- the **services of an attendant** to help the employee carry out the duties of his or her office or employment, if the employee has a severe and prolonged impairment in mental or physical functions. The expenses incurred may include expenses for the services of a reader for a blind person, a sign-language interpreter for a deaf person, or an instructor for a person with a mental impairment.

42.0.1

8.4 Gifts and rewards

Gifts or rewards you give to an employee constitute a taxable benefit that you must include in boxes A and L of the employee's RL-1 slip. In the case of a non-monetary gift or reward, you must include goods and services tax (GST) and Québec sales tax (QST) in the value of the benefit.

However, the following gifts and rewards do not constitute a taxable benefit and should not be included in boxes A and L:

- **non-monetary gifts** given to an employee for a special occasion (such as Christmas, a birthday, a wedding or similar occasion), **up to a value of \$500** (including taxes) per year; and

- **non-monetary rewards** given to an employee in recognition of certain accomplishments (such as reaching a certain number of years of service, meeting or exceeding safety requirements, or achieving similar objectives), **up to a value of \$500** (including taxes) per year.

Gifts and rewards paid in cash, or easily convertible into cash, are **fully** taxable, as are premiums paid on the employee's behalf under a plan providing insurance of persons, and gifts and rewards for work performance. You must include the value of these benefits in boxes A and L of the RL-1 slip. Gift certificates, gift coupons and smart cards that must be used to purchase goods or services from a designated business or list of businesses are not considered to be easily convertible into cash.

For example, if you give an employee a gift worth \$100 for his or her birthday and another worth \$450 for Christmas, you must include \$50 [(\$100 + \$450) – \$500] in boxes A and L of the employee's RL-1 slip. However, if they are cash gifts, the entire amount (\$550) must be included in boxes A and L.

The value of gifts and rewards given to employees is fully deductible in the calculation of the employer's income, provided the amount is reasonable under the circumstances. This includes gifts and rewards that qualify for the \$500 exemption.

If the reward (other than a reward in recognition of certain accomplishments) is an item that is personalized with the employee's name, a corporate logo or a message, the value of the benefit to be included in the employee's income may be reduced by an amount that is reasonable in the circumstances. If the reward is a plaque, trophy or other memento of nominal value for which there is no market, it is not considered a taxable benefit.

Sales and incentive bonuses, and other prizes (in cash or in kind) related to sales made in the course of employment or a business, also constitute a taxable benefit. If a portion of a prize or an incentive bonus is paid in kind, GST and QST must be included, where applicable, in the calculation of the benefit.

If an employee receives a gift or reward directly from a supplier or client, you must include the fair market value (FMV) of the gift or reward in the employee's income. The \$500 exemption cannot be applied to the amount.

For example, an automobile manufacturer that rewards a dealer directly, in cash or in kind, is not required to report the value of the reward on an RL-1 slip. If the dealer subsequently distributes the reward to his or her employees, the value of the employees' respective shares of the reward must be included in boxes A and L of their RL-1 slips. However, if the manufacturer rewards one of the dealer's employees directly, the manufacturer must file an RL-1 slip in the employee's name, indicating the value of the reward in boxes A and L. The \$500 exemption cannot be applied to the reward.

37, 37.1.5

8.5 Financial compensation paid to an emergency service volunteer

Financial compensation that is not more than \$1,025 is tax-exempt if paid by a government, municipality or other public authority to a person who is

- a volunteer firefighter;
- a volunteer ambulance technician; or
- a volunteer assisting in the search and rescue of individuals, or in other emergency operations.

However, if the amounts paid (as an allowance or otherwise) and the value of the benefits provided to a volunteer during the year are more than \$1,025, the portion that is over \$1,025 is taxable and must be included in boxes A and L of the RL-1 slip. The note "Volunteer – Allowance not included in boxes A and L: \$1,025" (or "Volontaire – compensation non incluse aux cases A et L : 1 025 \$") must be written in the centre of the slip.

Exception

However, the \$1,025 exemption does not apply if, during the year, the volunteer works for the same organization that pays the financial compensation and he or she carries out duties that are similar or identical to those performed as a volunteer. For example, the exemption cannot be claimed by a volunteer firefighter who works for a municipality if he or she also has full- or part-time employment with the municipality as a firefighter (whether the employment is permanent or the person has temporary employment as a replacement for a firefighter).

Note

Effective January 1, 2009, the amount of financial compensation not included in box A is indexed annually (contact us for the indexation rate for 2010).

39.6

8.6 Professional membership dues

If you pay or reimburse the professional membership dues of an employee, he or she receives a taxable benefit. For example, if the professional membership dues of an employee who is the controller or vice-president of finance of your corporation are paid by you to a professional order of accountants or reimbursed to the employee, the employee receives a taxable benefit. The value of the benefit is equal to the amount you pay (including taxes), minus any amount reimbursed to you by the employee.

However, we may consider that such a payment or reimbursement is not a taxable benefit if the facts show that the payment or reimbursement is entirely or almost entirely for the employer's benefit. This may be the case where an employee is not hired to practise his or her profession and does not perform any act pertaining to the profession, but is obliged by the employer, simply for prestige, to maintain a professional status recognized by law. For example, if you hire a chartered accountant as a secretary and this person performs no act pertaining to his or her profession, your payment of the employee's professional membership dues does not constitute a taxable benefit for the employee.

37, IMP. 37-2/R2

8.7 Employee QPP contributions and QPIP premiums

Any employee Québec Pension Plan (QPP) contributions or employee Québec parental insurance plan (QPIP) premiums you pay must be included in boxes A and L of the employee's RL-1 slip.

8.8 TFSA contributions made by the employer

The contributions you make to a tax-free savings account (TFSA) on an employee's behalf, and the related administrative costs you pay, constitute a taxable benefit, provided the amounts were not withheld from the employee's remuneration. Therefore, you must include such amounts in boxes A and L of the employee's RL-1 slip.

37

8.9 RRSP contributions made by the employer

The contributions you make to a registered retirement savings plan (RRSP) of which your employee or his or her spouse is the annuitant, and the related administrative costs you pay, constitute a taxable benefit, provided the amounts were not withheld from the employee's remuneration. Therefore, you must include such amounts in boxes A and L of the employee's RL-1 slip.

37

8.10 Contributions made and other amounts paid by employers to certain plans

Do not include on the RL-1 slip the value of benefits derived from contributions you make or amounts you pay in respect of an employee under

- a deferred profit-sharing plan (DPSP);
- a group insurance plan, to cover total or partial loss of income from an office or employment (wage loss replacement plan);
- a registered pension plan (RPP);
- a retirement compensation arrangement;
- a salary deferral arrangement;
- a supplementary unemployment benefit plan;
- an employee benefit plan; or
- an employee trust.

38

8.11 Interest-free or low-interest debts

A person receives a taxable benefit if, because of a past, present or future office or employment, or by reason of being a shareholder, the person contracts from you an interest-free debt or a debt bearing interest at a lower rate than that determined under section 4301 of the federal *Income Tax Regulations*.

1, 37.1, 119.1, 487.1 to 487.6, IMP. 487.1-1/R3

8.11.1 Employee

If an employee receives a loan, the value of the benefit is equal to the result of the following calculation:

the total of

- (a) the interest on each debt, calculated at the rate prescribed for the period of the year during which the debt is outstanding; and
- (b) the interest paid or payable for the year on each debt by the employer (that is, by the person or partnership that employs or intends to employ the individual, or by a person that is not the debtor and that is related to the employer);

minus the total of

- (c) the interest for the year paid on each debt by the employee, the employer or a third party within 30 days after the end of the year; and
- (d) any portion of the amount in (b) above that is reimbursed to the employer by the employee within 30 days after the end of the year.

Note

All debts referred to in (a) and (b) above (other than an excluded loan described in section 8.11.4) that are contracted by reason of the individual's office or employment must be taken into account, regardless of whether the interest rate is lower than, equal to or higher than the prescribed rate.

If an individual contracts a debt for investment purposes, the value of the resulting benefit may be deducted in the calculation of his or her income. In this case, write the note "Benefit resulting from a debt contracted for the acquisition of investments" (or "Avantage découlant d'une dette contractée pour acquérir des placements") in the centre of the RL-1 slip, followed by the amount.

Loan made to an employee who relocates

The above rules also apply to interest-free and low-interest debts contracted after February 23, 1998, by an employee who relocates in order to begin employment after September 1998 at a new workplace, provided it is reasonable to conclude that, but for the employee's office or employment, the loan either would not have been made or would not have been made under the same terms.

In the case of an employee who began employment at a new workplace before October 1998, the above rules apply unless the employee moved to be at least 40 kilometres closer to that location.

8.11.2 Shareholder

If a shareholder who is not an employee receives a loan, the value of the benefit is equal to the result of the following calculation: the amount calculated in (a) in section 8.11.1, minus the amount calculated in (c) in section 8.11.1, provided all of the following conditions are met:

- The debt is contracted by a person other than a corporation resident in Canada, or by a partnership none of whose members is a corporation resident in Canada.
- This person or partnership is a shareholder of the corporation (or is connected to a shareholder of the corporation), a member of a partnership, or a beneficiary of a trust or member of a partnership that is a shareholder of the corporation.
- The debt is contracted because the person or partnership is a shareholder of the corporation or is connected to such a shareholder, or because the person or partnership is a beneficiary of a trust or member of a partnership that is a shareholder of the corporation.

The value of the shareholder's benefit must be included only in box O of the RL-1 slip.

If a shareholder who is an employee receives a loan that is made to the person because he or she is a shareholder, the value of the benefit must be calculated as for shareholders and included in box O only. However, if the loan is made to the person because he or she is an employee, the value of the benefit must be calculated as for employees and included in boxes A and L.

If a person who is connected to a shareholder receives a loan and does not contract the debt by reason of an office or employment, the value of the benefit must be calculated as for shareholders who are not employees, and must be included in box O of the person's RL-1 slip (rather than the shareholder's RL-1 slip).

8.11.3 Annual interest rates

The annual interest rates applicable to such debts for 2009 are as follows:

1st quarter	2nd quarter	3rd quarter	4th quarter
2%	1%	1%	1%

Contact us to obtain the annual interest rates for 2010.

Example

An employee borrows \$75,000 from the employer on January 20, 2009. The employee reimburses \$500 in interest on the loan within 30 days after the end of the year. The value of the benefit is calculated as explained below.

Multiply the prescribed quarterly rate by the amount of the loan. Then multiply the result by the ratio between the number of days in the quarter that the amount is on loan and the number of days in the year:

2% x \$75,000 x 71/365 days =	\$291.78
1% x \$75,000 x 91/365 days =	\$186.99
1% x \$75,000 x 92/365 days =	\$189.04
1% x \$75,000 x 92/365 days =	\$189.04
Total	= \$856.85
Minus: Amount reimbursed by the employee	- \$500.00
Employee's taxable benefit	= \$356.85

8.11.4 Excluded loans

No benefit is to be calculated for a loan (or portion of a loan)

- that is included in the income of a person or partnership under Part I of the *Taxation Act*;
- on which the interest is paid or payable to the creditor only by the debtor, and for which the interest rate is equal to or higher than the rate that would have been agreed on, when the loan was contracted, by parties dealing with each other at arm's length,
 - if lending had been part of the creditor's normal activities, and
 - if neither party had contracted the loan because of an office or employment, or by reason of being a shareholder.

8.11.5 Home relocation loans and home purchase loans

In the case of home relocation loans or home purchase loans, the taxable benefit is calculated in the same way as for interest-free or low-interest loans and debts. However, the amount of interest calculated in (a) in section 8.11.1 must not be more than the interest the individual would have had to pay if interest had been calculated at the rate of 8%, in the case of a debt contracted before May 1, 1987, or, in all other cases, at the rate prescribed or set at the time the debt was contracted.

A loan made by a financial institution to one of its employees does not constitute a taxable benefit if the loan is made after December 31, 1993, under the Accent on Renovation Program, or after September 21, 1995, under the Renovate Program or the Revitalization of Old Neighbourhoods Program.

In the case of a home relocation loan or a home purchase loan that has a term of repayment of more than five years, the outstanding balance at the end of the five years is considered a new debt, in the form of a home purchase loan, contracted on the same day by the individual. The value of the benefit must therefore be calculated using the prescribed rate in effect on the day this new loan is contracted.

In the case of a home relocation loan only, the value of the taxable benefit may be deducted in the calculation of the employee's taxable income for a period of not more than 60 months after the day on which the loan is made. You must calculate the employee's deduction and write the note "Deduction for a home relocation loan" (or "Déduction pour un prêt à la réinstallation") in the centre of the employee's RL-1 slip, followed by the amount.

Calculation of the deduction for a home relocation loan

The deduction is equal to the lowest of the following amounts:

- the interest for the year, calculated at the rate set for the period during which the loan is outstanding, **minus** the interest paid on the loan for the year, by the end of the 30-day period following the end of the year;
- the interest for the period concerned, calculated at the prescribed rate, as if the loan were for \$25,000;
- the value of any benefit deemed received by the employee during the year for any interest-free or low-interest loan or debt, calculated as described in section 8.11.1.

725.6

However, you must use a different method to calculate this deduction if the individual is

- a foreign specialist working at an international financial centre (IFC);
- a foreign researcher, foreign researcher on a post-doctoral internship or foreign expert working for a business carrying out research in Québec;
- a foreign specialist working in the Montréal International Trade Zone at Mirabel (MITZM);
- a foreign professor working for a university in Québec;
- a foreign specialist working at a biotechnology development centre (BDC);
- a foreign specialist working at a designated site specialized in biotechnology;
- a foreign specialist working at the Cité du multimédia or at designated premises of the Centre national des nouvelles technologies de Québec (CNNTQ);
- a foreign specialist working at E-Commerce Place;
- a foreign specialist working at designated premises of the E-Commerce Zone;
- a foreign specialist working for a stock exchange business or a securities clearing-house business;
- a foreign specialist working in the nutraceuticals and functional foods sector in the Québec region; or
- a foreign specialist working at an innovation centre.

Contact us to find out how to calculate the deduction for any of the persons referred to above.

Home relocation loan

A loan made to an individual or the individual's spouse, where either person begins employment at a new workplace located elsewhere in Canada, provided the following conditions are met:

- The loan is designated by the individual as a home relocation loan.
- The loan is used to purchase a dwelling or a share of the capital stock of a housing cooperative, where the individual purchases such a share for the sole purpose of obtaining the right to live in a dwelling owned by the cooperative.
- The dwelling is occupied by the individual as his or her new residence and is at least 40 kilometres closer to the new workplace than the individual's former residence was.

Home purchase loan

The portion of a debt contracted by an individual for one of the following purposes:

- to purchase a dwelling or a share of the capital stock of a housing cooperative, where the individual purchases such a share for the sole purpose of obtaining the right to live in a dwelling owned by the cooperative. The dwelling must be occupied by
 - the individual by virtue of whose office or employment the debt is contracted, or a person related to the individual, or
 - a specified shareholder of the corporation by virtue of whose services the debt is contracted, or a person related to the shareholder;
- to repay a debt contracted to purchase such a dwelling or share;
- to repay a home purchase loan.

737.18(g), 737.18.13(g), 737.18.35(g), 737.22(e), 737.22.0.0.4(e), 737.22.0.0.8(e), 737.22.0.4(e), 737.22.0.8(e)

8.12 Moving expenses

Any payment related to the moving expenses of an employee, the employee's family and the employee's household effects constitutes a taxable benefit, **unless** the employee is transferred from one of your establishments to another, or accepts employment in a locality other than the one in which he or she resides. Also, certain expenses you pay to move an employee, the employee's family and the employee's household effects out of a remote area when the employment duties there have been completed do not constitute a taxable benefit.

The following payments you make for an employee's move are tax-exempt:

- a payment to cover moving expenses, where the employee is hired to work in a locality other than the one in which he or she resides, where the employee is transferred to another locality, where the employment ends and the employee is returning to his or her former workplace, or where the employee is beginning a new job in one of your other establishments;

- a reimbursement to cover the cost of reconnecting telephone and cable services, and of hooking up household appliances, provided these costs are reasonable in the circumstances;
- a reimbursement to cover the cost of modifications required to install drapes, blinds, carpets, and plumbing or electrical systems, provided the changes are needed to enable the employee to continue using his or her property in a new residence and the amounts are reasonable in the circumstances.

If you pay an allowance to cover expenses related to relocation, include on the employee's RL-1 slip only the portion of the allowance that exceeds an amount equivalent to the employee's salary or wages for two weeks. The amount of salary or wages to be taken into account is the employee's salary or wages on the day he or she begins the new assignment.

39, 348 to 350

8.12.1 Housing loss

If you pay an amount to an employee (or to a person related to the employee) as compensation for a loss sustained on the sale of the employee's former residence or for a decrease in the value of the residence (hereinafter referred to as a "housing loss"), the amount constitutes a taxable benefit.

The value of the taxable benefit that you must enter on the RL-1 slip is equal to

- **one-half** of the result of the following calculation: the **total amount paid** in the year and in a previous year for the housing loss, minus \$15,000,
- minus**
- the value of the benefit included in the taxpayer's income in a previous year with respect to the amount paid for the housing loss.

Please note that this calculation applies to amounts that you pay for only one residence for any given move.

At any given time, a housing loss is equal to the higher of

- the highest FMV of the residence within the six-month period ending at that time, or
- the adjusted cost base of the residence at that time;

minus the lower of

- the FMV of the residence at that time, or
- the proceeds of disposition, if the residence is disposed of before December 31 of the following year.

Any amount you pay to an employee (including the value of any assistance you provide to the employee) for the acquisition, use, or right of use of a residence is also taxable. For example, you may pay the employee an amount (or provide the employee assistance) so that he or she can pay or reimburse mortgage interest, property taxes, insurance or costs incurred to keep the former residence in good condition after the move, or so that he or she can pay higher mortgage interest or bridge financing required with respect to the new residence.

37.1.1 to 37.1.4

8.12.2 Loan made to an employee who relocates

An interest-free or low-interest loan made after February 23, 1998, to an employee who relocates constitutes a taxable benefit if it is reasonable to conclude that, but for the employee's office or employment, the loan either would not have been made or would not have been made under the same terms (see section 8.11.1).

8.13 Training expenses

Training expenses you pay or reimburse to an employee do not constitute a taxable benefit for the employee if it is reasonable to consider that the training significantly benefits you. This rule holds regardless of whether or not the training leads to a diploma or licence.

8.13.1 Training directly related to the employer's activities

Courses taken by an employee to maintain or upgrade skills directly related to your business activities are generally considered to benefit you if it is reasonable to believe that the employee will resume his or her employment for a substantial length of time after the end of the course. Tuition paid for courses leading to a diploma or a licence in a field related to the employee's present or future duties within your business, and other related expenses such as meals, travel expenses and accommodation, do not constitute a taxable benefit.

8.13.2 General training not directly related to the employer's activities

Fees you pay or reimburse to the employee for other business-related courses (such as language courses, first-aid courses, stress-management courses and employment-equity courses) are generally considered tax-exempt, even if the training is not directly related to your own business. As a rule, in-house training is not considered a taxable benefit.

8.14 Tuition fees

Tuition fees you pay or reimburse to an employee for personal-interest courses or courses taken by the employee to acquire skills that are unrelated to your business constitute a taxable benefit. For example, the fees you pay for an employee to take a cooking course for personal interest constitute a taxable benefit for the employee. If you pay such fees directly, you must include GST and QST in the value of the benefit.

An amount reimbursed to an employee for books and supplies required for training is taxable in the year in which the amount is reimbursed. You must include the reimbursement in boxes A and L of the employee's RL-1 slip.

Tuition fees you pay for an employee's child generally constitute a taxable benefit for the employee (not the child).

If the employer is an educational institution that offers courses free of charge to an employee's spouse or children, the institution must include the FMV of this benefit in boxes A and L of the employee's RL-1 slip.

37

8.15 User fees for recreational facilities

User fees that an employee would have had to pay for recreational facilities had the facilities not been provided by you free of charge or for a nominal fee do not constitute a taxable benefit if you derive some advantage for your business.

The same is true of any membership dues you pay on behalf of the employee for membership in a social club or sports club. However, where such membership serves a social purpose and is of little or no advantage for your business, the dues you pay **constitute a taxable benefit** for the employee and must be included in boxes A and L of the employee's RL-1 slip.

User fees for recreational facilities and membership dues paid to a social club or sports club are not considered a taxable benefit if they constitute a gift given to an employee for a special occasion or a reward given in recognition of certain accomplishments, **up to a value of \$500** (including taxes) for all such gifts and rewards given to the employee in the year. For more information on gifts and rewards, see section 8.4.

Moreover, if you provide meals and accommodation free of charge to an employee (for example, at a resort or a hunting or fishing lodge that you maintain), the value of this benefit (including GST and QST) must be entered in boxes A and V of the employee's RL-1 slip.

134, IMP. 134-1/R1

8.16 Internet user fees

An allowance you pay to an employee for Internet access fees must be included in the employee's income. However, a reimbursement or payment of such fees does not constitute a taxable benefit if it is made primarily for your benefit and the employee's personal use does not result in additional fees.

If the reimbursement or payment of such fees is made primarily for the employee's benefit or **if the employee's personal Internet use results in additional fees**, the value of the employee's benefit, including the applicable taxes, must be included in boxes A and L of the employee's RL-1 slip.

37

8.17 Cell phone user fees

An allowance you pay to an employee for cell phone user fees must be included in the employee's income. However, a reimbursement or payment of such fees does not constitute a taxable benefit if it is made primarily for your benefit and the employee's personal use does not result in additional fees.

If the reimbursement or payment of such fees is made primarily for the employee's benefit or **if the employee's personal cell phone use results in additional fees**, the value of the employee's benefit, including the applicable taxes, must be included in boxes A and L of the employee's RL-1 slip.

37

8.18 Security options

If your corporation (or a corporation not dealing at arm's length with your corporation) grants an employee a security option (a stock option or an option to purchase mutual fund units) under an agreement that allows the employee to acquire such securities, there is no taxable benefit for the employee at the time the option is granted.

As a rule, the employee receives a taxable benefit in the year in which he or she acquires securities covered by the option.

47.18 to 58.0.6, IMP. 50-1

8.18.1 CCPC stock options

An employee or former employee (hereinafter referred to as an "employee") is deemed to receive a taxable benefit **in the year the employee sells or exchanges** shares he or she acquired under an option, provided the following conditions are met:

- Immediately after the agreement was reached, the employee was dealing at arm's length with the corporations concerned (that is, your corporation, the corporation that made the agreement and the corporation that sold or issued the shares to the employee).
- Each of the corporations concerned is a Canadian-controlled private corporation (CCPC), and the employee acquired the shares after May 22, 1985 (or before January 1, 1997, under an agreement reached prior to April 24, 1985). If any of the corporations is not a CCPC, the following conditions must be met:
 - The shares are covered by subparagraph 110(1)(d)(i) of the federal *Income Tax Act* at the time of sale or issue, as applicable.
 - The shares were acquired between May 22, 1985, and May 3, 1991 (or before January 1, 1997, under an agreement reached prior to April 24, 1985).
 - The amount the employee paid to acquire the shares is equal to or greater than the result of the following calculation: the FMV of the shares at the time the agreement was reached, **minus** the amount the employee paid for the stock option.

8.18.2 Non-CCPC stock options or options to purchase mutual fund units, exercised after February 27, 2000

An employee is deemed to receive a taxable benefit **in the year he or she sells or exchanges** securities (publicly listed shares or mutual fund units) acquired after February 27, 2000, provided the employee **elects**, under the federal *Income Tax Act*, to defer taxation of the resulting benefit. As a result of the election, the benefit is taxed in the year the shares are disposed of rather than in the year they are acquired. The election made under the *Income Tax Act* also applies under Québec's *Taxation Act*. Enter the value of the benefit in box Q of the employee's RL-1 slip and write the note "Security option respecting which an election was made" (or "Option d'achat de titres ayant fait l'objet d'un choix") in the centre of the slip, followed by the amount. Consequently, in the year of disposition, no amount related to the securities is to be included in boxes A and L.

Where your corporation, the corporation that granted the option and the corporation whose shares are acquired by the employee are not one and the same corporation, the corporations are jointly liable for reporting the deferred benefit on the employee's RL-1 slip for the year in which the employee acquires the shares. When one of the corporations fulfills this obligation, we consider that all of the corporations have fulfilled it.

8.18.3 Other stock options

In the case of other stock options, an employee receives a benefit **in the year he or she purchases** the shares.

The corporation that provides the benefit is responsible for including the value of the benefit in boxes A and L of the RL-1 slip that it files for the year the benefit is received.

8.18.4 Calculating a security option benefit

The value of the benefit received by the employee is equal to the FMV of the security at the time of acquisition, **minus** the total of the amount paid or payable by the employee to acquire the security and the amount paid by the employee for the option.

8.18.5 Calculating the stock option deduction

An employee who is required to include in his or her taxable income for the year the value of a benefit deemed received for a stock option may be authorized to deduct an amount from his or her income. This amount is **equal to 25% of the value of the benefit, or 50% of the value if the benefit is deemed received in respect of an option to acquire shares of a small or medium-sized business (SMB) engaged in innovative activities.**

Effective March 14, 2008, an employee of an SMB that is engaged in innovative activities may deduct from his or her taxable income for the year an amount equal to 50% of the benefit deemed received for the year in respect of an option to acquire shares of a

corporation that is an SMB engaged in innovative activities in the calendar year in which the stock option is granted. A corporation is an SMB engaged in innovative activities for a given calendar year if, during the year,

- it carries on a business in Québec and has an establishment there;
- its assets (including those of any associated corporations) are less than \$50 million for its taxation year ending in the calendar year preceding the given calendar year or, where the corporation is in its first fiscal year, at the beginning of its first fiscal year;
- a refundable tax credit for scientific research and experimental development (R&D) is granted to the corporation for its taxation year ending in the given calendar year or for one of the three previous taxation years.

If the benefit results from a sale or exchange of CCPC shares, the employee must have held the shares for at least two years to be entitled to the deduction, unless the following conditions are met:

- The shares are covered by subparagraph 110(1)(d)(i) of the federal *Income Tax Act* at the time of sale or issue, as applicable.
- The amount the employee paid to acquire the shares is equal to or greater than the result of the following calculation: the FMV of the shares at the time the agreement was reached, **minus** the amount the employee paid for the stock option.

When calculating the amount an employee must pay to acquire shares, do not take into account currency fluctuations that occur between the time the agreement was reached and the time the shares are acquired.

You must also write the note "Security option deduction" (or "Déduction pour option d'achat de titres") in the centre of the employee's RL-1 slip, followed by an amount equal to **25% or 50% (as applicable) of the value of the benefit deemed received by the employee.**

However, do not write a note in the centre of the RL-1 slip issued to any of the following persons if the value of the benefit is included in the income (entered in the centre of the person's RL-1 slip) used to calculate the deduction granted to the person:

- a Québec sailor working for an eligible shipowner;
- a foreign specialist working at an IFC;
- a foreign researcher, foreign researcher on a post-doctoral internship or foreign expert working for a business carrying out research in Québec;
- a foreign specialist working in the MITZM;
- a foreign professor working for a university in Québec;
- a foreign specialist working at a BDC;
- a foreign specialist working at a designated site specialized in biotechnology;
- a foreign specialist working at the Cité du multimédia or at designated premises of the CNNTQ;

- a foreign specialist working at E-Commerce Place;
- a foreign specialist working at designated premises of the E-Commerce Zone;
- a foreign specialist working for a stock exchange business or a securities clearing-house business;
- a foreign specialist working in the nutraceuticals and functional foods sector in the Québec region; or
- a foreign specialist working at an innovation centre.

If your business is an IFC and you have an employee who is not a foreign specialist, contact us.

8.18.6 Calculating the deduction for an option to acquire mutual fund units

An individual who is deemed to receive in the year a benefit related to an option to acquire mutual fund units may deduct an amount in the calculation of his or her taxable income for the year. **This amount is equal to 25% of the value of the benefit.**

However, the following conditions must also be met:

- The amount the employee had to pay to acquire the units is equal to or greater than the result of the following calculation: the FMV of the units, at the time the agreement was reached, **minus** the amount the employee paid for the right to acquire the units.
- Immediately after the agreement was reached, the employee was dealing at arm's length with the trust that sold or issued the units, with the trust to which the trust in question agreed to sell or issue the units, and with the trust for which he or she worked.
- The units would have been mutual fund units at the time of sale or issue if the trust had not issued units that were different from those units.
- The units would have been mutual fund units if they had been sold or issued to the employee at the time he or she disposed of the rights provided for under the agreement, and if the trust had not issued units that were different from those units.

When calculating the amount an individual must pay to acquire units, do not take into account currency fluctuations that occur between the time the agreement was reached and the time the units are acquired.

You must also write the note "Security option deduction" (or "Déduction pour option d'achat de titres") in the centre of the individual's RL-1 slip, followed by an amount equal to **25% of the value of the benefit deemed received by the individual.**

725.2, 725.3

8.18.7 Rights arising from security options that can no longer be exercised

An individual who ceases to be able to exercise his or her rights to acquire securities under an agreement, who is not considered by reason of the cessation to have transferred or disposed of the rights, and who has received an amount in exchange for the cessation of the rights is deemed to have disposed of his or her rights at the time the amount was received and to have received the amount as consideration for the disposition. Consequently, the individual is deemed to have received a benefit equal to the amount received, minus the amount he or she paid to acquire the rights.

However, if on more than one occasion the individual received amounts for the cessation of his or her rights, all of the amounts that the individual received previously for the cessation must be subtracted from the amount that the individual is deemed to have paid to acquire the rights in question.

8.18.8 Rule applicable if the employee dies before exercising the security option

An employee who owned a security option immediately before his or her death is deemed to receive for the year of death a benefit equal to the result of the following calculation: the value of the option, immediately after the time of death, **minus** the amount the employee paid to acquire the option. Write the note "Benefit related to a security option at the time of death" (or "Avantage pour option d'achat au décès") in the centre of the deceased employee's RL-1 slip, followed by the value of the benefit deemed received by the deceased employee.

8.18.9 Special cases

This brochure does not provide information pertaining to the tax treatment of

- exchanges, sales and transfers of security options;
- the sale or exchange of CCPC shares that an employee acquired before May 23, 1985, under an agreement reached after April 23, 1985;
- the sale or exchange of shares (acquired further to the exercise of a stock option) in the course of a reorganization or recapitalization of the corporation; or
- the replacement of a stock option plan.

For more information, contact us.

8.19 Tools

If you reimburse an employee for tools required in his or her work, the reimbursement is taxable for the year it is made. Include such reimbursements in boxes A and L of the employee's RL-1 slip.

8.20 Location incentives

A location incentive paid to a salaried health professional, such as a physician or pharmacist who practises in a particular area, is taxable and must be included in boxes A and L of the RL-1 slip.

8.21 Frequent-flyer program

Generally, we consider that an employee who merely accumulates frequent-flyer points as a result of taking business trips paid for by you has not received a taxable benefit.

However, if the employee accumulates such points and exchanges them in order to obtain, for his or her personal use, one of the benefits available under the program, he or she receives a taxable benefit.

If **you control** the number of points accumulated by the employee, you must calculate the value of the employee's taxable benefit. This value is equal to the FMV of all the benefits received by the employee under the program. In the case of an airline ticket, for example, the value of the benefit is equal to the FMV of the ticket (issued in the name of the employee or of a member of the employee's family). However, you must also take into account certain restrictions that may affect the FMV, such as whether the ticket is for first class, business class or economy class.

If **you do not control** the number of points accumulated by the employee, it is the employee who must, where necessary, determine the FMV of all such benefits he or she receives and include that amount in his or her income. However, effective January 1, 2009, an employee is no longer required to include in his or her income the FMV of the benefits he or she receives in exchange for frequent-flyer points unless

- the points are converted to cash;
- the plan or arrangement between you and the employee seems to be a form of additional remuneration; or
- the plan or arrangement is a form of tax avoidance.

Frequent-flyer program

A program sponsored by an airline which allows frequent air travellers to accumulate points that may subsequently be exchanged for additional air travel or other benefits.

8.22 Merchandise discounts and commissions on certain sales

If you sell merchandise to an employee at a reduced price, we do not, as a rule, consider this a taxable benefit, as long as the discount is reasonable under the circumstances. However, the employee receives a taxable benefit in the following situations:

- Merchandise that is neither outdated nor unfit for sale is purchased from you by the employee at below-cost prices.
- You have made a special agreement with the employee or a selected group of employees, allowing for the purchase of merchandise at a discount.

An employee who receives a discount on merchandise from a person other than you is generally not considered to have received a taxable benefit, unless the discount is granted further to an arrangement between you and the vendor of the merchandise. For example, if the employer and the vendor of the merchandise have an arrangement whereby their respective employees are entitled to discounts at the other employer's business, such a discount constitutes a taxable benefit.

Where the benefit is taxable, its value is equal to the difference between the FMV of the merchandise (including GST and QST) and the price paid by the employee.

Commissions received by salespersons on goods purchased for their personal use do not constitute a taxable benefit. The same rule generally applies to commissions received by life insurance agents for life insurance policies they take out on themselves, provided the agents underwrite the policies and pay the premiums. However, commissions that life insurance agents receive further to acquiring an annuity contract or a segregated fund policy for investment purposes are taxable.

8.23 Debt forgiveness

The benefit an employee receives during the year because of the forgiveness of a debt (whether the debt is a loan or another type of debt) constitutes a taxable benefit. The value of the benefit corresponds to the **amount forgiven** when the debt is settled or extinguished. The **forgiven amount** is equal to

- the lower of the following amounts:
 - the principal, or
 - the amount for which the debt was contracted;

minus

- any amount paid on the principal of the debt, and
- any adjustments that reflect the extent to which the unpaid amount was otherwise taken into account for income tax purposes under the *Taxation Act*.

For a more complete definition of "forgiven amount," refer to sections 37.0.1 and 485 of the *Taxation Act*.

37.0.1, 485

8.24 Counselling services

Counselling services you pay for or provide to an employee do not constitute a taxable benefit if they pertain to stress management or to problems caused by tobacco or drug use or alcohol abuse. However, the benefit must not be attributable to an amount expended or disbursed for an activity referred to in section 134 of the *Taxation Act*.

Re-employment counselling and retirement counselling are not considered a taxable benefit.

38

8.25 Subsidized school services

School services provided to an employee's children free of charge are not considered a taxable benefit if the employee works in a remote area where no public school body provides education. However, this does not apply in the case of tuition fees that would normally be paid by the employee.

8.26 Parking provided or reimbursed by the employer

As a rule, a parking space that you provide to an employee free of charge (or at a price below the FMV), or any reimbursement you make to the employee for the cost of a parking space, is considered a taxable benefit. The value of the benefit corresponds to the FMV of the parking space **minus** any amount you are reimbursed by the employee for its use.

However, the value of this benefit is sometimes difficult to quantify, as when the land comprising the parking space is an integral part of your establishment (or of a shopping centre in which your business is located), or when there are not enough parking spaces for all employees and the spaces available are used on a first-come, first-served basis. As the value of the benefit received by an employee in such cases cannot be determined, the benefit is not taxable.

As a rule, a parking space that is provided to an employee mainly for your benefit is not considered a taxable benefit. This is usually the case where a parking space is provided to an employee for a motor vehicle that, under the employment contract, he or she must use on a regular basis in the performance of his or her duties. Consequently, the value of a parking space you provide free of charge to an employee does not have to be included in the employee's income if, under the employment contract, most of the employee's duties are to be performed away from your establishment (to which the employee must nonetheless go from time to time to prepare reports, for example). The same is true in the case of an employee whose duties consist in transporting merchandise (on a daily basis) using a motor vehicle.

If the value of the benefit must be included in the employee's income, you must include GST and QST in calculating the benefit.

37, 41.4

8.27 Uniforms and special clothing

Generally speaking, any clothing you provide to an employee that must be worn by the employee in the performance of his or her duties is not considered a taxable benefit. Thus, if you provide a distinctive uniform that must be worn by the employee in the performance of his or her duties, or special clothing or equipment designed to protect the employee from work hazards, there is no taxable benefit for the employee.

An allowance for the acquisition and care of clothing is also tax-exempt, provided

- the amount of the allowance does not exceed a reasonable amount; and
- the allowance is for the acquisition and care of distinctive clothing that the employee is required, under the employment contract, to wear in the performance of his or her duties.

We consider that the distinctive nature of the clothing must be determined on the basis of its intrinsic characteristics and not on the basis of the employee's usual attire. In other words, clothing is distinctive if it is not suitable to be worn elsewhere than at work. For example, the safety equipment worn by construction workers is distinctive. Consequently, an allowance for such equipment does not constitute a taxable benefit.

With respect to police officers, we are willing to take a more liberal view of what constitutes distinctive clothing. This applies, for example, in the case of a police officer who, as a plain-clothes investigator, is required to wear street clothes that meet the employer's requirements (a tailored suit, overcoat and jacket).

Reimbursements made to an employee for expenses related to the acquisition and care (for example, laundry or dry-cleaning costs) of distinctive clothing are tax-exempt, provided the employee submits the appropriate supporting documents and is required, under the employment contract, to wear such clothing in the performance of his or her duties.

39, 39R1, IMP. 39-2/R1

9 Source deductions, employer contributions and compensation tax

9.1 General information

As a rule, taxable allowances and benefits are subject to source deductions, employer contributions and compensation tax. The following benefits are exceptions to that rule:

- a benefit provided to a shareholder who is not an employee;
- a benefit provided to a partner in the form of the standby charge for an automobile made available by the partnership to the partner (or to a person related to the partner);
- a benefit provided to an employee of a partner in the form of the standby charge for an automobile made available by the partnership to the employee (or to a person related to the employee).

Taxable benefits in cash

Taxable benefits in cash that you provide to an employee are considered salary or wages. If you provide a taxable benefit in cash to an employee during a pay period, add the value of the benefit to the employee's remuneration in order to calculate the remuneration subject to source deductions, employer contributions and compensation tax.

Taxable benefits in kind

Taxable benefits in kind (that is, other than in cash) that you provide to an employee are also considered salary or wages. If you provide a taxable benefit in kind to an employee during a pay period, add the value of the benefit to the employee's remuneration in order to calculate the remuneration subject to source deductions of income tax, employee and employer Québec Pension Plan (QPP) contributions, employer contributions to the health services fund and to the financing of the Commission des normes du travail (CNT), and compensation tax. Such benefits must also be included in your **total payroll** used to determine your rate of contribution to the health services fund, and in your total payroll used to determine your participation in workforce skills development and, where applicable, your contribution to the Workforce Skills Development and Recognition Fund (WSDRF). **Most taxable benefits in kind are not subject to** employee and employer **Québec parental insurance plan (QPIP) premiums**, the only exception being the benefit related to board and lodging provided to an employee for a pay period in which the employee receives cash remuneration. Certain non-taxable benefits are also subject to QPIP premiums.

A taxable benefit in kind is not subject to source deductions of income tax and employee and employer **QPP contributions if you do not pay the employee any sum in cash or by cheque for the pay period in which the benefit is provided.** However, you must include the benefit in calculating your contributions to the health services fund and to the financing of the CNT, and compensation tax. You must also include the benefit in your **total**

payroll used to determine your rate of contribution to the health services fund, and in your total payroll used to determine your participation in workforce skills development and, where applicable, your contribution to the WSDRF.

In calculating the value of a benefit, you must take into account the goods and services tax (GST) and Québec sales tax (QST) that the employee would have paid had he or she purchased the property or service concerned. However, do not add GST or QST to taxable allowances or to other taxable benefits in cash.

See notes 1 and 2 in section 9.2 for special rules concerning the QPP and the QPIP.

9.2 Special cases

Benefits provided to shareholders

Taxable benefits provided to a shareholder of a corporation (or to a person related to the shareholder) are not subject to source deductions of income tax, employee and employer QPP contributions, employee and employer QPIP premiums, employer contributions to the health services fund and to the financing of the CNT, and compensation tax. The amounts are also not to be included in your **total payroll** used to determine your rate of contribution to the health services fund, or in your total payroll used to determine your participation in workforce skills development and, where applicable, your contribution to the WSDRF.

However, benefits provided to a shareholder of a corporation (or to a person related to the shareholder) are taxable if the shareholder is also an employee of the corporation **and** receives the benefits as an employee rather than as a shareholder. In such a case, the benefits are subject to source deductions of income tax, employee and employer QPP contributions, employee and employer QPIP premiums (unless the benefits are benefits in kind), employer contributions to the health services fund and to the financing of the CNT, and compensation tax. You must also include the benefits in your **total payroll** used to determine your rate of contribution to the health services fund, and in your total payroll used to determine your participation in workforce skills development and, where applicable, your contribution to the WSDRF.

See notes 1 and 2 below for special rules concerning the QPP and the QPIP.

Furthermore, according to the definitions of "employment" and "employee" in section 1.4 of the *Guide for Employers* (TP-1015.G-V), a shareholder of a corporation who is also a director of the corporation is both a shareholder and an employee of the corporation. If such a shareholder receives a benefit as a director (rather than as a shareholder), you must treat the benefit as if it

were provided to an employee. If a benefit in kind is provided and the director does not receive salary or wages in cash or by cheque for the pay period in which the benefit is provided, the benefit is not subject to source deductions of income tax, employee and employer QPP contributions, and employee and employer QPIP premiums. However, you must include the benefit in calculating your employer contributions to the health services fund and to the financing of the CNT, and compensation tax. You must also include the benefit in your **total payroll** used to determine your rate of contribution to the health services fund, and in your total payroll used to determine your participation in workforce skills development and, where applicable, your contribution to the WSDRF.

Benefits provided to partners

Taxable benefits provided to a partner (or to a person related to the partner) are not subject to source deductions of income tax, employee and employer QPP contributions, employee and employer QPIP premiums, employer contributions to the health services fund and to the financing of the CNT, and compensation tax. You should also not include the benefits in your **total payroll** used to determine your rate of contribution to the health services fund, or in your total payroll used to determine your participation in workforce skills development and, where applicable, your contribution to the WSDRF.

Standby charge and operating costs for an automobile

Since the value of the taxable benefit related to an automobile made available to an employee (or to a person related to the employee) must be calculated over the course of the year, it is necessarily based on estimates. You must therefore repeat the calculation at the end of the year, using the actual number of kilometres travelled during the taxation year.

Contributions paid to a private health services plan

Since the value of this taxable benefit must be distributed over all the pay periods, the amount representing an employee's coverage is necessarily based on estimates. You may use any reasonable estimation method (for example, the estimates may be based on data for the previous year or on a hypothetical premium). However, you must repeat the calculation at the end of the year using the actual data.

RRSP contributions made by the employer (other than contributions withheld from the employee's remuneration)

If, instead of withholding a registered retirement savings plan (RRSP) contribution from an employee's remuneration, you remit

the contribution directly to the issuer of an RRSP of which your employee or his or her spouse is the annuitant, the amount is considered a taxable benefit. You are not required to withhold income tax from such an amount if you remit the contribution directly to the RRSP issuer. The amount is subject to employee and employer QPP contributions, employer contributions to the health services fund and to the financing of the CNT, and compensation tax. The amount must also be included in your **total payroll** used to determine your rate of contribution to the health services fund, and in your total payroll used to determine your participation in workforce skills development and, where applicable, your contribution to the WSDRF.

Furthermore, a contribution made by the employer to an employee's **individual** RRSP is subject to employee and employer QPIP premiums. A contribution made by the employer to a **group** RRSP is not subject to employee and employer QPIP premiums if the employee is not permitted to withdraw amounts before his or her retirement or termination of employment, or if the employee is permitted to withdraw RRSP funds under the Home Buyers' Plan (HBP) or the Lifelong Learning Plan (LLP).

Contributions paid to a multi-employer insurance plan

Once the total contributions you pay to a multi-employer insurance plan in respect of an employee reach an amount corresponding to a reasonable estimate of the value of the taxable benefit the employee would receive if he or she were covered by the plan for the entire year, you are not required to continue withholding income tax respecting the contributions. However, you must continue to withhold QPP contributions, and to pay your employer contributions and compensation tax. Note that contributions paid to a multi-employer insurance plan are not subject to QPIP premiums.

Exercising a security option

A benefit resulting from the exercise of a security option is subject to source deductions of income tax, employee and employer QPP contributions, employer contributions to the health services fund and to the financing of the CNT, and compensation tax, in the year in which the benefit is taxable for the employee. The benefit must also be included in your **total payroll** used to determine your rate of contribution to the health services fund, and in your total payroll used to determine your participation in workforce skills development and, where applicable, your contribution to the WSDRF. Generally, the year in which the benefit is taxable for the employee is the year of disposition in the case of a Canadian-controlled private corporation (CCPC) stock option, or the year of acquisition in other cases.

However, there is an **exception** where an election has been made under the federal income tax system to defer taxation of a benefit resulting from the exercise of a security option from the year of acquisition of the securities to the year of their disposition. In that case, the benefit is not subject to source deductions of income tax for either year. For the year of acquisition of the securities, however, the benefit is subject to employee and employer QPP contributions, employer contributions to the health services fund and to the financing of the CNT, and compensation tax. The benefit must also be included in your **total payroll** used to determine your rate of contribution to the health services fund, and in your total payroll used to determine your participation in workforce skills development and, where applicable, your contribution to the WSDRF.

A benefit resulting from the exercise of a security option is a benefit in kind. See note 2 below.

Note 1

Special rules concerning the QPP

The following benefits **are not subject** to QPP contributions:

- a taxable benefit (including an allowance) related to the residence or lodging provided to a member of the clergy, a member of a religious order or a regular minister of a religious denomination, where the person may, under the *Taxation Act*, deduct the value of this benefit in calculating his or her income;
- a taxable benefit provided to an employee whose employment is excepted employment for purposes of the QPP;
- a taxable benefit provided to an employee before or during the month in which the employee reaches age 18;
- a taxable benefit provided to an employee during or after the month following the month that includes the day (determined by the Régie des rentes du Québec) on which the employee became disabled.

Note 2

Special rules concerning the QPIP

As a rule, the following benefits **are subject** to employee and employer QPIP premiums:

- a taxable benefit related to contributions to an employee's **individual RRSP**;
- a benefit related to **board or lodging** provided to an employee for a pay period in which the employee receives cash remuneration;
- a non-taxable benefit related to a public transit pass or a paratransit pass for which you **reimburse** an amount to your employee (a non-taxable benefit related to a public transit pass or a paratransit pass that you provide to your employee is not subject to employee and employer QPIP premiums);
- a non-taxable benefit related to an allowance paid to a municipal councillor for expenses inherent in the discharge of his or her duties;
- a non-taxable benefit related to an allowance for travel expenses paid to an employee in the construction sector, provided the benefit constitutes insurable earnings under the Employment Insurance plan;
- a non-taxable benefit related to an allowance paid to a member of a board of directors or a committee member for travel expenses;
- a non-taxable benefit related to an exempt amount of up to \$1,025 paid to an emergency service volunteer, **unless** the volunteer participates in a rescue operation, is not regularly employed by you and is employed by you for fewer than seven days in the year. Effective January 1, 2009, this amount is indexed annually (contact us for the indexation rate);
- a non-taxable benefit related to an indemnity paid to a juror for meals, accommodation and transportation, as well as the allowance paid for the care of children or other dependants or for psychological treatment;
- a non-taxable benefit related to an allowance paid to a member of the council of a regional county municipality (RCM) or of the Kativik Regional Government for travel expenses.

As a rule, the following benefits **are not subject** to employee and employer QPIP premiums:

- a taxable benefit provided to an employee whose employment is excluded from the QPIP;
- a taxable benefit related to contributions made by the employer to a **group RRSP** if the employee is not permitted to withdraw amounts before his or her retirement or termination of employment, or if the employee is permitted to withdraw RRSP funds under the HBP or the LLP;
- a taxable benefit in kind (other than a benefit related to **board and lodging** provided to an employee for a pay period in which the employee receives cash remuneration).

To contact us



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We invite you to visit our website at www.revenu.gouv.qc.ca.



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Hours of availability for telephone service

Monday, Tuesday, Thursday and Friday: 8:30 a.m. to 4:30 p.m.

Wednesday: 10:00 a.m. to 4:30 p.m.

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418 659-6299

Montréal
514 864-6299

Elsewhere
1 800 267-6299 (toll-free)

Businesses, employers and agents for consumption taxes

Québec City
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Montréal
514 873-4692

Elsewhere
1 800 567-4692 (toll-free)

Persons with a hearing impairment

Montréal
514 873-4455

Elsewhere
1 800 361-3795 (toll-free)



By mail

Individuals and individuals in business

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2009-11