

## WORKSHOP 9:

# FLEXIBLE BENEFITS: MEDICAL SAVINGS ACCOUNTS, PAID TIME OFF AND OTHER TAX- PREFERRED, NON-PENSION BENEFITS

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Canada



# Employee Benefits In Canada

- Governed and designed primarily by reference to
  - Tax rules
  - Government plans (some disability income, basic hospital, most services of physicians and surgeons, some home and community care, some pharma after age 65)
  - Laws establishing minimum vacation, parental and other paid leave periods
- No minimum benefits standards legislation
  - **But**, may be governed or informed by other legislation depending on the nature of the benefit, e.g., insured benefits governed by insurance laws or stock options governed by securities laws and minimum leave periods governed by minimum employment standards legislation.

# Tax Rules

- **Generally two approaches:**
  - Tax the value of the benefit itself, or
  - Tax the cost paid by the employer to provide the benefit.
- **Types of benefits**
  - Generally anything of value provided as compensation for employment services
    - With some exceptions

# Types of Benefits

- automobiles or other motor vehicles
- board and lodging
- gifts and awards
- group term life insurance policies
- interest-free or low-interest loans
- group sickness or accident insurance
- private health services plans
- education benefits
- recreational facilities and club dues
- security options
- Meals
- tool reimbursement or allowance
- transit passes
- tuition fees
- group disability benefits
- child care expenses

# Employer's Guide: Taxable Benefits and Allowances

## Table of contents

	Page		Page
<b>Chapter 1 – General information</b> .....	6	Scholarships, bursaries, tuition, and training .....	19
Do you give your employee a benefit, an allowance, or an expense reimbursement? .....	6	Scholarship and tuition fees .....	20
What are your responsibilities? .....	6	Employment insurance premium rebate .....	20
Determine if the benefit is taxable .....	6	Gifts, awards, and long-service awards .....	20
Calculate the value of the benefit .....	6	Rules for gifts and awards .....	21
Calculate payroll deductions .....	7	Value .....	21
File an information return .....	8	Policy for non-cash gifts and awards .....	21
Employer's allowable employment expenses .....	8	Long-service awards .....	21
<b>Chapter 2 – Automobile and motor vehicle benefits and allowances</b> .....	8	Awards from a manufacturer .....	21
Definitions .....	8	Group term life insurance policies – Employer-paid premiums .....	21
Automobile .....	8	Calculating the benefit .....	22
Motor vehicle .....	9	Reporting the benefit .....	22
Personal driving (personal use) .....	9	Housing or utilities .....	22
Vehicle .....	10	Housing or utilities – benefit .....	22
Keeping records .....	10	Housing or utilities – allowance .....	23
Calculating automobile benefits .....	10	Reporting the benefit .....	23
Calculating a standby charge for automobiles you own or lease .....	10	Clergy residence .....	23
Calculating an operating expense benefit .....	12	Income maintenance plans and other insurance plans .....	23
Benefit for motor vehicles not defined as an automobile .....	13	Non-group plans .....	23
Motor vehicle home at night policy .....	13	Group sickness or accident insurance plans .....	23
Reporting automobile or motor vehicle benefits .....	14	Employee-pay-all plans .....	24
Automobile and motor vehicle allowances .....	14	Group disability benefits – insolvent insurer .....	24
Reasonable per-kilometre allowance .....	14	Loans – interest-free and low-interest .....	24
Per-kilometre allowance rates that are not considered reasonable .....	15	Exceptions .....	24
Flat-rate allowance .....	15	Loans received because of employment .....	24
Combination of flat-rate and reasonable per-kilometre allowances .....	15	Loans received because of shareholdings .....	25
Reimbursement or advance for travel expenses .....	15	Home-purchase loan .....	25
Averaging allowances .....	15	Home-relocation loans .....	25
Reducing tax deductions at source on automobile or motor vehicle allowances .....	15	Forgiven loans .....	26
Reporting automobile or motor vehicle allowances on the T4 slip .....	16	Reporting the benefit .....	26
<b>Chapter 3 – Other benefits and allowances</b> .....	16	Prescribed interest rates .....	26
Board and lodging .....	16	Loyalty and other points programs .....	26
Exceptions to the rules .....	16	Meals .....	26
Board and lodging allowances paid to players on sports teams or members of recreation programs .....	16	Overnight meals or allowances .....	26
Board, lodging, and transportation – Special work sites and remote work locations .....	16	Subsidized meals .....	26
Special work sites .....	16	Medical expenses .....	26
Remote work locations .....	17	Moving expenses and relocation benefits .....	27
Payroll deductions .....	18	Moving expenses paid by employer that are not a taxable benefit .....	27
Cellular phone and Internet services .....	18	Moving expenses paid by employer that are a taxable benefit .....	27
Child care expenses .....	18	Non-accountable moving allowances .....	27
Counselling services .....	18	Municipal officer's expense allowance .....	28
Disability-related employment benefits .....	18	Parking .....	28
Payroll deductions .....	19	Pooled registered pension plans (PRPP) .....	29
Discounts on merchandise and commissions from personal purchases .....	19	Power saws and tree trimmers .....	29
Education benefits .....	19	Premiums under provincial hospitalization, medical care insurance, and certain Government of Canada plans .....	29
Educational allowances for children .....	19	Private health services plan premiums .....	29
Subsidized school services .....	19	Professional membership dues .....	29
		Recreational facilities and club dues .....	30
		Registered retirement savings plans (RRSPs) .....	30
		Payroll deductions .....	30
		Security options .....	31
		Taxable benefit .....	31
		Cash outs .....	31
		Payroll Deductions .....	31
		Security options deduction – Paragraph 110(1)(d) .....	31

Security options deduction for the disposition of shares of a Canadian-controlled private corporation – Paragraph 110(1)(i) .....	32
Social events .....	32
Spouse's or common-law partner's travelling expenses .....	32
Tax-free savings account (TFSA) .....	32
Tickets .....	32
Reporting the benefit .....	33
Tool reimbursement or allowance .....	33
Transportation passes .....	33
Airline passes for employees and retirees of an airline company .....	33
Transit passes .....	33
Transit passes – employees of a transit company .....	33
Travel allowance .....	33
Part-time employee .....	33
Salesperson and clergy .....	34
Other employees .....	34
Reasonable travel allowances .....	34
Uniforms and protective clothing .....	34
<b>Chapter 4 – Housing and travel assistance benefits paid in a prescribed zone</b> .....	34
Accommodation or utilities provided by the employer .....	35
Places with developed rental markets .....	35
Places without developed rental markets .....	35
Allowable ceiling amounts .....	35
Board, lodging, and transportation at a special work site in a prescribed zone .....	36
Travel assistance benefits .....	36
Medical travel assistance .....	36
<b>Chapter 5 – Remitting the GST/HST on employee benefits</b> .....	37
Employee benefits .....	37
Employee does not pay the GST/HST on taxable benefits .....	37
Do you have to remit GST/HST on employee taxable benefits? .....	38
Situations where you are not considered to have collected the GST/HST .....	38

How to calculate the amount of the GST/HST you are considered to have collected .....	39
Value of the benefit .....	39
Automobile operating expense benefits .....	39
Benefits other than automobile operating expense benefits .....	39
When and how to report the GST/HST you are considered to have collected .....	40
Automobile benefits – standby charges, operating expense benefit, and reimbursements .....	40
Input tax credits (ITCs) .....	41
ITC restrictions .....	41
Property acquired before 1991 or from a non-registered .....	41
<b>Benefits chart</b> .....	43
Online services .....	45
Handling business taxes online .....	45
CRA BizApp .....	45
Receiving your CRA mail online .....	45
Authorizing the withdrawal of a pre-determined amount from your Canadian chequing account .....	45
<b>Chapter 6 – For more information</b> .....	46
What if you need help? .....	46
Addresses .....	46
Tax services offices .....	46
Tax centres .....	46
Direct deposit .....	46
Forms and publications .....	46
Electronic mailing list .....	46
Related publications .....	46
Tax Information Phone Service (TIPS) .....	46
Teletypewriter (TTY) users .....	46
Complaints and disputes .....	46
Service related complaints .....	46
Formal disputes (objections and appeals) .....	46
Reprint complaints .....	46
Due dates .....	47
Cancel or waive penalties or interest .....	47

# Usual Core

- Health
- Dental
- Life
- AD&D and Disability
- Eyeglasses
- Fitness and wellness
- Retirement

# Flex Plans

- Add-On Plans
- Modular Flex Plans
- Core Plus Options
- Cafeteria Style
- Health care spending accounts

# Main Legal Issues with Flex

- **Taxation**
  - timing issues
- **Communication**
  - Non-selection: waivers of coverage
    - ensuring employees have waived or declined coverage
- **Anti-selection**
  - Step down limitations
  - Lock-in provisions
  - Packaged options

