

What Are Taxable Benefits?

A [taxable benefit](#) is a payment from an employer to an employee (or on behalf of the employee) that is considered a benefit for the individual. It can be in the form of cash or gift card or it can be another type of compensation such as an automobile benefit. A number of common benefits in Canada are actually **taxable benefits** and **must be reported** when an individual files his personal income tax. These benefits are required to be reported on the T4 slips prepared by an employer.

Employer Responsibilities

If an employer provides benefits or allowances to staff or individuals in their employ, they must take the following steps.

- Determine if the benefit meets the definition of a **taxable benefit** and if so,
- Then **calculate the value of the benefit**.
- Include the value of the taxable benefit in the appropriate box on the employees **T4 slip**.

Note:

- ✚ *The employee is considered to have received a benefit if the employer paid or provided something that is personal in nature to the employee or to a person who does not deal at arm's length with the employee, such as the employee's spouse, child or sibling.*
- ✚ *The benefit may be paid to the employee in cash, such as a meal allowance or reimbursement of personal cellphone charges, or provided in a manner other than cash — referred to as a non-cash benefit — such as a parking space or gift.*

Common Taxable Benefits

- Tips
- Boarding, lodging, rent-free housing
- Travel expenses for personal travel, holiday trips, etc.
- Personal use of the employer's automobile
- Gifts, prizes or awards including Christmas 'bonus' or gift certificates.
- Life insurance or disability insurance premiums
- Income tax preparation fees
- Vehicle allowances

For more information, consult:

<https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/t4130/employers-guide-taxable-benefits-allowances.html>