

# 15.5 Taxable Benefits and Issuance of T4As

## Policy Statement

It is the policy of the Province of Nova Scotia to comply with Canada Customs and Revenue Agency (CCRA) rules and regulations.

## Policy Objectives

The purpose of this policy is to provide guidance for the consistent application of CCRA rules and regulations for taxable benefits and the issuance of T4As.

## Application

This policy applies to all departments, agencies, boards, commissions, and Crown corporations of the province for payments made outside of normal salary arrangements. This includes payments made by the province to an individual in their own name or payments to third parties on behalf of the individual. Individuals include ministers, deputies, MLAs, permanent employees, casual employees, and non-employees.

## Policy Directives

Issuance of T4As provides individuals with verification of amounts to report as income on their tax returns. All taxable payments should be T4A coded, but a T4A will be issued only for cumulative taxable payments greater than \$500 or when income tax has been withheld from a payment. There is no requirement to withhold income tax from taxable benefit payments.

Severance and retirement agreements cannot supercede CCRA rules. Each payment must be evaluated based on the intent and purpose of the payment. The agreement may contain both taxable and non-taxable payments.

The full amount of HST paid on a taxable benefit payment must be included as part of the benefit reported on a T4A. The reasoning is that an individual would have paid 100% of the fee plus any HST if they had paid the fee personally. Therefore the true benefit is the full tax-included total.

When an accounts payable document is entered, the T4A code must be entered on the **Accounts Payable line 3 I**. (This code triggers the record to be included in the T4A reports and year-end data file.) (See Appendix 15-D for table of codes.)

T4As must be produced and mailed by the end of February each year. Any mail returned due to incorrect or outdated addresses should be sent to Government Accounting to be held until the person calls looking for their form. The departments are not required to search for new addresses for these people.

Each individual taxpayer is responsible for preparing a complete and correct income tax return each year. Any amounts not reported by T4A must still be claimed appropriately by the individual. In some cases, the individual will have a receipt for tax deduction purposes that will offset against any income reported on a T4A.

Taxable benefits and payments are made throughout the year. Those paid through either payroll or accounts payable must be coded in such a way as to flag the payment. Payroll's computer system will generate T4 and T4A slips accordingly for those items processed by payroll. A T4A will be prepared after each calendar year-end by Government Accounting for any accounts payable payments qualifying as taxable benefits or taxable payments. The financial divisions of departments will issue or mail the T4As on or before the February 28 deadline.

Payments made in accordance with special agreements, such as severance contracts or Early Departure Incentive Program, will be subject to those regulations as set by CCRA.

## **Accountability**

### **GOVERNMENT ACCOUNTING, DEPARTMENT OF FINANCE**

Government Accounting, Department of Finance, is responsible for

- developing and communicating a sound and appropriate policy
- updating the policy for changes in tax rules
- preparing T4As by mid-February for all T4A-coded payments processed through the accounts payable system
- delivering T4As to departments for issuance or mailing
- filing the required T4A information with CCRA
- responding to directors of finance about any unresolved questions or issues

### **PAYROLL SERVICES, DEPARTMENT OF FINANCE**

Payroll Services, Department of Finance is responsible for

- coding taxable payments made via the payroll system
- producing T4s and T4As on or before February 28 for any taxable payments processed through the payroll system
- distributing T4s/T4As to departments for issuing to employees
- mailing T4As to retirees

### **DEPARTMENTS, CROWN CORPORATIONS, AGENCIES, BOARDS AND COMMISSIONS**

Departments, Crown corporations, agencies, boards, and commissions are responsible for

- identifying payments as taxable
- entering a T4A code on the accounts payable record
- notifying the recipient of the taxable nature of the payment
- running reports of T4A-coded data for review
- reviewing reports of T4A-coded data and noting all errors for correction
- correcting coding errors and omissions
- issuing or mailing T4As on or before February 28
- responding to managers'/staff questions, problems, and concerns arising from this issue
- notifying Government Accounting Division of any questions or issues that cannot be resolved by their director of finance or managers

### **Monitoring**

Government Accounting, Department of Finance, and the finance divisions of all departments are responsible for ensuring compliance with this policy.

Internal Audit Division is responsible for monitoring departments' compliance with this policy.

### **References**

Canada Customs and Revenue Agency, Halifax Office

*Employers' Guide to Payroll Deductions, Taxable Benefits*

*Canada Income Tax Act*

## **Enquiries**

Accounts Payable Processing, Government Accounting, Department of Finance

(902) 424-6626

Payroll Services, Department of Finance (902) 424-5902

## **Appendix**

Appendix 15-D Taxable Payments

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*Approval date: July 5, 2001*

*Approved by: Minister, Department of Finance*

*Manual release date: August 21, 2008*

*Most recent review:*

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## Appendix 15-D

# Taxable Payments

### Tax Code/Description

#### 04 RESEARCH GRANTS

Payments made outside normal salary arrangements to assist in research projects.

#### 05 FEES FOR SERVICE

Fees for service rendered, not covered by salary arrangements. Some recipients will have already prepared their taxable income information including the T4A amount. They need only make note of this for CCRA and show where the income has been included on their tax return. The amount should not be reported twice.

Individuals who provide services and bill by invoice are considered to be self-employed. As a result, they are responsible for accounting for their income accordingly, since no T4A will be issued.

#### 07 BOOKS, SUPPLIES

Reimbursement of cost of books or supplies used for courses.

#### 08 COURSE FEES

Tuition fees paid to or on behalf of an employee or their children for a designated post-secondary institution (university, community college, etc.) A receipt for tax purposes (T2202) will be issued by the institution to the student and can be used as a deduction from income on their tax return.

Courses taken to maintain or upgrade employer-related skills are primarily for the **benefit of the employer**, as long as the employee remains for a reasonable amount of time after the course is completed. Other business-related courses, although they may not be directly related to the job, often **benefit the employer** too. The fees in these situations are not a taxable benefit.

Personal interest or technical courses not related to your business are taken for the **employee's benefit**. Fees paid for such courses are taxable benefits.

**09 PROFESSIONAL DUES**

Membership fees reimbursed or paid on behalf of an employee represent a taxable benefit unless the membership is a condition of employment. The condition of employment terms may be formally documented in a job description. If not, it becomes a judgment call by the department considering if it is reasonable for the employee to have the membership to support their skill set. Memberships are required by law for some practising professionals (e.g., CA, CMA, CGA, PEng, lawyer). For example, a lawyer's dues are not taxable, but a golf membership is taxable. Individuals may not claim any related tax deduction for dues if the income (fee reimbursement) has not been claimed.

**10 PERSONAL EXPENSES**

Free board and lodging, or lodging that is provided at an unreasonably low rate.

**11 TRAVEL ALLOWANCE**

Payment made to an employee as a fixed allowance amount instead of a reimbursement of actual travel expenses. For those individuals who require a vehicle to perform their job duties, a form (T2200 Declaration of Conditions of Employment) is issued by the financial services divisions in departments to verify this arrangement. This form allows some of the business-use portion of the vehicle expenses (gas, maintenance, depreciation, etc.) as deductions to offset the allowance income claimed. If paid through payroll the T4 will be issued by Payroll Services Division.

**12 PARKADE PARKING**

Parking space fee paid to or on behalf of the person to a third party (does not include the situation where an employee normally requires their vehicle to perform their daily job functions).

**12 PARKING LOTS**

Parking spaces for ministers, deputies, and employees in a parking lot maintained by the employer, whether the land is owned or leased. The benefit should be assessed on an individual basis as the fair market value (FMV) of the parking, even if the departments are not charged for the parking in any way. In most rural areas of the province, parking is generally free, so the FMV of the parking benefit is \$0. In Halifax/Dartmouth, the FMV of parking can range between \$60 and \$100, so the benefit should be assessed accordingly. This does not include the situation where an employee normally requires their vehicle to perform their daily job functions. For consistency and fairness, a standard benefit rate of \$70 per month should be assessed for assigned parking lots.

- 13 EQUIPMENT RENTAL**  
Payment for use of personally owned equipment used on the job (e.g., chain saw used a forestry job site).
- 15 FEES TO ELECTION WORKERS (INCOME)**  
Fee paid to non-employees as remuneration for working at a provincial election.
- 16 FEES TO ELECTION WORKERS (ALLOWANCE)**  
Fee paid to non-employees as remuneration for working at a provincial election.
- 21 HONORARIUM**  
This fee is paid as a reward for services provided. If paid to an employee, it is considered part of their employment income and is a taxable benefit. If paid to non-employees, it is considered self-employment income and also should be T4A coded.
- 22 BOARD FEES/STIPENDS**  
Agreed fee to be paid to non-employees for attendance at board meetings or paid for service provided.
- 23 SCHOLARSHIPS, GRANTS, BURSARIES**  
Paid to students to enable them to pursue their education and earn a degree, diploma, or other certificate of graduation. May be used by the student at a post-secondary level such as university, college, technical institute, etc., or in pursuit of a trade, academic discipline, or professional program. (This tax code does not include allowances for books or supplies or living expenses.)
- 99 OTHER**  
This code to be used only for those taxable benefits not covered by codes above. Include details in the description field.

**Some taxable benefits and payments, other than salaries, are reported by Payroll Services Division including the following**

**VEHICLE BENEFIT**

Personal use of an employer-owned or -leased vehicle results in a taxable benefit. Personal use includes travel between home and work, driving for personal use, vacation trips, having the keys in your possession after work hours so that the vehicle is available to you. Any portion of expenses reimbursed to the province will reduce the amount of benefit taxable to the individual.

**TRAVEL ALLOWANCE**

Flat rate amount paid on regular biweekly pay cheques.

**Note:** If the travel allowance paid to an employee is a combination of flat-rate and reasonable per-kilometre allowances, only the flat-rate portion is taxable.