

# TAXABLE INCOME & BENEFITS INFORMATION

## Scholarships and Bursaries

### What is a scholarship or bursary?

Scholarships and bursaries are amounts paid or benefits given to students to enable them to pursue their education. The term **bursary** is not defined in the Act; however, its meaning is broad enough to encompass almost any form of financial assistance paid to enable a student to pursue his or her education. Bursaries can include amounts paid to defray living expenses, as well as amounts that are directly related to the cost of the education.

Scholarships and bursaries usually apply to education at a post-secondary level or beyond, such as at a university, college, technical institute or other educational institution. However, there are circumstances where scholarships or bursaries are awarded for education below the post-secondary school level. Scholarships and bursaries normally assist the student in proceeding towards a degree, diploma, or other certificate of graduation. Scholarships and bursaries may apply to any field of study, including an academic discipline (such as the arts or sciences), a professional program (such as law or medicine), a trade (such as plumbing or carpentry) or skill (such as certified first aid and truck driver training courses).

### Scholarship or bursary amounts are reported on a T4A

Under subsection 200(2) of the Regulations, every payer of a research grant, scholarship, fellowship, bursary or prize (other than a prescribed prize) must report the amount on a [T4A Slip, Statement of Pension, Retirement, Annuity and Other Income](#). Every payer of an amount that is required by paragraph 56(1)(r) to be included in computing a taxpayer's income must report the amount on either a T4A Slip.

The payer of a research grant, scholarship, fellowship, bursary or prize (other than a prescribed prize) must report the amount on a T4A Slip, even though the recipient may be entitled to exclude all or a portion of the amount from income because of the scholarship exemption. It is the responsibility of the recipient to determine the amount of any exemption available under subsection 56(3).

## Types of income you should report

Most amounts paid to an individual by an employer are referred to as remuneration. You have to report the following:

- Salary, wages, bonuses, vacation pay, honorariums, and all other remuneration you paid to employees during the year.

You must report all individuals who received remuneration from you during the year if the remuneration was more than **\$500**.

- Taxable benefits or allowances (ex. Cellular phone and internet services)

Your employee has received a benefit if you pay for or give something that is personal in nature: directly

to your employee, to a person who does not deal at arm's length with the employee (such as the employee's spouse, child, or sibling).

A benefit is a good or service you give, or arrange for a third party to give, to your employee such as free use of property that you own. A benefit includes an allowance or a reimbursement of an employee's personal expense.

An allowance or an advance is any periodic or lump sum amount that you pay to your employee on top of salary or wages, to help the employee pay for certain anticipated expenses without having him or her support the expenses.

An allowance or advance is: usually an arbitrary amount that is predetermined without using the actual cost, usually for a specific purpose, used as the employee chooses, since the employee does not provide receipts

An allowance can be calculated based on distance, time or something else, such as a motor vehicle allowance using the distance driven or a meal allowance using the type and number of meals per day.

A reimbursement is an amount you pay to your employee to repay expenses he or she incurred while carrying out the duties of employment. The employee must keep proper records (detailed receipts) to support the expenses and give them to you.

#### **Taxable income and benefits are reported on a T4A**

The income must be reported on a T4 slip for the year during which it was paid, regardless of when the services are performed.

### **Gifts and Awards (Taxable benefit)**

A gift or award that you give an employee is a taxable benefit from employment, whether it is cash, near-cash, or non-cash. However, there is an administrative policy that exempts non-cash gifts and awards in some cases.

Cash and near-cash gifts or awards are always a taxable benefit for the employee. A near-cash item is one that functions as cash, such as a gift certificate or gift card, or an item that can be easily converted to cash, such as gold nuggets, securities, or stocks.

#### **Example of a near- cash gift or award**

You give your employee a \$100 gift card or gift certificate to a department store. The employee can use this to purchase whatever merchandise or service the store offers. The gift card or gift certificate is considered to be an additional remuneration that is a taxable benefit for the employee because it functions in the same way as cash.

#### **Examples of non-cash gifts or awards**

You give your employee tickets to an event on a specific date and time. This may not be a taxable benefit for the employee since there is no element of choice, if the other rules for gifts and awards are met.

Vouchers and event tickets are generally considered non-cash gifts and awards.

### **Rules for gifts and awards**

A **gift** has to be for a special occasion such as a religious holiday, a birthday, a wedding, or the birth of a child.

An **award** has to be for an employment-related accomplishment such as outstanding service or employees' suggestions. It is recognition of an employee's overall contribution to the workplace, not recognition of job performance.

An award given to your employees for performance-related reasons (such as performing well in the job he or she was hired to do) is considered a **reward** and is a taxable benefit for the employee.

If you give your employee a non-cash gift or award for any other reason, this policy does not apply and you have to include the fair market value of the gift or award in the employee's income.

### **Policy for non-cash gifts and awards**

You may give an employee an unlimited number of non-cash gifts and awards with a combined total value of \$500 or less annually. If the FMV of the gifts and awards you give your employee is greater than \$500, the amount over \$500 must be included in the employee's income. For example, if you give gifts and awards with a total value of \$650, there is a taxable benefit of \$150 ( $\$650 - \$500$ ).

Items of small or trivial value do not have to be included when calculating the total value of gifts and awards given in the year for the purpose of the exemption.

### **Long-service awards**

As well as the gifts and awards in the policy stated above, you can, once every five years, give your employee a non-cash long-service or anniversary award valued at \$500 or less, tax free. The award must be for a minimum of five years' service, and it has to be at least five years since you gave the employee the last long-service or anniversary award. Any amount over the \$500 is a taxable benefit.

If it has not been at least five years since the employee's last long-service or anniversary award, then the award is a taxable benefit. For example, if the 15 year award was given at 17 years of service, and then the next award is given at 20 years of service, the 20 year award will be a taxable benefit, since five years will not have passed since the previous award.

The \$500 exemption for long-service awards does not affect the \$500 exemption for other gifts and awards in the year you give them. For example, you can give an employee a non-cash long-service award worth \$500 in the same year you give him or her other non-cash gifts and awards worth \$500. In this case, there is no taxable benefit for the employee.