

**Locals, RRCs and Professional Associations of the Nova Scotia Teachers Union**  
**Taxable Benefits Review – August 1, 2022**

| Description of Benefit  | Taxable/Non Taxable                                      | Reporting Requirements   | Analysis   |
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| <b>Salary and similar type payments</b> <ul style="list-style-type: none"> <li>- Locals may make the following payments to their employees/members: <ul style="list-style-type: none"> <li>▪ Salaries</li> <li>▪ Sick leave</li> <li>▪ Vacation pay</li> <li>▪ Maternity, parental and adoption leave</li> <li>▪ Personal leave</li> <li>▪ Leave for injury on duty</li> <li>▪ Compassionate leave</li> </ul> </li> </ul> | Taxable  | Report on T4   | <p>All payments received by the employee/member are received as consideration or remuneration for services performed. The Income Tax Act (Canada) (“ITA”) requires the employee to include these amounts in income when the payments are either received or the taxpayer is entitled to receive the payments. Therefore, the amounts will be taxable in the year the payments are either received, or entitled to be received, rather than the year in which they are earned.</p> <p>The Canada Revenue Agency (“CRA”) requires the employer/local/professional association to report all employment income earned by employees/members through the T4 reporting process. Since employment income is determined based on when it is received by the employee/member, T4 slips should be issued to the employees/members for all remuneration paid during the year and the appropriate withholdings withheld and remitted to CRA.</p>   |
| <b>Mileage allowance</b> <ul style="list-style-type: none"> <li>- Mileage allowances can be paid to employees/members or committee members based on a flat rate per trip, monthly amount or on a per kilometer basis.</li> </ul>  | May be taxable or non-taxable – see analysis for details | <p>Per kilometer reimbursements - Reporting requirements</p> <p>Depends on whether mileage rates are reasonable</p> <p>Flat rate or monthly amount – Report on T4 or T4A</p> | <p>If the mileage allowance paid by the employer/local/professional association is based on a per-kilometer rate that the CRA considers reasonable, it is not taxable. CRA considers an allowance to be reasonable if all of the following conditions apply:</p> <ul style="list-style-type: none"> <li>- The allowance is based only on the number of business km's driven in a year;</li> <li>- The rate per km is reasonable; and</li> <li>- The employer/local/professional association did not reimburse the employee/member for expenses relating to use of the vehicle.</li> </ul> <p>The CRA considers the following rates reasonable for 2022 and later:</p> <ul style="list-style-type: none"> <li>- \$0.61 per km for the first 5,000 km's; and</li> <li>- \$0.55 per km thereafter.</li> </ul> <p>If the allowance is based on a rate the CRA does not consider reasonable, the employees/members must include the mileage allowance in income and may be able to deduct allowable expenses.</p> <p>The current per km rate used by the employer/local/professional association is \$0.55 per km.</p> <p>The CRA's administrative position is that a committee member may be considered an employee/member even though he or she is a volunteer. As such, committee members would fall under the same guidelines as employees/members with respect to travel reimbursements.</p> <p>The CRA's administrative practice is to treat the reimbursement of travel costs for committee and board members, from their homes to the board office or meeting location, as a taxable personal benefit. In a recent court case involving the board members of the Strait Regional School Board the courts ruled the travel to be of a business nature as the board members were considered to be traveling from their home offices to the meeting location. Accordingly, the travel costs were considered a non-taxable benefit.</p> |

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| <b>Accidental death and dismemberment premiums</b> <ul style="list-style-type: none"> <li>Premiums for accidental death and dismemberment may be provided to employees/members.</li> </ul>  | Taxable (unless paid in respect of benefit that would be payable on a periodic basis) | Report on T4              | Pursuant to subparagraph 6(1)(e.1)) of the ITA, contributions to a group sickness or accident insurance plan are a taxable benefit to the employee, unless the plan is arranged such that any benefits paid under the plan are payable on a periodic basis. Examples of such plans where employer-paid premiums are taxable include accidental death and dismemberment and critical illness insurance that pay benefits on a lump-sum basis.  |
| <b>Private healthcare premiums</b> <ul style="list-style-type: none"> <li>Private health care premiums may be provided to employees/members.</li> </ul>   | Non-taxable   | No reporting requirements | Pursuant to subparagraph 6(1)(a)(i) of the ITA, premiums paid by an employer/local/professional association to a private health services plan are not considered a taxable benefit.   |
| <b>Tuition fees</b> <ul style="list-style-type: none"> <li>Locals may agree to reimburse an employee/member for tuition fees and other costs associated with education or training.</li> </ul>  | Non-taxable   | No reporting requirements | When training is taken primarily for the benefit of the employer/local/professional association, there is no taxable benefit whether or not the training leads to a degree, diploma or certificate. A taxable benefit arises when the training is primarily for the benefit of the employee/member. A reimbursement of tuition fees, books and other costs associated with obtaining the education will all be considered a non-taxable payment to the employee/member.<br><br>If an employee/member is reimbursed for tuition fees and the reimbursement is not considered a taxable benefit, the employee/member will be prohibited from claiming non-refundable tax credits for the tuition fees and the education credit.   |
| <b>Non-accountable grants/payments</b> <ul style="list-style-type: none"> <li>Locals and professional associations may provide employees/members with a non-accountable grant/payment. The payment may relate to travel expenses, education costs, telecommunication costs, etc.</li> </ul> | Taxable   | Report on T4              | Non-accountable grants or payments are taxable for the individuals receiving them. The individuals may be able to deduct the expenses for which the grants or payments were received providing the expenses were incurred for business purposes. An exception is made in the case of non-accountable allowances provided to employees for purposes of relocation or moving costs, where that allowance does not exceed \$650 and the employee certifies in writing that they have incurred moving costs at least equal to the amount of the allowance.<br><br>In the case of elected municipal officials, if the grant is provided to an elected official to perform the duties of that office, the portion in excess of one-third of the officer's salary and allowances will be considered employment income for which withholding deductions (EI and CPP if necessary) will be required. |
| <b>Expense reports – travel allowances</b> <ul style="list-style-type: none"> <li>Travel allowances may be provided to employees/members based on a reasonable amount.</li> </ul>   | Generally non-taxable   | No reporting required     | Travel allowances are to be included in the income of employees, who travel to perform the duties of the office or employment, unless the allowances are received by the employee for travelling away from the municipality and the metropolitan area where the employer's establishment is located and where the employee ordinarily works or reports.<br><br>CRA has indicated that in certain circumstances allowances for travel expenses incurred in relation to travel within the municipal area are not a taxable benefit and can be excluded from   |

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|  |                       |                        | <p>the employee's income if all of the following conditions are satisfied:</p> <ul style="list-style-type: none"> <li>- The allowance is a reasonable amount;</li> <li>- The allowance is received for traveling away from the office</li> <li>-</li> <li>- The employer is the primary beneficiary of the allowance; and</li> <li>- The allowance is not an additional form of remuneration.</li> </ul>  |
| <p><b>Expense reports – overtime meals</b><br/>           Meal allowances may be provided to employees/members based on a per diem amount.</p> | Generally non-taxable | No reporting required  | <p>CRA has indicated that the provision of overtime meals, or an allowance for overtime meals, is not a taxable benefit if all of the following conditions apply:</p> <ul style="list-style-type: none"> <li>- The allowances, or the cost of the meal, is reasonable;</li> <li>- The employee works two or more hours of overtime right before or right after the scheduled hours of work; and</li> <li>- The overtime is not frequent and is occasional in nature (usually less than three times a week).</li> </ul> <p>In the context of overtime meals, the CRA has commented that they generally consider a value up to \$23 to be reasonable; however, they will consider higher amounts reasonable if the relative cost of meals in the location is higher, or other significant extenuating circumstances. Allowances currently established by the NSTU of \$12 for breakfast, \$15 for lunch and \$30 for suppers for a total of \$57 per day, would likely be considered reasonable.</p> <p>If overtime occurs more frequently, overtime meals or allowances would be considered a taxable benefit, since they begin to take on the characteristics of additional remuneration.</p> |

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| <p><b>Spouse's and other family members travel costs</b></p> <ul style="list-style-type: none"> <li>Locals, RRC and professional associations may reimburse employees/members for travel expenses incurred on behalf of their spouse or other family members.</li> </ul> | <p>Generally taxable</p> | <p>Report in T4 (for employees and elected officials) or T4A</p>  | <p>Where an employee/member is accompanied by a spouse (or other family member) on a business trip, any payment or reimbursement by the employer/local/professional association of the spouse's traveling expenses is a taxable benefit to the employee/member unless the spouse was requested by the employer/local/professional association to go and the main purpose for going was to assist in attaining the business objectives of the trip. (See comments on withholdings under "<b>Non-accountable grants</b>")</p> <p>Travel expenses related to the spouse are considered to be those that are in addition to the expenses incurred if the employee/member were to travel alone (ie meals, airfare, additional accommodations).</p>   |
| <p><b>Expense reports – family/pet care</b></p> <ul style="list-style-type: none"> <li>Locals and professional associations may reimburse committee members for child day care, family care and pet care which they incur to attend meetings.</li> </ul>                 | <p>Taxable</p>           | <p>Report on T4 (for employees and elected officials) or T4A if required – See analysis for details</p> | <p>T4A slips are required to be issued if payments are made to Canadian residents that were:</p> <ul style="list-style-type: none"> <li>In excess of \$500 for the year; or</li> <li>Tax was deducted from the payment.</li> </ul> <p>As noted previously, the CRA's administrative position is that a committee member may be considered an employee/member even though he or she is a volunteer. As such, committee members would fall under the same guidelines as employees/members with respect to child/pet care reimbursements. (See comments on withholdings under "<b>Non-accountable grants</b>")</p> <p>Any reimbursement for family care (other than child care described below) and pet care will always be considered a taxable benefit.</p> <p>Reimbursements for child care services are generally also considered a taxable benefit. However, if an employee/member incurs <b>additional</b> child care expenses because of a requirement to travel out of town on employment-related business, the CRA has a current administrative policy of not including the reimbursement of the additional child care expenses as taxable benefit. The CRA has not defined a distance to support "out of town" travel. However, based on a number of their other policies, such as the ability to claim travel costs for medical expenses, you should be safe in assuming any travel beyond 40 kilometers from the member's place of residence would be considered "out of town" travel. It should be cautioned that CRA's administrative policies are not law and could be changed at any time. Therefore, based on the current administrative policy of the CRA, child care reimbursements received by members required to travel out of town for meetings, which relate to expenses that are in addition to their normal child care expenses, will not be considered a taxable benefit.</p> <p>If the total <b>taxable benefits, whether paid by the provincial body or the local</b>, received by an individual (including family/pet care) from the NSTU exceed \$500, the NSTU is required to issue a T4A to the individual.</p> |

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| <b>Student work terms</b><br><ul style="list-style-type: none"> <li>- The NSTU will occasionally accept students for work terms to provide the student with work experience, but will not provide a wage to the student. At the end of the student's term, the NSTU may provide a grant to that student.</li> </ul> | Taxable  | Report on T4 if required – See analysis for details     | <p>Payments to students which are received in connection with their employment at the NSTU are deemed by the ITA to be employment income of the student. CRA also requires an employer/local/professional association, who pays an employee/member an amount greater than \$500 for employment services, to issue a T4 to that employee/member and deduct the appropriate withholdings.</p> <p>Therefore, if the student is paid more than \$500 in recognition of services during the work term, the NSTU is required to issue a T4 to the individual. Also, the NSTU will be required to withhold the required deductions from the employment income.</p>   |
| <b>Study grants/scholarships</b><br><ul style="list-style-type: none"> <li>- Locals and professional associations may provide study grants to students attending post secondary institutions.</li> </ul>  | Taxable  | Report on T4A if required – See analysis for details    | <p>The NSTU is required to issue T4A slips if payments are made to Canadian residents that were:</p> <ul style="list-style-type: none"> <li>- In excess of \$500 for the year; or</li> <li>- Tax was deducted from the payment.</li> </ul> <p>Therefore, if the total <b>taxable benefits, whether paid by the provincial body or the local</b>, received by an individual (including scholarships) from the NSTU exceeds \$500, the NSTU is required to issue a T4A to the individual.</p>   |
| <b>Non-cash gifts</b><br><ul style="list-style-type: none"> <li>- Locals and professional associations may provide non-cash gifts to their employees/members or committee members.</li> </ul>   | May be taxable or non-taxable – see analysis for details | Total gifts and awards over \$500 – Report on T4 or T4A | <p>CRA's policy on <b>gifts and awards</b> to employees allows the employer to provide an unlimited number of non-cash gifts and awards, per year, tax free (subject to a \$500 annual value limit as discussed below). A <b>gift</b> has to be for a special occasion such as a religious holiday, a birthday, a wedding, or the birth of a child. An <b>award</b> has to be for an <b>employment-related</b> accomplishment such as outstanding service, employees' suggestions, or meeting or exceeding safety standards. An award given to your employee for outstanding service or <b>performance-related</b> reasons is considered a reward and is a taxable benefit for the employee.</p> <p>If the combined total value of all non-cash gifts and awards received exceeds \$500, including taxes, the amount in excess of \$500 is taxable. Non-cash gifts that are of a nominal value, such as T-shirts bearing employer logo, mugs, plaques, etc., are not considered a taxable benefit and are excluded from this \$500 threshold.</p> <p>As well as the <b>gifts and awards</b>, once every five years an employee can be given 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. The \$500 exemption for <b>long-service awards</b> does not affect the \$500 exemption for other <b>gifts and awards</b> in the year you give them.</p> |

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| <b>Cash, near-cash gifts</b><br>- Locals and professional associations may provide cash or near cash gifts to their employees/members or committee members.  | Taxable     | Report on T4 (for employees and elected officials) or T4A   | The CRA's policy on gifts and awards does not apply to cash or near-cash gifts. A near-cash gift could be a gift certificate, gift card, gold nugget, securities, stocks, or any other item that can be easily converted to cash. All gifts of this type are taxable to the employee/member and the NSTU is required to issue a T4 or T4A.   |
| <b>Honorariums</b><br>- Locals and professional associations may provide honorariums.  | Taxable     | Report on T4 (for employees and elected officials) or a T4A if required – See analysis for details. | T4's are required to be issued to individuals who would be considered to be an employee of the Union. Elected officials such as the local presidents and treasurers would be considered employees of the Union. Therefore, if elected officials receive honorariums, it would be considered employment income as addressed under " <b>salary and similar type payments.</b> "<br><br>The NSTU is required to issue T4A slips if payments are made to Canadian residents that were:<br>- In excess of \$500 for the year; or<br>- Tax was deducted from the payment.<br><br>Therefore, if the <b>total taxable benefits, whether paid by the provincial body or the local</b> , received by an individual (including honoraria) from the NSTU exceeds \$500, and they are not an employee/member of the NSTU, the NSTU is required to issue a T4A to the individual.  |
| <b>Temporary COVID-19 Measures</b><br>- The following temporary measures were implemented by the CRA and are <u>in effect from March 15, 2020 to December 31, 2022</u> to provide tax relief in specific circumstances arising from the COVID-19 pandemic. | Non-taxable | No reporting required   | <ul style="list-style-type: none"> <li>- Employer reimbursement or reasonable allowance for <b>additional commuting costs</b> incurred by an employee during the pandemic provided the costs are over and above the employee's normal commuting costs. As well, reimbursement or reasonable allowance for commuting costs incurred by the employee for travel to the employee's regular place of employment for any purpose that enables them to perform their duties of employment from home (e.g. to pick up equipment or supplies) are not taxable.</li> <li>- <b>Employer-provided parking</b> at the employee's regular place of employment will not be taxable to the employee for the period of time where the employee works from home on a full-time basis because of lockdown or general pandemic-related precautions.</li> <li>- Payments or reimbursements by an employer for <b>computer or home office equipment</b> to allow an employee to work from home will not be taxable to a maximum of \$500 per employee. Non-accountable allowances are not included in this concession and will remain taxable.</li> </ul> |