FL Fuller Landau SENCRL/LLP

TAX TARGET™

February 2019

TAXABLE BENEFITS IN BRIEF

This issue will serve as a reminder of certain, often forgotten, details regarding the preparation of T4 and Relevé 1 forms.

AUTOMOBILE BENEFITS

Automobile benefits are the total of the stand-by charge and the operating expense benefit.

1. Stand-by Charge

(a) Stand-by charge on automobile owned by Company = A/B x [2% x (C x D)]

A/B = usually equals 1 unless automobile used 50% or more for business by employee

C = cost of automobile including GST and QST

D = number of 30-day periods automobile available to employee (usually D = 12)

(b) Stand-by charge on automobile leased by Company = A/B x [2/3 x (E - F) x D]

D = number of 30-day periods automobile available to employee (usually D = 12)

E = monthly lease cost including GST and QST

F = insurance amount included in monthly lease cost for damage to, or liability from, use of automobile

(c) Reducing the stand-by charge

A reduction to the stand-by charge can be applied if: i) more than 50% of the kilometres driven in the year are used for business purposes, ii) the personal kilometres are less than 1,667 per 30-day period for a total of 20,004 kilometres per year, and iii) employee is required to use the automobile to perform their duties.

If these three conditions are met, the stand-by charge is calculated in proportion to the number of personal kilometres over 1,667 kilometres per 30-day period times the number of 30-day periods the automobile was available in the taxation year.

2. Operating Expense Benefit

- $0.28 per personal kilometre
- Option available to calculate as 1/2 of stand-by charge if:

(a) automobile used primarily (50% or more) to perform duties of office or employment; and

(b) employee informed employer in writing before December 31st as to desire to use this option.

The stand-by charge and operating expense benefit can be reduced if an employee makes any reimbursement no later than 45 days after the end of the year.

Note:

For an employer, stand-by charges and operating expense benefits are not subject to employment insurance or QPIP contributions but are subject to QPP (where maximum contributions have not been exceeded), HSF and CNT contributions.

GST/QST REMITTANCE

- If stand-by charge and operating expense benefit calculated as above, GST and QST are already included in benefit for a Quebec employee.
- GST to be remitted to government with the return that includes February 28, 2019 is calculated as follows:
  - › Stand-by charge = 4/104 x stand-by charge
  - › Operating expense benefit = 3% of operating expense benefit
- QST to be remitted to government with the return that includes February 28, 2019 is calculated as follows:
  - › Stand-by charge = 9.975/109.975 x stand-by charge
  - › Operating expense benefit = 6% of operating expense benefit
- Please note that QST must be remitted by businesses, which were considered to be small and medium-sized under the QST system, only if these businesses were small and medium-sized throughout the previous taxation year. QST was not required to be remitted by large businesses prior to January 1, 2018. Starting January 1, 2018, large businesses are required to start including employee benefits in their calculation of QST at the following rates:
  - › 2018: 25% of the benefit the employee must include in their income;
  - › 2019: 50% of the benefit the employee must include in their income;
  - › 2020: 75% of the benefit the employee must include in their income; and
  - › 2021 and after: 100% of the benefit the employee must include in their income.

Large business: A business where the value of taxable supplies, other than supplies of financial services, made in Canada by the registrant, and by any person with whom it is associated, exceeds $10 million during its last taxation year.

Taxable supply: Includes a zero-rated supply.

Made in Canada: Includes the value of all exports together with supplies deemed to be made outside of Canada.

LOGBOOK FOR EMPLOYEES WHO USE AN AUTOMOBILE MADE AVAILABLE BY THE EMPLOYER

For Quebec, an employee who uses an automobile made available by his employer must remit to him, before January 10 of the following year (or ten days after the end of the period the automobile was made available to the employee), a copy of the logbook for the year.

This logbook must indicate, on a daily basis, the number of kilometres travelled in the course of the individual's office or employment. Therefore, the employee must specify the point of departure and the destination where he is travelling for business purposes and the number of kilometres.

At the end of each week or month, the logbook must indicate the number of kilometres driven for personal use, which is determined by the difference between the total distance driven and the distance travelled for business purposes.

Note that the distance travelled between home and the employer's office is considered to be personal use.

The EMPLOYEE is subject to a penalty of $200 if the logbook is not given to the employer.

The employer will use this logbook to calculate the employee automobile benefits.

For Non-Quebec Residents

For Federal purposes, the government has established the guidelines to document the use of a vehicle in 2010 and beyond. However, because the Quebec Government has not adopted the Federal guidelines, they are irrelevant for a Quebec resident. For taxpayers residing outside of Quebec, we refer you to the document Documenting the use of a vehicle available on the Canada Revenue Agency's website at https://www.canada.ca/en/revenue-agency/services/what-s-new/documenting-use-a-vehicle.html.

2018 PRESCRIBED RATES FOR LOW-INTEREST OR NO-INTEREST LOANS

January 1 - March 31:	1%
April 1 - June 30:	2%
July 1 - September 30:	2%
October 1 - December 31:	2%

Notes:

1) The above rates are applicable for both Federal and Quebec reporting.
2) No GST and QST is added to taxable benefits on low-interest or no-interest loans.
3) The prescribed rate used to calculate taxable benefits on home purchase loans does not exceed the prescribed rate in effect when the loan was granted. This interest rate is a maximum rate (ceiling) for a five-year period.

DIRECTORS' FEES

- Reported on T4 not T4A (and Relevé 1)
- Subject to QPP, QPIP and HSF
- Not subject to EI or CNT

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