

GIFT AND AWARD GOVERNMENT POLICY UPDATE

The Federal Government has updated its administrative policy regarding what they consider a near-cash employee gift or award. When we last addressed employee gifts and awards, the Federal Government considered all gift cards to be a near-cash amount and, consequently, taxable when received by an employee.

Under the new administrative policy, a gift card will be considered non-cash if **all** the following apply:

- The gift card comes with money already on it and can **only** be used to purchase goods or services from a **single retailer or a group of retailers identified on the card**.
- The terms and conditions of the gift card clearly state that amounts loaded to the card **cannot be converted into cash**.
- A log is kept recording gift card information containing **all** of the following:
 - Name of the employee;
 - Date the gift card was provided to the employee;
 - Reason for providing the gift card (part of social event, gift or award);
 - Type of gift card;
 - Amount of the gift card; and
 - Name of the retailer(s).

This change aligns the Federal policy with the long-standing Quebec policy.

The balance of this issue of Tax Target™ will review the Federal and Quebec Governments' gifts and awards policies.

DEFINITIONS

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

An **award** must be for an employment-related accomplishment such as long or outstanding service, employees' suggestions, or meeting or exceeding safety standards. An award cannot be performance related.

FEDERAL POLICY

There is a single \$500 exemption (GST/QST included) that will be applied against the total value of all the non-cash gifts and awards given to an employee each year.

If an employee receives more than one non-cash gift and/or award whose total value is less than \$500, there is no taxable benefit. However, if the total value is over \$500, for example \$700, there is a taxable benefit of \$200 (\$700 - \$500).

Cash or near-cash (securities, precious metals, cryptocurrency, prepaid credit cards) gifts and awards are **always** a taxable benefit to the employee.

Items of small or trivial value will not be considered a taxable benefit. Examples of such items include coffee or tea, t-shirts with employer's logo, mugs, plaques, or trophies.

Every five years, an employer may also give an employee an additional non-cash award for long service or anniversary, valued at \$500 or less, without creating a taxable benefit. This does not affect the yearly \$500 exemption mentioned above.

QUEBEC POLICY

Revenue Quebec's policy is similar, but not identical, to the Federal policy. The differences are as the following:

- Gift certificates, coupons, or gift cards, which must be used to purchase goods or services, are not considered to be "cash or near-cash" and would not be taxable if the annual \$500 limit is respected; and
- Thresholds for gifts and awards are calculated separately; consequently, an employee may receive a \$500 gift **and** a \$500 award in the same calendar year without attracting taxation.

WE'RE HERE TO HELP

Still have questions about how to take advantage of the above gifts and awards policies? Please do not hesitate to [contact one of our tax professionals](#).

The matters highlighted in this tax memo are presented in broad general terms and, of course, cannot be applied without consideration of all circumstances. The firm will be pleased to discuss with recipients the possible effects of these matters in specific situations.

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