



Country Tax Guide: Canada

About this Guide:

This guide is based on information provided by international tax experts at IBFD to provide employers with a general overview of the tax treatment of key benefits in kind granted to resident employees. It is intended to offer practical insights to help multinational employers better understand potential tax implications when structuring benefit programs in-country. The guide does not include different tax concessions granted to non-residents and/or expatriates, tax reliefs employees may claim in their own tax returns, option arrangements and low interest bearing loans. While the content reflects extensive research and the expertise of IBFD, it is provided for informational purposes only and does not constitute formal tax advice. Employers are strongly encouraged to consult qualified tax advisors for guidance tailored to their specific business operations, workforce profile, and benefits design in the relevant jurisdiction.

Source of Information

The tax treatment of benefits in kind is addressed in section 6 of the Canadian [Income Tax Act](#) (ITA). Furthermore, the Canada Revenue Agency (CRA) provides guidelines in [T4130, Employers' Guide: Taxable Benefits and Allowances](#).

Main principles

Section 6 of the ITA lists all of the employee benefits that must be included in an employee's income tax return unless an exception is provided for. The first step is to determine whether a benefit is taxable. Whether or not a benefit is taxable depends on whether an individual receives an economic advantage that can be measured in money and whether that individual is the primary beneficiary of the benefit. The second step is to determine the value of the benefit if not paid in cash. The value of a benefit is generally its fair market value (FMV), i.e. the amount the employee would have had to pay for the same benefit, in the same circumstances, if there was no employer-employee relationship. The actual cost to the employer can be used if it reflects the FMV of the item or service.

In addition to calculating the amount of the benefit, the employer might have to add goods and services tax/harmonized sales tax (GST/HST) that was either paid by the employer or would have been payable by that employer had they not been exempt. The amount depends on whether the item is subject to GST/HST or is exempt or zero-rated and is outlined in a [Benefits Chart](#) to be used for this purpose.

Further, an employer needs to determine whether the benefit is pensionable (in which case Canada Pension Plan contributions need to be paid) and/or insurable (in which case employment insurance contributions need to be paid).



Country Tax Guide: Canada

Benefit types

Meals

- For overtime meals, or an allowance for overtime meals, there is no taxable benefit if all of the following conditions apply:
 - the allowance, or the cost of the meal, is reasonable. The CRA generally considers a value of up to CAD 23 (including the GST/HST and PST) to be reasonable. The CRA will consider higher amounts reasonable if the relative cost of meals in that location is higher, or under other significant extenuating circumstances;
 - the employee works two or more hours of overtime right before or right after their scheduled hours of work; and
 - the overtime is not frequent and is occasional in nature (usually less than three times a week).
- Subsidized meals (such as in an employee dining room or cafeteria) are not considered a taxable benefit if the employee pays a reasonable charge. A reasonable charge is one that covers the cost of the food, its preparation, and service. If the charge is not reasonable (no fixed amounts), the value of the benefit is the cost of the meals, minus any payment the employee makes.

Cars

- If an employee drives a company car for personal reasons or an employer reimburses the employee for the personal driving of their own vehicle, there is a taxable benefit, known as a *standby charge*, that has to be calculated and included in the employee's income.
- Personal driving includes: vacation trips, driving to conduct personal activities, travel between home and a regular place of employment, other than a point of call, and travel between home and a regular place of employment even if the employer insists the employee drives the vehicle home, such as when they are on call.
- Business driving includes: travel between the employee's regular place of employment and a client's workplace (a point of call), travel for business purpose errands, travel between home and a point of call, such as a salesperson visiting customers, going to a client's premises for a meeting or making a repair call.
- Tax implications of the provision of a company car: The benefit for an automobile an employer provides is generally a standby charge for the year plus an operating expense benefit for the year, minus any reimbursements employees make in the year for benefits the employer otherwise includes in their income for the standby charge or the operating expenses. An [online calculator](#) is used to determine the amount of the benefit. A reduced standby charge is payable if all of the following conditions apply:
 - the employer requires the employee to use the automobile to perform their duties;
 - the employee uses the automobile more than 50% of the distance driven for business purposes; and

Country Tax Guide: Canada



- the kilometres for personal use are not more than 1,667 per 30-day period or a total of 20,004 kilometres a year.
- Tax implications where the employer reimburses the employee for the business (employment related) use of their personal vehicle: Where an employee uses their own vehicle for business purposes, the employer will typically compensate for this either through an allowance or a reimbursement of expenses.

If the employer provides an allowance, this amount is not taxable provided that:

- it compensates for business (employment related) use of the vehicle,
- the “per kilometre rate” is reasonable and the employer did not reimburse the employee for any of their vehicle related expenses.

Generally, the CRA considers an allowance based on the per-kilometre rates prescribed in section 7306 of the Income Tax Regulations (ITR) (maximum amount deductible as a business expense) to be reasonable. For 2025, this is CAD .72 per kilometre for the first 5,000 kilometres and CAD.66 thereafter (the rates are higher for the territories). The allowance must be based on a per kilometre rate, i.e. it cannot be a flat-rate allowance. If, instead, the employer reimburses the employee for their vehicle related expenses then the reimbursement is not taxable if: the reimbursement is for expenses they spent for using their own vehicle in the course of or in connection with their office or employment, the amounts reimbursed are reasonable and justifiable, the reimbursement is supported by records. The reimbursement is only taxable if the employer reimburses the employee for personal expenses.

Commuting

- Commuting expenses paid by the employer are fully taxable, including public transit passes, unless the employer is in the business of supplying public transport services.

Childcare

- Childcare is not taxable only if the services are:
 - provided at the employer’s place of business;
 - managed directly by the employer;
 - provided to all of the employees at minimal or no cost; and
 - not available to the general public, only to employees.
- If the employer subsidizes a facility operated by a third party in exchange for subsidized rates for employees, the amount of the subsidy is considered a taxable benefit for the employee.
- Otherwise, the provision of a childcare benefit is taxable.



Country Tax Guide: Canada

Well-Being

- Counselling fees paid by an employer related to finances and income tax preparation are a taxable benefit. Such services are not taxable if related to an employee's re-employment, an employee's retirement or an employee's mental or physical health or that of a person related to an employee.
- Contributions to a private health services plan (such as a medical or dental plan) for employees are not a taxable benefit. The plan must be in the nature of insurance and fall within the following scope – i.e., an undertaking by one person to indemnify another person for an agreed consideration from a loss or liability in respect of an event the happening of which is uncertain. The plan must provide coverage only to the employee, the employee's spouse or common law partner, or any member of the employee's household with whom the employee is connected by blood relationship, marriage or adoption.
- The use of a recreational facility or club is a taxable benefit for an employee in most cases. It does not result in a taxable benefit for an employee in certain circumstances, for example when it is an in-house recreational facility and the facility is available to all employees or the membership is in the name of the employer rather than the employee.
- Wellness spending account reimbursements are a taxable benefit. Such accounts provide a fixed sum to employees for wellness and lifestyle expenses, such as gym memberships, meditation classes, yoga classes, over-the-counter supplements, dance classes, etc.

Tuition Assistance:

- An educational allowance for an employee's child is generally taxable, unless the employee's child has to live away from the employee's home in the place where the employee is required to live because of their employment and provided certain conditions are met.
- Subsidized school services are generally taxable, unless provided in a remote area.
- Scholarships and bursaries provided to an employee on the condition that they return to work are taxable as employment income, unless the course leads to a degree, diploma or certificate in a field related to the employee's current or future responsibilities in the business.
- With regard to free or reduced tuition paid to family members of the employee, these are generally no longer taxable to the employee. Instead, the amount is taxable in the hands of the family member receiving the benefit. If the family member meets certain criteria (e.g. with regard to a scholarship), they might not be required to include the amount in their income.



Country Tax Guide: Canada

Other Benefits, If Any

- **Gifts and awards:** Cash and near-cash gifts or awards are a taxable benefit. Non-cash gifts of up to CAD 500 per year are typically exempt, including gift cards if the amounts can only be spent at a single retailer. This includes notional accounts that cannot be cashed out with funds only useable at a given retailer or marketplace. In addition, an employer can give an employee a non-cash long service award of CAD 500 once every five years.
- **Accommodation/free housing and utilities:** Taxable benefit. If it is provided in a prescribed zone with a developed rental market, the value is based on FMV. In places without a developed rental market, the benefit is usually the lesser of FMV and a ceiling amount. Board and lodging might be exempt if provided at a special work site. An amount of up to CAD 441 (2025 rate) per month is non-taxable for a board and lodging allowance for a participant or member of a sports team or recreational program, subject to certain conditions.
- **Parking:** Employer-provided parking is usually a taxable benefit for an employee, whether or not the employer owns the lot. There is an exception if the employee has a disability. There is also no benefit where the parking is provided to the employee for business purposes and the employee regularly has to use their own automobile or one the employer supplies for their duties.
- **Phone:** The FMV of a cellphone owned by the employer used to carry out employment duties is not taxable. Reimbursement of the cost of an employee's own cell phone is a taxable benefit. Where an employer pays for or reimburses the cost of a cell plan or internet service in the employee's home, the portion used for employment is not taxable. The CRA does not consider an employee's personal use of the cellular phone service to be a taxable benefit if the plan's cost is reasonable, the plan is a basic plan with a fixed cost and the employee's personal use of the service does not result in charges that are more than the basic plan cost.
- **Insurance:** Premiums for a group life insurance policy for an employee, former employee or a retired employee are a taxable benefit. Premiums paid by employers for long-term disability are generally non-taxable, but the actual benefits received by the employee are taxable. If the employee pays the premiums, the benefits are non-taxable, but the premium is not tax deductible.
- **Moving expenses:** Most moving expenses paid by an employer are non-taxable when the employer transfers an employee from one of its places of business to another.
- **Retirement plans:** Contributions made to a pooled registered pension plan (PRPP) are generally non-taxable.
- **Professional membership dues:** Employer-paid professional membership dues for an employee are not taxable, provided the employer is the primary beneficiary of the payment.

Country Tax Guide: Canada



Procedures

After the value of the benefit is calculated, including any taxes that may apply, this amount is added to the employee's income for each pay period or when the benefit is received or enjoyed. Payroll deductions are then calculated and withheld from the employee's total pay in the pay period in the normal manner.



The information contained in this country tax guide has been provided by the international tax experts at IBFD based on available data as of August 2025.

About IBFD: Founded in 1938 as the International Bureau of Fiscal Documentation, IBFD has developed into one of the most respected organizations studying and documenting international taxation systems and investment legislation. Today, the IBFD's activities include (but are not limited to) research and provision of tax information, databases and publications, consultancy for governments and tax administrators, and training on international tax matters for the public and private sectors. IBFD clients include ministries, international corporations, legal and accountancy practices, banks, educational institutions and others who look to the IBFD as a first-class source of information. As an independent, not-for-profit research foundation, the IBFD offers objective and unbiased information. For more information go to [IBFD.org](https://www.ibfd.org).