

**Employers' Guide to
Housing and Travel Assistance
Benefits Paid in Prescribed Zones**

1997

Before You Start

Is this guide for you?

You should use this guide if:

- you are an employer or a third-party payer who provides employment benefits for housing, travel assistance, board, lodging, or transportation; and
- you provide these benefits to employees who work or live in locations that are **in prescribed zones** for purposes of the northern residents deductions.

Notice

You **should not use** this guide if your employees are at a special work site or a remote work location that is not in a prescribed zone. Instead, read Chapter 8 of the guide called *Employers' Guide to Payroll Deductions: Basic Information*.

Forms and publications

If you need any forms or publications mentioned in this guide, please contact your tax services office. Many of our publications are now available on the Internet at the address: <http://www.rc.gc.ca>

Last year we removed from Chapter 1 the chart for places in prescribed zones without a developed rental market. This information is now found in an update called *Employers' Guide to Housing and Travel Assistance Benefits Paid in Prescribed Zones – 1997 Changes – Message to Employers*. You can get this update from your tax services office.

In this edition of the guide, the wording **designated areas** has been changed to **prescribed zones**.

The list of places in prescribed zones located in **prescribed northern zones** and **prescribed intermediate zones** was also removed from the guide. This list is now in a separate publication called *Northern Residents Deductions – Places in Prescribed Zones*, which you can get from your tax services office.

Do you need more information?

This guide uses plain language to explain the most common situations. If you need help after reading this guide, please contact your tax services office. You can find the telephone numbers listed under "Revenue Canada" in the Government of Canada section of your telephone book.

Blind or visually impaired persons can get this publication in braille and large print, and on audio cassette and computer diskette. To order, please call 1-800-267-1267 weekdays between 8:15 a.m. and 5:00 p.m. (Eastern Time).

La version française de cette publication est intitulée *Guide de l'employeur sur les avantages payés pour le logement et les voyages dans les zones visées par règlement*.

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Chapter 1 – Housing Benefits

A housing benefit is any amount you pay on behalf of your employee or any cash payment you give your employee for rent or utilities. A housing benefit also includes any accommodation or utilities that you provide free of charge.

If you give your employee cash for rent or utilities, the value of the housing benefit is the amount of the cash payment. This is the amount that you include in the employee's income. You do not have to add the goods and services tax/harmonized sales tax (GST/HST) amount to cash payments.

If you provide the housing benefit by some means other than a cash payment, the method you use to determine the value of the benefit depends on whether or not the place in a prescribed zone has a developed rental market.

As an employer, you have to report the value of the housing benefit in boxes 14 and 30 of the T4 Supplementary slip. If you are a third-party payer who supplies a housing benefit to employees of another employer, report this amount in box 28 of a T4A Supplementary slip.

Note

GST/HST applies to housing benefits for the rent portion only when your employee occupies the accommodation for **less than** one month. In this case, the taxable GST/HST amount is 7% or 15% of the value of the benefit (net of any provincial sales tax) that has to be included in income. You have to calculate GST/HST on the gross amount of the housing benefit, even if your employee reimburses you for part of the benefit. For example, if you provide your employee with a benefit of \$300 for rent and utilities, and he or she reimburses you \$150, you calculate GST/HST on \$300, which is the gross amount of the benefit.

GST/HST applies to most utility benefits. However, some utilities, such as garbage disposal and water services, are exempt from GST/HST if a municipality provides them. If the employer provides these services, they are GST/HST taxable.

Places in prescribed zones with developed rental markets

Some cities and towns in prescribed zones have developed rental markets. When that is the case, you base the value of any rent or utility you provide on its fair market value. The cities and towns in prescribed zones that have developed rental markets are:

Whitehorse	Fort McMurray	Labrador City
Yellowknife	Grande Prairie	Wabush
Dawson Creek	Thompson	Fort St. John

Places in prescribed zones without developed rental markets

In places in prescribed zones without developed rental markets, you have to use other methods to set a value on the

housing benefit. The method you use depends on whether you own the dwelling or rent it from a third party.

If you provide both rent and utilities, and can calculate their cost as separate items, you have to determine their value separately. Then add both items to get the value of the housing benefit. If your employee reimburses you for all or part of his or her rent or utilities, determine the benefit as explained below. Then subtract any amount reimbursed by your employee, and include the amount that remains in his or her income.

Dwellings you own

If you own the dwelling that you provide rent-free to your employee, report the lesser of the following amounts as rent:

- the fair market value of the rent; and
- the ceiling amount.

If you provide utilities using equipment that you own (e.g., electricity from a generator), report the lesser of the following amounts as utilities:

- the fair market value of the utilities; and
- the ceiling amount.

Dwellings you rent from a third party

If you rent a dwelling from a third party and provide it rent-free to your employee, report the lesser of the following amounts as rent:

- the amount you pay the third party; and
- the ceiling amount.

The amount you have to report for utilities is the lesser of the following amounts:

- the amount you pay the third party; and
- the ceiling amount.

Allowable ceiling amounts

There are allowable ceiling amounts for different types of accommodation. These ceiling amounts can help determine the value of a housing benefit that you provide in places in prescribed zones without developed rental markets.

They are considered to include any GST/HST that applies, so you do not have to calculate this amount. If the amount of the housing benefit you report is the fair market value, you have to calculate and report any GST/HST that applies. If the total of the fair market value plus the applicable GST/HST is more than the allowable ceiling amount, report the allowable ceiling as the housing benefit. You can get a copy of the *Employers' Guide to Housing and Travel Assistance Benefits Paid in Prescribed Zones – 1997 Changes – Message to Employers*, from your tax services office, which lists the 1997 ceiling amounts for rent and utilities.

Note

If more than one employee occupies the same dwelling, prorate the ceilings for the number of occupants in the dwelling.

Special circumstances that reduce the value of a housing benefit

In certain circumstances, the following two factors may reduce the value of a housing benefit you provide to your employee:

■ Suitability of size

Your employee may have to occupy a dwelling larger than he or she needs (e.g., a single person in a three-bedroom house). To determine the taxable housing benefit, you can reduce the value of the accommodation to equal the value of accommodation that is appropriate to your employee's needs (in this case, a one or two-bedroom apartment or house).

Note

If the dwelling you provide is smaller than your employee needs, we cannot allow any reduction in value.

■ Loss of privacy and quiet enjoyment

If the dwelling you provide to your employee contains things like equipment, public access, or storage facilities which infringe on your employee's privacy or quiet enjoyment of the dwelling, you can reduce the value of the housing benefit. The reduction has to reasonably relate to the degree of disturbance that affects your employee. In such cases, please contact your tax services office for more information.

These two factors apply in the following order. If both circumstances apply to a dwelling, you should first reduce the value of the dwelling to equal the value of accommodation that suits your employee's needs. Then, you should apply any reduction for loss of privacy and quiet enjoyment to that reduced value.

Chapter 2 – Employment at Special Work Sites and Remote Work Locations in Prescribed Zones

Generally, you include in an employee's income any allowance you pay to the employee and the value of employer-provided board, lodging, and transportation. However, there are exceptions to this rule. When an employee meets the conditions outlined in subsection 6(6) of the *Income Tax Act*, the employee is eligible to exclude from income:

- the value of employer-provided board and lodging, or a reasonable allowance for expenses incurred for board and lodging at a special work site or remote work location; and
- the value of certain employer-provided transportation or a reasonable allowance for certain transportation expenses.

Note

An individual may meet the requirements of both a remote work location and a special work site. However, this benefit can only be excluded from income once.

Special work sites

Generally, a special work site is an area where temporary duties are performed by an employee who maintains a self-contained domestic establishment at another location as his or her principal place of residence. Because of the distance between the two areas, the employee is not expected to return daily from the work site to his or her place of residence.

Board and lodging

The amount of an allowance you pay to an employee and the value of free board and lodging you provide to an employee who works at a special work site can be excluded from income if the employee works away from home under **all** the following conditions:

- a) the employee must have worked at a special work site, where the duties performed by the employee were of a temporary nature;
- b) the employee must have maintained a self-contained domestic establishment as his or her principal place of residence at another location:
 - that was, throughout the period, available for the employee's occupancy and that was not rented to any other person;
 - to which, by reason of distance, the employee could not reasonably be expected to have returned daily from the special work site;
- c) the board and lodging must have been provided or the allowance must have been received for a period of at least 36 hours. Also, the employee must have been required by his or her duties to be away from the employee's principal place of residence or to be at the special work site. The period referred to above can include time spent travelling between the employee's principal place of residence and the special work site.

Transportation benefits or allowances

An employee can exclude from income a reasonable allowance or a reimbursement of transportation expenses you paid for transportation to and from his or her principal place of residence and special work site or remote work location for a period described in c) above. This can only occur if the employee received board and lodging, or a reasonable allowance for board and lodging from you for that period.

Form TD4, Declaration of Exemption – Employment at a Special Work Site

You and the employee should complete Form TD4, *Declaration of Exemption – Employment at a Special Work Site*, if an employee meets **all** the above conditions. This allows you to exclude a benefit or allowance from the employee's income. As long as you complete Form TD4, do not report the amounts on the employee's T4 Supplementary slip. After you complete Form TD4 with the employee, keep it with your payroll records. You can obtain TD4 forms from your tax services office.

You should not complete Form TD4 if the employee does **not meet all** the above conditions. Treat the amounts as the employee's income. Make the necessary deductions and report the amounts on the employee's T4 Supplementary slip. This also applies to any part of an allowance for board, lodging, and transportation that is more than a reasonable amount.

Note

If the employee works at a special work site in a place in a prescribed zone and his or her principal place of residence was not in a prescribed zone, enter in the footnotes area of the T4 Supplementary or T4A Supplementary: "Special work site \$____. If you qualify for the residency deduction, the value of the benefit may be offset from the residency deduction."

Fishers

If you provide board, lodging, or transportation allowances to fishers, get Interpretation Bulletin IT-254, *Fishermen – Employees and Seafarers – Value of Rations and Quarters*, from your tax services office.

Remote work locations

We generally consider a work location to be remote when:

- it is 80 kilometres or more from the nearest established community with a population of at least 1,000 people; and
- it lacks essential services at the location or within a reasonable commuting distance (essential services include a basic food store, a basic clothing store with merchandise in stock [i.e., not a mail-order outlet], access to housing, certain medical assistance, and certain educational facilities).

You may not have to include in the income of an employee certain allowances that you give employees who work in remote work locations. The following may be exempt from income tax:

- board and lodging allowances;
- value of free board and lodging provided; and
- transportation allowances.

Board and lodging

The amount of an allowance you pay to an employee and the value of free board and lodging you provide to an employee are exempt from income tax if the following conditions are met:

- the employee has to be located where he or she could not reasonably be expected to set up and maintain a self-contained domestic establishment because of the remoteness from any established community. Also, the employer has not provided a self-contained establishment for the employee; and
- the allowances have to be for a period of at least 36 hours when:
 - the employee's duties require the employee to be away from the principal place of residence; or
 - the employee has to be at the remote work location.

Note

A work location situated in a prescribed zone is not necessarily considered to be a remote work location. The conditions listed under the section called "Remote work locations" on this page, have to be met.

Transportation benefits or allowances

A transportation allowance, or the value of a transportation allowance, will be exempt from income when an employee has received board and lodging, or an allowance for board and lodging during that period.

However, to qualify, the transportation allowances you pay to an employee must be for a period of at least 36 hours when:

- the employee has to be away from his or her principal place of residence; or
- the employee has to be at the remote work location.

You must have paid the allowance for transportation between the remote work location and any location in Canada. If the remote work location is outside Canada or in the country in which the employee works, the allowance for transportation between that location and any location in Canada also qualifies for exemption.

We do not require Form TD4 when there is an exemption for allowances you pay to employees who work at a remote work location. If you need help to determine whether a location qualifies as remote, please contact your tax services office.

Note

When you provide board, lodging, or transportation under the above conditions, you do not have to report the equivalent value or any GST/HST amount as remuneration to the employee on the T4 Supplementary slip.

Benefits that a third party supplies

It is possible that a third party may supply benefits for board, lodging or transportation to the employees of another employer.

If this happens, and the allowance is **taxable**, the third party has to report the benefits on a T4A Supplementary slip. If the allowance is **not taxable**, a T4A Supplementary slip is not required.

For more information, obtain Interpretation Bulletin IT-91, *Employment at Special Work Sites or Remote Work Locations*, from your tax services office.

Chapter 3 – Travel Assistance Benefits

You should include in your employee's income the amount of any travel benefits he or she receives, except for business travel. You have to report these benefits in boxes 14 and 32 of your employee's T4 Supplementary slip.

If you are a third party who supplies travel benefits to the employee of another employer, report these benefits in box 28 of a T4A Supplementary slip.

Note

The taxable GST/HST amount on a travel benefit is 7% or 15% of the amounts subject to GST/HST that are included in the benefit (net of any provincial sales tax). You have to calculate GST/HST on the gross amount of the travel benefit, even if your employee reimburses you for part of the benefit. For example, if you provide an employee with an \$800 travel benefit, and he or she reimburses you \$400 for the benefit, you calculate GST/HST on \$800, which is the gross amount of the benefit.

Medical travel

Medical travel includes any trip employees or members of their household take to obtain medical services that are not available in the area where they live. Medical travel benefits are considered to be the cost of transportation from the place in a prescribed zone to the place where medical treatment is available. Medical travel includes the transportation cost of an attendant if the patient needs one while travelling. There is no limit on the number of medical trips employees can claim for themselves or members of their household.

You have to show the value of medical travel benefits you provide to employees. In the footnotes area of their T4 Supplementary slips, enter "Box 32, medical travel." In the footnotes area of T4A Supplementary slips, enter "Box 28, medical travel."

If you pay or reimburse employees for medical travel or any associated cost under the terms of a private health services plan, you cannot report the payments or reimbursements as taxable benefits. You may have to make such payments because of an obligation you have under a collective agreement. If this is the case, you should not report them on employees' T4 Supplementary slips.

Note

You have to separate medical travel assistance from other types of travel. If you do not do this, we will consider all travel assistance as vacation travel, and an employee will not be entitled to claim a deduction for medical travel. In addition, we will limit the employee's deduction, as well as that of members of the household, to two trips each.

Other travel

Other travel means any trips employees or members of their household take for any reason other than business or medical purposes.

If employees travel using transportation that you own or charter, determine the value of the benefit by assigning a fair market value to the transportation, including any GST/HST that applies.

When employees travel by some means other than air, the cost of travel may include automobile expenses, meals, hotel and motel accommodation, camping fees, taxi fares, road and ferry tolls, and any GST/HST that applies.

When you give employees travel assistance benefits other than cash or refundable tickets (e.g., travel warrants, vouchers, or non-refundable tickets), the employees do not receive any benefit until they or members of their household actually take the trip. The benefit is income of the employees in the year the trip actually begins, and you should report it in that year.

There are many ways of providing travel assistance benefits. You can pay employees a travel allowance before the trip, such as a certain amount per hour, or on some other periodic basis. You can also make lump-sum payments to your employees before or after the trip is taken. You should report such payments in your employees' income in the year they receive them, no matter when your employees or members of their household actually travel.

Chapter 4 – Payroll Deductions on Housing and Travel Assistance Benefits

Form TD1, *Personal Tax Credits Return*

Employees who live in a prescribed zone during a continuous period of at least six months (that begins or ends in the taxation year) may be entitled to claim a residency deduction when filing a tax return.

The residency deduction is equal to the lower of:

- one-fifth (or 20%) of their net income for the year; and
- the residency amount they are entitled to claim.

Note

Employees cannot claim a residency amount for both the principal place of residence and the special work site for the same period, even if they are both located in prescribed zones. The employees have to claim the deduction either for the principal place of residence or the special work site.

For 1997, employees living in a **prescribed northern zone** can claim the total of:

- a basic residency amount of \$7.50 per day for each day they live in the prescribed northern zone; and
- an additional residency amount of \$7.50 per day for each day they live in and maintain a dwelling in that area, if during that time no one else is claiming a basic residency amount for living in the same dwelling for the same period.

For 1997, employees living in a **prescribed intermediate zone** can claim 50% of the total of:

- a basic residency amount of \$7.50 per day for each day they live in the prescribed intermediate zone; and
- an additional residency amount of \$7.50 per day for each day they live in and maintain a dwelling in that area, if during that time no one else is claiming a basic residency amount for living in the same dwelling for the same period.

Note

Employees who receive board and lodging benefits from employment at a special work site in a prescribed zone have to reduce their residency deduction by the amount of the benefit they receive if they maintain a principal residence that is not in a prescribed zone.

To calculate the amount of tax you should deduct from employees who are claiming a residency deduction on Form TD1:

- reduce the residency amount by 50% if employees live in a prescribed intermediate zone, or if the conditions in the above note apply, the residency amount should be reduced by the non-taxable board and lodging benefits from employment at a special work site;
- divide the employees' net deduction for the year (line 10 minus the above adjustments) by the number of pay periods in the year;
- subtract the result from their gross earnings for each pay period; and
- refer to the tax tables that apply.

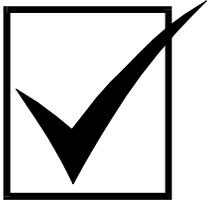
Housing benefits

To determine the gross earnings for each pay period of employees who receive a housing benefit, divide the value of the housing benefit by the number of pay periods. Then add this amount to the employees' salary, wages, other remuneration, or any other taxable benefits. This is the amount from which you have to deduct income tax, Canada Pension Plan contributions, and Employment Insurance premiums. For further instructions, see the *Employers' Guide to Payroll Deductions: Basic Information*, and the *Payroll Deductions Tables* that apply.

Travel assistance benefits

When travel assistance benefits are in the form of non-refundable tickets or travel vouchers, you do not have to make payroll deductions. However, when you give travel assistance in the form of cash, we consider it to be a cash advance, and you have to make payroll deductions. We may waive the requirement for you to make tax deductions if employees agree in writing, at the time they receive the payment, to use it entirely for vacation or medical travel. These cash payments are pensionable and insurable whether or not you make tax deductions. This means you have to deduct Canada Pension Plan contributions and Employment Insurance premiums.

Your Opinion Counts!



We review our income tax guides and pamphlets each year. If you have any comments or suggestions to help us improve our publications, we'd like to hear from you.

Please send your comments to:

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