

Tax Tip
Week of February 23, 2009

Frequent Flyer Points

Individuals may accumulate frequent flyer points or air miles from the following sources:

- use of their personal credit card
- making purchases at stores that honour air mile cards
- personal travel
- travel paid by the employer

It is the last category, travel paid by the employer, that results in tax consequences for individuals. In order for frequent flyer points to be taxable, the following must occur:

- the frequent flyer points are generated by company paid travel
- the points are redeemed on personal travel by the employee or his or her family. If the frequent flyer points are used for business travel, there are no tax consequences

Since air miles can be earned from multiple sources, the employer normally lacks the information to assess individuals a taxable benefit on their T4. As a result, the employee is required to self assess. Many employers have no desire to monitor frequent flyer points. Not only is the work involved complex, but many employees believe the frequent flyer points that have been earned on company business are a trade off for the amount of time spent away from their family.

A tax case on this issue rejected CRA's view that the full price fare should be used to value the benefit. The court held that if a passenger flies economy, the value of the frequent flyer points is the cheapest fare possible for the economy section.