

Tax Tip
Week of September 14, 2009

Use of “Near Cash” for Gifts and Awards

CRA’s policy on gifts and awards allows employers to provide incentives so long as the gift is not cash or “near cash.” For purposes of this policy, the term “near cash” refers to gift cards or gift certificates. As a result of this policy, if an employer provides a \$400 gift certificate on the employee’s birthday, the amount is taxable. Let’s consider some examples of how this policy is applied if the employer wishes to provide a gift certificate to say Best Buy:

Case #1

- if the employer provides a \$400 gift certificate on the employee’s birthday, the gift is taxable

Case #2

- if the employer asks the employee to go shopping at Best Buy, purchase a gift worth \$400 and expense the item, the gift is still taxable under CRA’s policy

Case #3

- the employer orders a \$400 product from Best Buy and gifts it to the employee, such an award is not taxable

The problem is allowing the employee input on the specific gift from Best Buy without making it taxable. The best approach may be to ask the employee’s input on a specific gift and then the employer orders it from Best Buy’s website. This may take away the positive impact of the surprise when the award is presented, but it is the most tax effective method.