

Tax Tip
Week of September 7, 2009

Thank you Gifts for Employees

CRA has relaxed their administrative rules on gifts and awards. If the amount of the gift is less than \$500 and is not cash or gift certificates, the amount is normally not taxable. There is one surprising rule in CRA's new policy, which states the following items are taxable:

“hospitality rewards such as employer-provided team building lunches and rewards in the nature of a thank you for doing a good job.”

This is unfortunate as pizza lunches and similar incentives have long been a key component of an employee's plan to increase motivation. Even though it would appear such items should be non-taxable as either a business meeting or a gift and award, CRA believes such items are taxable.

Anytime a taxpayer challenges CRA's administrative policy, they often lose, but it is unclear whether applying tax to a “thank you” lunch would stand up in the Tax Court.