

Carswell Payroll Source Alert – January 2023 Issue

Finance Department Announces 2023 Automobile Rates

The federal Finance Department has announced the prescribed rates that apply for automobile-related taxable benefits and allowances for 2023.

The general prescribed rate used to calculate the taxable benefit for an employee's personal use of an employer-provided automobile is 33 cents per kilometre. The rate for employees whose principal job is to sell or lease automobiles is 30 cents per kilometre. The rates are four cents higher than they were last year.

The deduction limits for tax-exempt allowances that employers pay to employees who use their personal vehicle for business purposes are 68 cents per kilometre for the first 5,000 kilometres and 62 cents per kilometre for each additional kilometre. For Yukon, Northwest Territories, and Nunavut, the limit is 72 cents for the first 5,000 kilometres driven and 66 cents for each additional kilometre. The rates are seven cents higher than they were last year.

First Quarter Prescribed Interest Rates Set

The prescribed rate for taxable benefits to employees and shareholders from interest-free and low-interest loans is 4% from January 1, 2023 to March 31, 2023. The rate is one percentage point higher than it was in the previous quarter.

The interest rate for unpaid source deductions, overdue taxes, and insufficient instalments is 8% for the first quarter.

Reminder: Upcoming Statutory Holidays

Just a reminder... The following statutory holidays are upcoming:

- Sun. Jan. 1: All jurisdictions—New Year's Day
- Mon. Jan. 2: Quebec—bank holiday
- Mon. Feb. 20: Alberta, British Columbia, Manitoba (Louis Riel Day), New Brunswick, Nova Scotia (Heritage Day), Ontario, P.E.I. (Islander Day), and Saskatchewan—Family Day (other names for the holiday shown in parentheses)
- Fri., Apr. 7: All jurisdictions—Good Friday (In Quebec, employers may choose to observe the holiday on Good Friday or Easter Monday.)

For information on entitlement to the holidays and how to compensate employees for them, please refer to the applicable jurisdiction in chapter 19, Statutory Holidays.

2023 Workers' Compensation Maximum Assessable/Insurable Earnings

The following workers' compensation bodies have announced their maximum assessable/insurable earnings for 2023:

Alberta: \$102,100 (2022: \$98,700)
British Columbia: \$112,800 (2022: \$108,400)
Manitoba: \$153,380 (2022: \$150,000)
New Brunswick: \$74,800 (2022: \$69,200)
Newfoundland and Labrador: \$72,870 (\$69,005)
Northwest Territories: \$107,400 (2022: \$102,200)
Nova Scotia: \$69,800 (2022: \$69,000)
Nunavut: \$107,400 (2022: \$102,200)
Ontario: \$110,000 (2022: \$100,422)
Prince Edward Island: \$65,000 (2022: \$58,300)
Quebec: \$91,000 (2022: \$88,000)
Yukon: \$98,093 (2022: \$94,320)

N.S. Minimum Wage Review Committee Recommends Quicker Rate Hike to \$15

Nova Scotia's Minimum Wage Review Committee recommends that the government raise the province's hourly minimum wage rate to \$15 six months earlier than planned.

In a December 2022 report, the committee proposed that the minimum wage rate increase from \$13.60 to \$14.50 on April 1, 2023 and to \$15 on October 1, 2023. It also recommended that the government implement a new formula for setting the minimum wage rate on April 1, 2024 instead of April 1, 2025. The committee, made up of employer and employee representatives, reviews the minimum wage every year.

Last year, following recommendations the committee made in December 2021, the government announced a series of rate hikes that will raise the minimum wage to \$14.30 on April 1, 2023, \$14.65 on October 1, 2023, and \$15 on April 1, 2024. Beginning April 1, 2025, the government plans to implement a rate-hike formula that adjusts the rate based on the percentage change in the projected annual consumer price index for the preceding calendar year plus 1%.

The committee said inflationary pressures led it to revise its December 2021 recommendations.

“Due to the unforeseen and significant increase in inflation for the 2022 calendar year – and what is now forecast for the 2023 calendar year – the increases to minimum wage recommended in the December 2021 report will not have the expected impact on the purchasing power of minimum wage earners,” the committee said in its December 2022 report.

“With these considerations in mind, the Committee felt the previously recommended increases to the minimum wage would need to be accelerated, but that moving to \$15.00 per hour too rapidly would make it too difficult for businesses to absorb the increased cost of labour,” said the committee.

Labour, Skills and Immigration Minister Jill Balsemer said the government would consult

with community partners before deciding whether to implement the committee's proposals.

We will continue to monitor this story and will report on further developments in upcoming releases.

Payroll Q & A

Question: We give each employee a gift card valued at \$100 once a year as a birthday gift. Is this gift a taxable benefit and, if so, how do we report it on a T4/RL-1?

Answer: The answer depends on a number of factors. Under the Canada Revenue Agency's administrative policy on taxable benefits, employers may give employees non-cash gifts without a taxable benefit arising if the gifts are for a special occasion (e.g., birthday, wedding, birth of a child, religious holiday) or to recognize an employee's overall contributions to the workplace (but not an award for employee performance), as long as the total fair market value of all of the non-cash gifts that an employer gives to an employee in a year does not exceed \$500.* Revenu Québec has similar rules.

Gift cards can be near-cash or non-cash. The distinction is important because near-cash gifts are a taxable benefit and non-cash gifts are not. The CRA considers gift cards to be non-cash if they meet *all* of the following criteria:

- the card comes pre-loaded with money and the employee can only use the card at a specific retailer or at a group of retailers identified on the card;
- the card's terms and conditions make it clear that employees cannot convert amounts loaded on the card into cash; and
- the employer keeps a record of the following gift card information: the name of the employee who received the gift card; the date the employer provided it; the reason why the employer gave the employee the gift card; the type of gift card; the amount loaded on the card; and the name of the retailers where the employee can use the card.

This also applies to gift certificates, chip cards, and electronic gift cards.

If a gift card does not satisfy all of these conditions, the CRA will continue to view it as near-cash and a taxable benefit will arise.

Under Revenu Québec rules, gift cards, gift certificates, or gift coupons that can only be used at a particular business or list of businesses are not a taxable benefit because they cannot be easily converted to cash.

If there is a taxable benefit, report it in box (14) and in the "Other Information" area of the T4 (code 40) and in boxes (A) and (L) of the RL-1.

**Note: The \$500 limit does not include small items or items whose value is trivial (e.g., coffee, tea, mugs, t-shirt, plaques, trophies) or awards for long service. If the total is more than \$500, the amount over \$500 is a taxable benefit.*