[Is Employer-Paid Tuition a Taxable Benefit](#)

QUESTION
Is paying for an employee's course or university fees considered a taxable benefit? If so how do we report this?

— Name withheld
[learn_more caption="**Answer**"]

It depends.

EXPLANATION

The basic rule: Employer-provided tuition, scholarships and other educational benefits are not taxable to the employee if they're provided primarily for the employer's benefit; but they are taxable employment income if the employee gets the primary benefit.

Applying the Rule

According to CRA guidelines (T4130 Employers Guide—Taxable Benefits & Allowances), employer-paid tuition is deemed primarily for the employer's benefit and thus not taxable employment income where:
• The employer provides the benefit on the condition that the employee returns to work after completing the course; and/or
• The employee takes the course to maintain or upgrade her employment-related skills and it's "reasonable to assume" that she will resume her employment "for a reasonable period of time" after completing the course.

By contrast, paid tuition is considered primarily for the employee's benefit and thus taxable to the employee where:

• The course is generally business-related or useful for business but not directly related to the employer's own business, e.g., language, first aid and stress management courses; and/or
• The course is purely for the employee's personal interests or skills and is not business-related.

Reporting the Benefit

If you determine that the tuition is, in fact, taxable to the employee, you must report it on the T4 or T4A slip.

If you paid or reimbursed employee's tuition and there is no taxable benefit, you should make sure the employee understands that he's not eligible to claim the scholarship exemption, tuition, textbook, or education tax credits on his individual return.

But if the paid or reimbursed tuition is reported as taxable on the T4 or T4A, the employee may be able to claim the tuition tax credits on his individual return. He may also be able to fully exclude the tuition he received from you from his income.

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I hope this helps.

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