Moving Allowances

It’s not easy to persuade employees to move from their homes and accept a new job or transfer with a company in a different location One of the things employers do to persuade employees to relocate is to reimburse their moving costs. Do you have to report reimbursements incidental to a move as income on the employee’s T4 slip?

[learn_more caption=”**Answer**”]

It depends on the province of employment and how much money is being reimbursed.

<u>Explanation</u>: All employers have some leeway to provide a “non-accountable moving allowance” to help defray an employee’s moving costs. But there are some important differences between the tax treatment of moving allowances in Québec and federally.

THE SCENARIO

Let’s use this example to illustrate the differences:

Meg O’Pixel, an IT specialist in BC, accepts a job paying $450 per week from Static Elect

IF QUÉBEC IS <u>NOT</u> THE PROVINCE OF EMPLOYMENT

THE RULES

- **$650 Limit:** Outside of Québec, employers can give employees a non-accountable moving allowance up to $650. Amounts above $650 must be reported as income and are subject to tax.
- **Employee Must Certify:** Employees who receive the allowance must certify in writing that they incurred the amount of expenses covered by the refund up to $650.

HOW IT WORKS

- Assuming that Québec is *not* the province of employment:
- Meg must certify in writing that she incurred incidental moving expenses of $650;
- Static would not report the first $650 of the $1,000 allowance;
- The remaining $350 would be a taxable benefit (subject to CPP contributions, EI premiums and income tax); and

- Static would report the $350 as “Employment income” in box 14 and in the “Other information” area under code 40 at the bottom of Meg’s T4 slip.

IF QUÉBEC IS THE PROVINCE OF EMPLOYMENT

THE RULES

- **Two-Weeks of Wages Limit:** In Québec, employers can give employees a non-accountable moving allowance up to a maximum of 2 weeks’ of the employee’s salary or wages on the starting date of employment. Amounts above that must be reported as income and are subject to tax.
- **No Certification Required:** Employees who receive the allowance are not required to provide written certification that they incurred the expenses.

HOW IT WORKS

- Let’s assume that Québec is the province of employment:
- Since Meg’s starting salary is $450 per week, the maximum moving allowance that would not be accountable would be $900;
- Static would not report the first $900 of Meg’s moving allowance;
- The remaining $100 would be a taxable benefit (subject to QPP contributions, EI premiums and income tax); and
- Static would list $100 of the moving allowance as Employment income on Meg’s RL-1 slip.

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