Payroll Treatment of Employee Moving Allowances In & Outside of Québec

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 way employers can persuade employees to relocate is to reimburse their moving costs.

Question: Do you have to report reimbursements incidental to a move as income on the employee’s T4 slip?

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

Explanation: 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 in the rest of Canada. Here’s a useful scenario to illustrate the differences.

Scenario

Meg O’Pixel, an IT specialist in B.C., accepts a job paying $450 per week from Static Electric, an electronics company in eastern Canada. Static gives Meg a $1,000 allowance to cover moving expenses. Since Meg is moving to the other side of Canada to be closer to her new employer, she qualifies for a non-accountable moving allowance. But how much of the $1,000 allowance should Static list as income on Meg’s T4/RL-1?

Where Québec Is Not the Province of Employment

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. 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

Let’s go back to the example and assume that Québec is **not** the province of employment:

- Meg must certify in writing that she incurred incidental moving expenses of

$650;
- Static wouldn’t report the first $650 of the $1,000 allowance;
- The remaining $350 is a taxable benefit subject to federal income tax, CPP contributions, EI premiums, etc.;
- 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.

Where Québec Is the Province of Employment

In Québec, employers can give employees a non-accountable moving allowance of 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. Employees who receive the allowance aren’t required to provide written certification that they incurred the expenses.

How It Works

Let’s go back to the example and assume that Québec **is** the province of employment:

- Since Meg’s starting salary is $450 per week, the maximum moving allowance that wouldn’t be accountable is $900;
- Static wouldn’t 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;
- Static would list $100 of the moving allowance as Employment income on Meg’s RL-1 slip.