

Canada Revenue Agency

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CRA / ARC: What you need to know: Changes to the Non-accountable allowances paid

What you need to know: Changes to the Non-accountable allowances paid to elected members of legislative assemblies, certain municipal officers, and members of public or separate school boards

For 2019 and subsequent tax years, non-accountable allowances paid to elected members of legislative assemblies, certain municipal officers and certain other individuals will be fully included in income.

This change was announced in Budget 2017 and will start in 2019 and continue in subsequent tax years.

It will help ensure that similar kinds of income are treated consistently.

If you are directly affected, the information below will give you a better idea of what the change means for you.

Non-accountable allowances for income tax purposes

Generally, a non-accountable allowance paid to an individual for work-related expenses is considered a taxable benefit and is included as income for tax purposes. An allowance is considered non-accountable if the individual does not have to provide details or submit receipts to justify the amount they paid.

Understanding the current exemption for non-accountable allowances

Prior to 2019, an exemption is available to certain individuals for a non-accountable allowance that is paid to cover expenses connected with carrying out work-related duties. This non-accountable allowance is excluded from income unless it exceeds one-half of the individual's salary and other remuneration.

If the non-accountable allowance paid exceeds one-half of the individual's salary and other remuneration, the excess amount is a taxable benefit and included as income.

The exemption is available for:

- elected members of provincial and territorial legislative assemblies and officers of incorporated municipalities;
- officers, elected by popular vote, of municipal utilities boards, commissions, corporations, or similar bodies; and
- members of public or separate school boards, or of similar bodies governing a school district.

Understanding the changes to non-accountable allowances

For 2019 and subsequent tax years, non-accountable allowances paid to elected members of legislative assemblies, certain municipal officers and certain other individuals will be fully included in income.

Why this change was made

The current exemption for non-accountable allowances paid to elected members of legislative assemblies, certain municipal officers and certain other individuals provides an unfair advantage over other Canadians. For this reason, Budget 2017 announced that these non-accountable allowances will be required to be included as income.

Additional information on this change can be found in [Tax Measures: Supplementary Information](#) published with Budget 2017.

Making sure organizations have time to prepare

In order to provide affected organizations sufficient time to adjust their compensation schemes, Budget 2017 announced that this measure will apply to the 2019 and subsequent tax years.

Changes for employers

Currently in order to complete the employee's T4 slip, an employer must identify both the taxable and exempt share of the allowance when a non-accountable allowance is paid to elected members of legislative assemblies, certain municipal officers and certain other individuals. The amounts are distinguished because only the taxable share is reported in box 14, "Employment income," and subject to income tax and Canada Pension Plan (CPP) deductions at source.

For 2019 and subsequent tax years, the full amount of the allowance will be included in box 14 and subject to income tax and CPP deductions at source. Generally, amounts paid to elected or appointed officials are not subject to employment insurance premiums.







The input tax credit or partial GST/HST rebate for employers

Where an employer pays an allowance to an employee, an input tax credit or a partial GST/HST rebate may be available. For more information, see [GST/HST memorandum 9-3, Allowances](#).

We are currently reviewing how this change will affect [GST/HST Policy Statement P 097R2, Expense allowances of elected municipal officers and school board members](#).

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