



## How to save tax as an employee

If you're up for a new job and find yourself in a good bargaining position, consider asking for non-taxable benefits as part of your compensation package. Non-taxable benefits are a good way to boost your income without paying any extra taxes.

Two of the most common non-taxable benefits are company cars and business trips that can dovetail with holidays.

The benefits aren't for everyone – it depends on fairly ordinary variables, such as whether or not you actually need a new car or enjoy travelling. But if you were going to buy a new car anyway, or you like to impress your friends by always having the latest model, a company car does offer some tax advantages.

On the face of it, that's because the car would cost you a certain amount every year in after-tax dollars, depending on the make and model, whereas if you get a company car, you save those dollars and you aren't taxed on the value of the car. There are a few caveats, however. A company car is only a non-taxable benefit when you drive it for business use. For personal use, it becomes a taxable benefit. The government calculates what's known as a standby charge: two per cent of the car's original cost for each month you drove it.

You can reduce the size of this taxable benefit by choosing a car that costs less than \$30,000, by minimizing your personal use of the car, and by purchasing the car from your employer after a few years.

The taxation intricacies involved in company cars can be complex, so for maximum clarity and for more information pertaining to your individual circumstances, take a look at the Canada Revenue Agency's





publication on the subject: Interpretation Bulletin IT-522R, *Vehicle Travel and Sales Expenses of Employees*, available online at [www.ccr-aadrc.gc.ca](http://www.ccr-aadrc.gc.ca), or in Quebec, bulletin IN-253 at [www.revenu.gouv.qc.ca](http://www.revenu.gouv.qc.ca).

If your job involves frequent travel, such as to conferences or sales shows, consider asking your employer about taking extra time at some of the destinations. You may be able to dovetail your holidays with professional development days or workshops. The extra holiday time and travel costs can add up to thousands of tax-free dollars a year.

Other examples of non-taxable benefits to ask your employer about are on-site daycare, increased vacation time, flex time, telecommuting, personal counselling and group insurance.

## WHAT ABOUT STOCK OPTIONS?

Stock options, if you're eligible for them, can also be a tax-efficient compensation strategy, since you only pay tax – at your top marginal rate – on 50 per cent of your profits from capital gains, whereas you pay tax on 100 per cent of your income. The trouble with this equation, of course, is that you would never ask for stock options in lieu of salary. They're gravy.

To get the best tax break from stock options, you may want to divide the proceeds over two or more tax years in order to limit the taxes you'll pay on them. You may want to get more information from your tax adviser on stock options, since taxation of them is fairly complicated. For example, if the exercise price is less than the fair market value, a taxable benefit may result.

Not everyone works in a field where non-taxable benefits are an option, but if you do, it's worth looking into the possibilities.

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