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Dear Client:

To assist with the accurate and timely preparation of your 2025 T4 information returns, we are pleased to enclose a summary of significant taxable benefits that may apply to your employees.

Please be reminded that if you are submitting more than five information returns (T4 slips), the Canada Revenue Agency (CRA) requires electronic filing. Failure to file electronically when required will result in a minimum penalty of \$125 assessed by the CRA. The filing deadline for the 2025 T4 information return is **March 2, 2026**.

If Lipton LLP is preparing your T4 information return, it will be electronically filed on your behalf whenever possible.

Should you have any questions regarding the preparation of your 2025 T4 information returns and slips, please do not hesitate to contact your Lipton LLP advisor.

Yours very truly,

Lipton LLP

Chartered Professional Accountants
Licensed Public Accountants

TAXABLE BENEFITS

Employee/Shareholder Loans:

Where an individual receives an interest-free or low-interest loan because of employment or shareholdings in a corporation, they are deemed to have received a taxable benefit. This also applies if the loan is made to a related person due to the individual's employment or shareholding.

The taxable benefit is included in income to the extent that the amount of interest that the individual has paid to the corporation during the year (or within 30 days of the immediately following year) is less than the interest for the year computed at the prescribed interest rate. For the 2025 calendar year, the prescribed interest rate was 4% for the first two quarters and 3% for the remaining two quarters. Interest should generally be calculated using the average monthly balance, unless that does not reflect the true loan amount—in which case, daily calculations are required.

Certain exceptions apply, such as loans for purchasing a home or specific shares, and in some cases, the benefit may be reduced for investment-related loans. Additionally, CRA administrative policy exempts employment-related loans of \$10,000 or less, with a term of 60 days or less, provided they are not connected to shareholdings. Please contact us if these circumstances apply to you.

Personal Use of Employer's Automobile:

The taxable benefit on a company-owned or company-leased automobile made available to an individual is calculated in two parts:

1. The first part involves a standby charge, which is a maximum of 2% of the original cost of the automobile, including HST, for each 30-day period where the employer owns the automobile, or 2/3 of the monthly lease charges, excluding insurance, for the number of months the car is available to the employee. The standby charge may be reduced if the kilometers driven for business use are more than 50% of the total kilometers driven and less than 20,004 kilometers per year, or an average of 1,667 kilometers a month is driven for personal use.

Remember, driving directly from home to your regular place of business and back is not considered "business use" by the CRA.

If there is a reduction in the standby charge, there may also be a reduction in the operating benefit noted below if the election is made to base the latter benefit on ½ of the standby charge.

Keeping an accurate mileage logbook to support the claim is required.

2. The second part of the benefit involves the automobile operating costs paid by the employer. The amount of this benefit can be calculated using either one of the following methods:

- a) 50% of the standby charge in respect of the automobile as discussed above (if the automobile was used more than 50% for business purposes as noted above), or
- b) for those individuals not entitled to use the method under (a) above, or who choose not to use it, the amount of the benefit is determined by reference to the number of kilometres driven for personal purposes. For 2025, the benefit is equal to 34 cents for each such kilometre. For those employees principally selling or leasing automobiles, the prescribed rate is 31 cents per kilometre. In both cases, the amount of the operating cost benefit is reduced by any reimbursements paid to the employer by the employee during the year in respect of the operating costs.

If there is no automobile standby charge, the general rule for calculating the operating cost benefit is that the proportion of operating costs that personal use mileage is of the total mileage.

We strongly recommend that the situation of everyone be reviewed in light of these rules. Where possible, the method yielding the lowest taxable benefit on operating expenses should be used. If it is determined that the first method of calculating the operating cost benefit (50% of the standby charge) is available and is more beneficial, a letter should have been obtained from the individual prior to December 31, 2025, notifying the employer that the benefit should be calculated on that basis. For 2026 reductions, this letter should be obtained now.

Attached are schedules to assist you in the calculation of an individual's automobile benefits where the employer purchased or leased an automobile and made it available to the shareholder or employee.

It is important that you keep well documented records with your T4 files as to how the benefit was calculated.

Payments for Use of Employee's Automobile:

In certain circumstances, employers reimburse individuals for business use of an employee-owned automobile. The payments are usually made through a fixed car allowance, payments for operating costs, mileage allowance, or a combination thereof. The CRA publishes reasonable allowance rates.

2025 CRA Mileage Allowance Rates:

- \$0.72/km for the first 5,000 km driven on business
- \$0.66/km for each additional kilometre

These rates are the maximum tax-free, deductible allowances employers can provide.

Income tax rules make the tax treatment of these payments complex. For clarification, please contact our office.

Insurance Plans:

Generally, payments to privately held medical and dental plans are not considered a taxable benefit

to the employee. However, payments of life, critical illness and personal disability insurance premiums made for an employee's benefit are considered full taxable benefits and should be included in the employee's 2025 employment income.

Other Taxable Benefits:

The taxable benefits discussed above are the most common benefits encountered when preparing T4s. Other taxable benefits that require reporting are board and lodging, rent-free or low rent housing, gifts, holiday trips, prizes, incentive awards, tuition fees, and stock-option benefits. There are various requirements and certain exceptions dealing with these benefits. Please contact us if you believe any of these benefits have been conferred on your employees.

Completion of T4 Statement of Remuneration Paid

Year - 2025

- Box (10) - Province of Employment:
Enter the province of employment (for Ontario, enter ON).
- Box (12) - Social Insurance Number:
Enter the employee's social insurance number.
If you do not get the employee's SIN by the due date, enter nine zeros.
- Box (14) - Employee income before deductions:
Include all remuneration before any deductions and all taxable benefits reported in the "Taxable benefits" area (discussed below).
- Box (16) - Employee's CPP contributions:
Include all amounts withheld from the employee as a contribution to the Canada Pension Plan.
Box (17) would include all amounts withheld from the employee as a contribution to the Quebec Pension Plan (QPP).
- Box (16A) For T4 slips filed for the calendar year 2024 and after, report employees' second CPP/QPP contributions - Province of employment other than Quebec

(Box(17A) would include all amounts withheld from the employee as a contribution to QPP2).
- Box (18) - Employee's EI Premium:
Include all amounts withheld from the employee as a contribution for Employment Insurance premiums.
- Box (20) - Registered pension plan contributions:
Include all current and past service amounts contributed on behalf of the employee to a registered pension plan. Any amounts relating to past service contributions included in this box should be identified as such in the space

provided beneath Box (52).

- Box (22) - Income tax deducted:
- Include all Federal and Provincial (except Quebec) income taxes withheld from the employee.
- Box (24) - EI insurable earnings:
- Include the amount of the employee's insurable earnings on which Employment Insurance premiums were required to be remitted up to a maximum of \$65,700 for 2025.
- Box (26) - CPP/QPP pensionable earnings:
- Complete this box only if the amount is different from the one reported in Box (14). Otherwise, leave it blank, up to a maximum of \$71,300 in 2025.
- Box (27A) For the calendar years 2025 and after, the employer's second CPP2 contributions
Additional Maximum Pensionable Earnings (YAMPE) of \$81,200 are subject to the second CPP contribution (CPP2) in 2025.
- Box (28) - Exempt – CPP/QPP, EI and PPIP:
- Enter "X" under "CPP/QPP" if the employee was exempt from contributions to the Canada Pension Plan or Quebec Pension Plan for the entire period of employment. Enter "X" under "EI" if the employee was exempt from Employment Insurance premiums for the entire period of employment.
- Box (29) - Employment code:
- In most cases, this box is to be left blank unless employee was employed as a:
- placement or employment agency worker (code 11)
 - taxi driver (code 12)
 - barber or hairdresser (code 13)
 - withdrawal from a prescribed salary deferral arrangement plan (code 14)
 - was part of a seasonal agricultural worker program (code 15)
 - “detached employee” under a social security agreement (code 16)
 - fisher - Self-employed (code 17)

Other information:

- Box (44) - Union dues:
- Include all deductions from the employee's remuneration for qualified union dues.
- Box (45) Employer-offered dental benefits

Reports employer-offered dental benefits by selecting from the following codes to report the dental benefits provided to the employee:

- 1 Not eligible to access any dental care insurance, or coverage of dental services of any kind
- 2 Payee only
- 3 Payee, spouse, and dependent children
- 4 Payee and their spouse
- 5 Payee and their dependent children.

Box (46) - Charitable donations:

Include deductions from an employee's remuneration for donations on his/her behalf to registered Canadian charitable organizations.

Box (50) - Registered Pension plan or DPSP registration number:

This number must be reported for all employees who are members of a Registered Pension Plan or DPSP.

Enter the Canada Revenue Agency registration number of the pension plan to which an employer contributed on behalf of the employee. This registration number should be entered in all cases where a contribution is made on behalf of the employee, even if the plan is non-contributory (i.e., the employee does not make any contributions to the plan).

Box (52) - Pension Adjustment:

Enter the amount of pension adjustment that the employee has under a registered pension plan.

Box (54) - Employer's Account Number:

Enter the employer's payroll account number that appears at the top of the Statement of Account.

Box (55) - Employee's PPIP premiums:

Enter provincial parental insurance plan premiums that you deducted for employees working in Quebec

Box (56) - PPIP/QPIP insurable earnings:

Enter the amount used to calculate the employee's PPIP premiums for a maximum of \$98,000 for 2025. Otherwise, leave blank if no insurable earnings.

Taxable benefits

The amount of taxable benefits already included in Box 14 must also be shown in the "Other Information" portion of the T4 Supplementary, along with the appropriate box number as follows:

Box (30) - Board and lodging:

- Include subsidized board and lodging and subsidized meals provided to the employee.
- Box (34) - Personal use of the employer's automobile:
Include the entire taxable benefit as discussed in this circular.
- Box (36) - Interest-free and low-interest loans and employee home relocation loans:
Include any taxable benefit on employee/shareholder loans as discussed in this circular.
Include any amount deducted from employees for interest-free or low interest home relocation loans.
- Box (38) or Box (90) - Security options benefits:
Include any taxable benefit from employer stock options provided in either of the two boxes.
- Box (40) - Other taxable allowances and benefits:
Include all other taxable benefits that are not itemized in Boxes (30) through (38). Also include in Box (40) the amount of GST/HST to be included in the employee's income. This subject is discussed in greater detail later in this circular.
- Boxes (39) or Box (91) - Security options deduction applicable to the benefit granted by a non-CCPC reported in Box (38) (not to be included in Box (14)).
- Boxes (41) or Box (92) - Security options deduction applicable to the benefit granted by a CCPC reported in Box (38) (not to be included in Box (14)).
- Box (42) - Employment commissions
Enter any commissions included in Box (14)
- Box (85) - Employee-paid premiums for private health services plans.

For further guidance, please refer to the Employer's guide issued by the Canada Revenue Agency for filing the T4 slip and summary at the following link:

<https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/rc4120/employers-guide-filing-t4-slip-summary.html>

SCHEDULE FOR CALCULATION OF
 SHAREHOLDERS'/EMPLOYEES' AUTOMOBILE BENEFIT
 2025

Company-owned vehicle:

Standby Charge:

1. (A) _____ x 2% $\frac{(B)}{30}$ * = \$ _____(C) Maximum standby charge
2. (D) _____ x $\frac{(E)}{(F)}$ = \$ _____(G) Reduced standby charge applicable only if automobile is used > 50% for business purposes and personal use is < 1,667 kilometres per month
3. Lesser of (C) and (G) \$ _____(H) Actual standby charge benefit

Operating Cost Benefit:

4. \$ _____(I) Operating cost benefit method (a)
- (J) _____ x 34¢ (or 31¢ if auto salesperson) = \$ _____(K) Operating cost benefit method (b)
5. Lesser of (I) and (K) \$ _____(L)

Total Benefit to be Reported:

6. Sub-total (H) + (L) \$ _____(M)
7. Less \$ _____(N)
8. Total (M) – (N) \$ _____(O)

- (A) Total cost of the automobile to the employer.
- (B) Number of days automobile was available to employee/shareholder (365 days unless automobile was purchased and/or sold during the year).
- (C) Total standby charge before reduction, if any.
- (D) Amount from (C).
- (E) Personal kilometres driven in the period (not to exceed an average of 1,667 kilometres per month and only if automobile is used more than 50% for business use, otherwise disregard this calculation as a reduced standby charge is not available and the amount calculated in (C) applies).
- (F) 1,667 kilometres x number of months automobile was available to employee/shareholder (maximum of 20,004 kilometres per year).
- (G) Reduced standby charge (if applicable).
- (H) Taxable benefit standby charge.
- (I) Equal to (K) unless automobile is used > 50% for business purposes, then equal to 50% of (H).
- (J) Total personal kilometres driven in the year.
- (N) Any amounts that the employee reimbursed the employer during the year for use of automobile.
- (O) Total benefit to be reported on T4.

* Rounded up to nearest whole number (not to exceed 12)

SCHEDULE FOR CALCULATION OF
SHAREHOLDERS'/EMPLOYEES' AUTOMOBILE BENEFIT
2025

Company leased vehicle:

Name of Shareholder/Employee: _____

Standby Charge:

1. (A) _____ x $\frac{2}{3}$ $\frac{(B)}{30}$ * = \$ _____(C) Maximum standby charge

2. (D) _____ x $\frac{(E)}{(F)}$ = \$ _____(G) Reduced standby charge applicable only if automobile is used > 50% for business purposes and personal use is < 1,667 kilometres per month

3. Lesser of (C) and (G) \$ _____(H) Actual standby charge benefit

Operating Cost Benefit:

4. \$ _____(I) Operating cost benefit method (a)

(J) _____ x 34¢ (or 31¢ if auto salesperson) = \$ _____(K) Operating cost benefit method (b)

5. Lesser of (I) and (K) \$ _____(L)

Total Benefit to be Reported:

6. Sub-total (H) + (L) \$ _____(M)

7. Less \$ _____(N)

8. Total (M) – (N) \$ _____(O)

- (A) Monthly total leasing cost of leased automobile (excluding all operating costs).
- (B) Number of days automobile was available to employee/shareholder (365 days unless automobile was leased and/or lease ended during the year).
- (C) Total standby charge before reduction, if any.
- (D) Amount from (C).
- (E) Personal kilometres driven in the period (not to exceed an average of 1,667 kilometres per month and only if automobile is used more than 50% for business use, otherwise disregard this calculation as a reduced standby charge is not available and the amount calculated in (C) applies).
- (F) 1,667 kilometres x number of months automobile was available to employee/shareholder (maximum of 20,004 kilometres per year).
- (G) Reduced standby charge (if applicable).
- (H) Taxable benefit standby charge.
- (I) Equal to (K) unless automobile is used > 50% for business purposes, then equal to 50% of (H).
- (J) Total personal kilometres driven in the year.
- (N) Any amounts that the employee reimbursed the employer during the year for use of automobile.
- (O) Total benefit to be reported on T4.

* Rounded up to nearest whole number (not to exceed 12)

SCHEDULE FOR CALCULATION OF
SHAREHOLDERS'/EMPLOYEES' LOAN BENEFIT
2025

Name of Shareholder/Employee: _____

| <u>Month</u> | <u>Average monthly debit balance (a) or (b)</u> | x | <u>Prescribed rate</u> | = | <u>Taxable benefit</u> |
|--|---|---|----------------------------|---|----------------------------|
| January | | | 0.3397% | | \$ |
| February | | | 0.3068% | | |
| March | | | 0.3397% | | |
| April | | | 0.3288% | | |
| May | | | 0.3397% | | |
| June | | | 0.3288% | | |
| July | | | 0.2548% | | |
| August | | | 0.2548% | | |
| September | | | 0.2466% | | |
| October | | | 0.2548% | | |
| November | | | 0.2466% | | |
| December | | | 0.2548% | | _____ |
| Less: Interest paid by the shareholder/employee during the year and within 30 days after the year-end | | | | | _____ |
| Total benefit to be reported on T4 | | | | | \$ <u>_____</u> |

a) If average monthly balance is indicative of the true amount of the loan, then calculate as:

$$\frac{\text{Opening monthly balance} + \text{closing monthly balance}}{2}$$

b) If average monthly balance is not indicative of the true amount of the loan, then the taxable benefit should be calculated on a daily basis. The annual interest rate that should be applied in these circumstances is as follows:

- For all balances outstanding from January 1, 2025, to June 30, 2025, the rate is 4% annually.
- For all balances outstanding from July 1, 2025, to December 31, 2025, the rate is 3% annually.

GOODS AND SERVICES TAX/HARMONIZED SALES TAX

When an employer provides property or services to an employee and these items are considered taxable benefits for income tax purposes, the employer is generally treated as having made a taxable supply for GST/HST purposes. If the benefit relates to a good or service that is normally subject to GST/HST, the employer is deemed to have collected tax on the value of the benefit (net of any provincial sales tax) and must remit that amount to the CRA.

GST/HST does not need to be remitted in situations where the employer was not entitled to claim an input tax credit (ITC) on the related expense. This typically occurs when the cost relates to personal or restricted expenses, such as club memberships or other items that are not eligible for ITCs. When ITCs are denied, the employer is not considered to have made a supply, and therefore no GST/HST is payable.

No GST/HST applies when the underlying benefit is linked to an exempt supply. Examples include provincial health or hospitalization premiums or rent-free or low-rent housing provided to employees. These benefits may still be taxable for income tax purposes but do not create GST/HST implications.

Where a benefit arises from a taxable supply—such as an employer-provided automobile available for personal use—the employer must calculate and remit GST/HST based on the taxable benefit reported for income tax purposes, after subtracting any provincial sales tax included in the value. This GST/HST calculation is generally completed in February, when employers prepare T4 slips for the prior calendar year. The taxable benefit must also be reported in Box 14 (employment income) and Box 40 (other taxable allowances and benefits) on the employee's T4 slip.

The area of taxable benefits in connection with the GST/HST is complex. The information that we have provided will enable you to compute these benefits. If any uncertainties in this area arise in the preparation of your T4s, please contact us, and we will be pleased to assist you.