

# ARROWSMITH COMMUNITY JUSTICE SOCIETY

## Honorarium



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Adopted: 11 Jan 2018

### **GUIDING PRINCIPLE:**

1. The Arrowsmith Community Justice Society (ACJS) believes in providing clarity regarding the definition and consistency of payments for honorariums.

### **DEFINING PRINCIPLE**

1. Honorarium:
  - a. Is a one-time payment in recognition of acts or professional services by individuals who do not charge a fee for the service
  - b. Can be used to cover travel, accommodation or preparation time.
  - c. Is a nominal amount - to a maximum of \$500 per individual per calendar year.
  - d. a gesture of goodwill and appreciation to a non-professional for voluntary services for which fees are not legally or traditionally required
  - e. Is not reflective of the value of the work done.
  - f. Is made on a one-time or non-routine basis to an individual as a “thank-you”
2. An honorarium is appropriate for:
  - a. A speaker or lecturer
  - b. Assistance in preparing for a special activity or event
  - c. A service engaged on a one-time or very infrequent basis
3. An honorarium is **not** appropriate when:
  - a. The payment for a service is negotiated for prior to the service being given. (This would be a contractual arrangement or employment)
  - b. It is a service that an individual does for a living; (This would be self-employment with fee for service or consulting fee.)

### **CANADIAN REVENUE AGENCY REQUIREMENTS:**

The Canadian Revenue Agency (CRA) states:

1. In Canada honoraria are considered salary and thus, taxable income under the *Income Tax Act*. In the case where a gift is substituted for honorarium, it is classified as a taxable benefit by CRA.
2. CRA has a \$500 limit on what can be classified as a gift. Anything over \$500 is salary.
3. A T4A will be issued to each provider at year end.

#### Honorariums and tax deductions.

1. Residents of Canada: A honorarium paid to a resident of Canada who is not an employee is not subject to tax deductions; however, this does not mean that the recipient does not have to pay taxes on the amount received. A T4A will be issued for the payment and when the individual files their tax return for the year, any taxes owing will be assessed by the CRA.
2. Non-Residents of Canada: Where the service was performed in Canada, honorariums paid to them are subject to a flat rate income tax deduction and are reported on a T4A-NR. If the service was performed outside of Canada, there is no tax deduction or reporting requirements.

#### Multiple honorariums within a calendar year.

1. If you intend to pay an individual an honorarium more than once in a given calendar year and the total of the payments will exceed \$500, it will be treated as employment earnings and will be subject to all CRA payroll requirements such as 4% vacation pay, CPP & EI by both the employer and the employee. NOTE: If honorariums are assessed by the CRA as employment income, any amounts not collected by the employer at the time of payment, will be charged back to the employer.

#### **PROCEDURE**

1. Present for Board approval and assessment
2. Payment request which will include recipients Name, Address, and Social Insurance Number to be given to Treasurer
3. Treasurer will:
  - a. Issue cheque for payment
  - b. Issue T4A or T4A-NR before February 28th of the following year and remit to CRA for processing.