

Title: Honorariums

Statement:

It is the responsibility of the Board of Directors of Trinity Christian School Association (TCSA) to review and formulate policies for financial operations and activities on a periodic basis. These financial procedures will ensure acceptable financial practices.

Approved: **Roy Lapa**
(Chair of the Board)

May 8, 2019
(Date)

First Approval Date: In-Principle March 12, 2019

To Be Reviewed: May 8, 2022

Review and Amendment Date(s):

Stakeholders Consulted (Date):

A. Definitions:

Honorariums - An honorarium is a payment made to a person that does not represent a full compensation for time and effort expended. It may also be a payment for which a fee is not traditionally or normally charged.

From the perspective of the CRA, payments for services made to an individual are either employment income or business income. The CRA will however allow small payments that are not subject to the usual tax rules. The criteria for these payments are:

- That they are nominal - \$500 or less in a calendar year;
- They are made to an individual for voluntary services for which fees are not legally or traditionally required;
- They are not reflective of the value of the work done;
- They are made on a one-time or irregular and rare basis to an individual as a “thank you”.

B. Purpose:

The purpose of this policy is to provide clarity regarding the definition and payment of honorariums and to provide a framework for consistent and fair treatment.

1. The term “honorarium” can be misunderstood resulting in payments being incorrectly coded for income tax purposes. These errors can result in:
 - a. TCSA violating federal and provincial tax regulations that require mandatory deductions from employment income.
 - b. TCSA violating the Employment Standards Act (ESA) if the services/work performed is in fact employment in nature.
 - c. A reassessment by the Canada Revenue Agency (CRA) with TCSA being required to pay the employer and employee share of taxes (i.e. Canadian Pension Plan (CPP), Employment Insurance (EI), Workplace Safety and

Insurance Board (WSIB), and Employer Health Tax (EHT) plus fines and penalties.

- d. TCSA violating purchasing requirements if the individual being paid is in fact an independent contractor.
2. Incorrect coding of payments can also negatively impact the individual receiving the payment as ultimately they will be responsible for paying income taxes on the amount. This can be a financial burden if this was not anticipated, especially if the amount is substantial. The individual can also be assessed fines and penalties for late payment of these taxes.

C. Appropriate Honorariums:

1. Honorarium payments that are acceptable include:
 - a. guest speaker or lecturer,
 - b. external third party for a special classroom lecture or short series of such lectures,
 - c. individual for conducting a seminar or workshop,
 - d. guest speaker at an educational event or other similar function,
 - e. guest speaker participating at outreach events,
 - f. payment to an external examiner whose services are engaged on a one-time or infrequent basis.

D. Inappropriate Honorariums:

1. An honorarium is not based on an agreed to amount between the individual providing services and Senior Managers or Board Directors seeking services. If payment is agreed upon, this constitutes a contractual arrangement. This means that an employment or independent contractor (business) relationship exists.
2. An honorarium is not appropriate if TCSA is obtaining the services of a professional speaker or consultant who performs the requested service for a living. These individuals would be considered self-employed and should receive a fee for service or consulting payment.
3. An honorarium does not include performance fee payments to individuals or groups for professional services not directly related to academic functions.
4. An honorarium does not include payments to independent consultants providing primarily professional or technical advice to the Association in an independent contractor relationship.

E. Honorarium payments to TCSA employees:

1. TCSA employees are not normally eligible to receive additional compensation for activities related to their recognized duties, except that in certain cases teachers and facilitators may receive honoraria for workshops and similar services unrelated to their duties.
2. Honorariums paid to individuals who are otherwise employees of TCSA, will be treated as employment income and subject to deductions at source for Income Tax, Canada Pension Plan contributions and Employment Insurance premiums.
3. The payment must be nominal (\$500 or less in a calendar year).

4. The payment must be for services provided outside the individual's regular responsibilities.
5. These payments will be reported on the employee's T4.

F. Honorarium payments to non-employees:

1. *Residents of Canada:* An honorarium paid to a resident of Canada who is not an employee of the TCSA is not subject to tax deductions; however, this does not mean that the recipient does not have to pay taxes on the amount received. The individual will be issued a T4A for the payment, and when they file their tax return for the year, any taxes owing on the amount paid will be assessed by the CRA.
2. *Non-Residents of Canada:* Honorariums paid to non-residents of Canada are subject to a flat rate income tax deduction and are reported on a T4A-NR.

G. Accountability

1. The Senior Manager seeking services is responsible for understanding what does and does not constitute an honorarium and for seeking clarity where there is uncertainty.
2. It is the Senior Manager's responsibility to ensure the Payment Instruction form is completed in its entirety and submitted in a timely fashion to the Secretary Treasurer.
3. The Secretary Treasurer is responsible for reviewing submitted forms for completeness and for processing payment.
4. The Secretary Treasurer is responsible for issuing T4/T4A or T4A-NR forms as required as part of the year-end reporting process.

H. Process

1. Honorarium payments are to be submitted on a Payment Instruction form.
2. Before submitting the form for payment, the Senior Manager submitting the payment form will make sure all fields are completed. "On-file" will not be accepted.
3. A Social Insurance Number (SIN) number is required for CRA reporting purposes, unless the individual is a non-resident of Canada. If the individual is a non-resident an International Tax Number (ITN) is required.
4. Completed forms are to be submitted to the Secretary Treasurer in accordance with submission cut-off dates.
5. Payment forms submitted for monthly paid employees will be added to their regular monthly pay processing and will not be processed as submitted.