

Tax Tip

Week of January 24, 2011

Repayment Date for Interest Payments

If an employee receives a loan from his or her employer, there is a taxable benefit assessed to the employer unless the payment is made towards the interest component of the loan. The taxable benefit is calculated by using CRA's prescribed interest rate which is set quarterly. The rate for the first quarter of 2011 is 1%.

The taxable benefit for the loan is then reduced by any interest payments made to the employer. These payments must be made in either the calendar year or within 30 days following the end of the year. Therefore, to reduce the taxable benefit for the 2010 taxation year, the employee must make any payment on account of interest by January 30, 2011.