

Tax Tip

Week of January 2, 2012

Tax Status of Air Miles Earned on Company Business

Employees may collect air miles on their personal credit cards when travelling on business trips. Usually, these points can be exchanged or cashed in for various rewards including discounts on air travel, gift cards and certificates. The employees do not have to include in their income the value of the rewards they received or enjoyed from the points they collect on these business trips, unless any of the following applies:

- the points are converted to cash
- the plan or arrangement between you and the employee seems to be a form of remuneration
- the plan or arrangement is a form of tax avoidance

If any of the conditions above are met, the employee has to declare the fair market value of any personal rewards he or she received on an income tax and benefit return.

Another exception is that if the employer controls the points, such as when an employee uses a company credit card. In such cases, the employer has to report on their T4 slip the fair market value of any personal rewards he or she received from redeeming the points.