

Honorarium Guidelines

What is an honorarium?

From the perspective of the Canada Revenue Agency (CRA), payments for services made to an individual are either employment income or business income. The CRA does however support the notion of small payments that are not subject to the usual tax rules. The criteria for these payments include:

- 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 non-routine basis to an individual as a “thank you”

When is an honorarium appropriate?

Keeping the above criteria in mind, examples where an honorarium payment would be acceptable include:

- Guest speaker or lecturer
- External party for a special classroom lecture or short series of such lectures
- Individual for conducting a seminar or workshop
- Guest speaker at an educational event or other similar functions
- Guest speaker participating at outreach events
- Payment to a volunteer for assistance for set-up or supporting activities at special events

When is an honorarium not appropriate?

An honorarium must not be based upon an agreed to amount between the individual providing services and the University representative seeking services. If payment is agreed upon, this constitutes a contractual arrangement because an independent contractor (business) relationship exists.

An honorarium must not be based on a unit of measure such as hours volunteered or number of students assisted. It must be a flat nominal amount and must not appear as compensation for work performed.

An honorarium is not appropriate if the University 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, and a Service Agreement should be in place.

Are honorariums subject to tax deductions?

Honorarium payment to employees:

Payments to individuals who are employees of the University (staff, faculty, or undergrad or graduate students performing employment services for the University) will be treated as employment income and subject to deductions at source for Income Tax, Canada Pension Plan contributions and Employment Insurance premiums. The payment must be nominal (\$500 or less in a calendar year), and must be for

services outside the individuals regular responsibilities. These payments will be reported on the employee's T4.

Honorarium payments to non-employees:

- **Residents of Canada:** An honorarium paid to a resident of Canada who is not an employee of the University 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 may 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 CRA. Recipients will not be issued a T4A, as long as the payment is \$500 or less in a calendar year.
- **Non-residents of Canada:** Where the service was performed in Canada, honorariums paid to non-residents of Canada are subject to a flat rate income tax deduction of 15% and are reported on a T4A-NR. If the service was performed outside of Canada, there is no tax deduction or reporting requirements.

Should the CRA reassess a payment processed as an honorarium as employment income, this can result in required payment of vacation pay, WCB and Employee health premiums, and both the employer and employee share of CPP and EI.

The University faces CRA fines and penalties if the honorarium is not properly included as either business income or salary income with the appropriate deductions.

What if I want to pay an individual multiple honorariums within a calendar year?

If you intend to pay an individual an honorarium more than once in a given calendar year and the total of the payment will exceed \$500, please be aware that the University is considered a single employer by the CRA. Should an individual receive multiple honorariums from various areas on campus and exceed the \$500 nominal amount, any subsequent payments may be treated as employment earnings and amounts already processed may be converted to employment earnings.

Accountability

The University representative seeking services is responsible for understanding what does and does not constitute an honorarium and for seeking clarity when there is uncertainty. As well, it is their responsibility to ensure the Honorarium Request form is completed in its entirety, signed by the appropriate signing authority and submitted to Financial Services in a timely manner.

For residents of Canada, the Social Insurance Number is required for CRA reporting purposes and is mandatory in order for the Honorarium Request to be processed. If the individual is a non-resident of Canada the Social Security Number is required and is mandatory in order for the Honorarium Request to be processed.

Questions:

If you have any questions regarding the Honorarium Guidelines, please contact us at payroll@ufv.ca.

If you have questions regarding the Honorarium Request form, please contact ACCTSPAYABLE@ufv.ca.