

## Chapter 32: income tax implications for non-employer payments

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### INTRODUCTION

1. This chapter contains the policy and procedures ([Annex A](#)) relating to the income tax implications for non-employer payments such as contract for services, scholarships, bursaries, and honorariums.

### NON-EMPLOYER PAYMENTS

#### CONTRACT FOR SERVICES

2. Occasionally, a contractor (an individual, small business, corporation, or partnership) may be contracted to provide certain services (e.g. entertainment services, sports referees, church organists, instructors, etc.) under a Contract for Services.
3. As per the [NPP Contracting Policy](#), when an NPP organization identifies a requirement for a Contract for Services, the manager with the appropriate financial authority must ensure that the contractor will be operating under “business relationship” conditions as defined by CRA and not under an employment relationship (employer/employee). See the [NPP Contracting Guidelines](#) for details.
4. When the total payments and reimbursements in a calendar year for Contract for Services payments to a contractor exceeds \$500, the National Accounts Payable Office (NAPO) must issue a T1204, “Government Service Contract Payments” following the guidelines at CRA’s webpage: “[Information for payers of the 1204](#)”. The business or individual is responsible for paying all applicable taxes as there will be no source deductions. T4A’s or Relevé 1’s (RL-1) (for Québec) shall not be issued for Contract for Services as, by virtue of the nature of a Contract for Services, there is no employer/employee relationship.

**Note:** Direct payments made with NPP Credit Cards for Contract for Services, (such as paying for Contract for Services - Entertainment Services), with a NPP Corporate Credit Card), are exempt from the requirement to issue T1204s.

#### CASH AWARDS, SCHOLARSHIPS AND BURSARIES, AND HONORARIUMS

5. These payments by a NPP organization are taxable in the hands of the recipient and if a tax slip is to be issued, the recipient’s Social Insurance Number (SIN) is required. For the tax slips, a RL-1 must be issued for any of these payments regardless of the amount for QC resident recipients and a T4A issued payments totaling \$500 or more in the calendar year for recipients residing outside of QC. (Note parties should be advised to report the amounts received on their income tax returns in the year of receipt, regardless of whether or not a tax slip is issued.)

#### DONATION TO A CHARITY IN LIEU OF PAYMENT FOR AN HONORARIUM OR OTHER SERVICES

6. When a person entitled to an honorarium (or other payment for services) chooses to have

the funds donated directly from NPP to a charity of their choice in lieu of receiving payment, there would be no Income Tax implications, as the “person” did not receive any funds. (No taxable revenue for the person and no Official Income Tax Receipt issuable, nor would the donation in this instance constitute “*Alienation of NPP*”).

**Note 1:** If a direct donation to a charity is chosen, the person entitled to the honorarium or other payment for services must authorize the direct disbursement of the funds to their charity of choice in writing (an email would suffice). Further, the person must be advised that they will not receive an Official Donation Receipt in this instance.

**Note 2:** When processing for payment, the NPP Accounting Office should use the invoice description field to inform the receiving charity that the funds were sent “upon behalf of” the person entitled to the honorarium or other payment. Example: “These funds are donated on behalf of John Jones”; would be entered in the invoice description field.

[Annex A](#) – Procedures for Capturing Information For Federal Tax Forms