

## C3005 – PAYMENT OF HONORARIUMS FAQs

### When is an honorarium not appropriate?

- An honorarium must not be based on an agreed-to amount between the individual providing services and the College representative seeking services. If payment is agreed upon, this constitutes a contractual arrangement. This means that an employment or independent contractor (business) relationship exists.
- An honorarium is not appropriate if the College 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.
- An honorarium is not appropriate if the individual providing services is an employee performing duties within their regular responsibilities. This means that an employment relationship exists.

### Are honorariums subject to tax deductions?

#### *Honorarium payments to College employees:*

Honorariums paid to individuals who are otherwise employees of the College (e.g., staff, faculty, administrators performing employment services for the College) 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 and must be for services provided outside the individual's regular responsibilities and working hours. 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 College 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.

##### *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 and are reported on a T4A-NR. If the service was performed outside of Canada, there is no tax deduction or any reporting requirements.

### What happens if I pay an honorarium that is not reported as employment income and the CRA later assesses the payment as employment income?

For an honorarium processed as non-employment income, should the Canada Revenue Agency reassess the amount as employment income, the College will be responsible for paying vacation pay on the amount as well as WorkSafe premiums, Employer's Health Tax (EHT) premiums, and both the employer and employee share of CPP and EI. These amounts, along with any fines and penalties owing, will be charged back to the department (cost centre) that issued the payment.

**What do I need to process an honorarium to an employee?**

Please ensure that you complete the following actions before issuing an honorarium to an employee:

1. Confirm that the individual providing services is an active employee of the College. Those who have retired or otherwise terminated employment with the College are no longer considered active employees.
2. Confirm that the services provided are not part of the employee's regular duties and responsibilities and are not services they perform for a living.
3. Confirm that the amount paid is a nominal amount.