Purpose

As a publicly funded institution, the University of Waterloo ("University") is accountable for the prudent and effective stewardship of University funds. This guidance is to provide general information about the consistent and cost-effective giving of gifts using University funds, as well as to identify accountability and describe the process for reporting the giving of gifts.

This guidance does not apply to gifts received from external organizations.

Related links

Gifts, awards and social events – Canada Revenue Agency guidance
T4130 Employers' Guide - Taxable Benefits and Allowances
Remuneration to Research Participants
Eligible Hospitality Expenses
Gift Reporting Form (PDF)
Prizes for Draws and Contests Procedure (under construction)
Definitions

“Cash” – currency or cheques

“Near-cash” – easily converted to cash such as a gift certificate or gift card.

“Non-cash” – non-cash gifts are tangible items and exclude cash (currency, cheques) and near-cash gifts (gift cards, gift certificates).

“Gift Card” – a stored value or similar instrument issued in lieu of cash or cheque. For the purpose of this document, the phrase gift card is synonymous with gift certificate.

“Trivial (gift)” – non-cash gifts with a nominal cost that are more symbolic in nature rather than with any real monetary value (i.e. University logo items, mugs, flowers, fruit baskets, plaques).

General

Background on Gifts

Gifts and awards may be given when the reason for giving the gift/award supports the mission and values of the University, is permitted by University policy as well as any terms and conditions of the specific funding source, and is consistent with the principles of the Broader Public Sector guidelines, including prudent use of public funds.

Gifts or awards can be cash, near-cash (i.e. gift cards) or non-cash (tangible), and may have tax consequences depending upon the value and the purpose (refer to Canada Revenue Agency’s gifts, awards and social events page for the most current information).

Non-Cash Gifts and Awards

Giving a non-cash gift to someone other than an employee

A department may decide to give a non-cash gift to recognize an individual or to express thanks. For example, a department may give a non-cash gift to a volunteer or guest speaker. Generally, non-cash gifts given to non-employees will not incur a taxable benefit provided the value is nominal and the gift is not given in lieu of providing cash compensation that might otherwise have been agreed upon.

Giving a non-cash gift or award to an employee

An employer can give an employee an unlimited number of non-cash gifts and awards in the course of a calendar year without incurring a taxable benefit, provided the cumulative value of those gifts and awards does not exceed $500.00. This applies to non-cash gifts given for a special occasion, such as a religious holiday, birthday, wedding, or the birth of a child; and non-cash awards given as recognition of an employee’s overall contribution to the workplace, and not as recognition of job performance. Where the cumulative value of gifts
and awards received by an employee exceeds $500 in a calendar year, the excess amount will be treated as a taxable benefit.

Small items of trivial value, such as items with the University logo (i.e. Pens, t-shirts, mugs), fruit baskets, flowers, and plaques, are not considered a taxable benefit. For the purposes of this Procedure, gift cards redeemable only at the Waterloo Store are considered to be non-cash if they are nominal in value as they can be used to purchase only branded merchandise.

Often employees will contribute voluntarily toward a gift for a colleague when there is a special occasion. That practice is considered outside the scope of the guidance within this document and there are no related tax or eligibility issues as otherwise outlined in this document. Please note that these funds should never be deposited to a University account. If they are, and the entire gift is then paid out of a University account, this converts the entire gift to a reportable and potentially taxable item.

In addition to non-cash gifts and awards as noted above, an employer can also give an employee a non-cash gift or award in recognition of long service (an anniversary award) once every 5 years up to a value of $500 without creating a taxable benefit. Any value over $500 is taxable. For the purposes of this Procedure, gift cards redeemable only at the Waterloo Store are considered to be non-cash as they can be used to purchase only branded merchandise.

As employees may receive non-cash gifts or awards from various departments on campus, all non-cash gifts and awards given to employees (excluding trivial items as defined above) that are paid for in full or in-part with University funds, must be reported on a Gift Reporting Form regardless of whether the value is below or in excess of $500.00.

**Near-Cash Gifts and Awards (i.e. Gift Cards)**

Gift cards given to employees always incur a taxable benefit. Gift cards given to non-employees may or may not incur a taxable benefit. As cash-equivalent instruments, gift cards are governed by tax rules and internal control requirements. These rules and requirements must be followed and communicated to those involved before purchase or distribution of any gift cards. When gift cards are distributed, they must be distributed in accordance with the guidelines set forth in this policy.

Gift cards should only be distributed for the following purposes:

- Recognition awards or tokens of appreciation for visitors (i.e. speaker at an event)
- Prizes, recognition awards, or tokens of appreciation for students
- Remuneration to Research Participants

**Giving a gift card to someone other than an employee**

A department may decide to give a gift card to recognize an individual or to express thanks. For example, a department may give a gift card to a volunteer or guest speaker. Although the individual is not an employee, it is important for the purchaser of the gift card to submit the necessary information (SIN, name and address of the recipient) for tax reporting. Canada Revenue Agency specifies a minimum amount for earnings and taxable benefits that must be reported in a calendar year. Human Resources is responsible for aggregating information and for determining if the value of the gift card(s) must be reported.
Giving a gift card to an employee
All employee remuneration must be processed through Human Resources. Accordingly, a department should not give a gift card (i.e. near-cash gift) to an employee as a bonus, honoraria, or other means of compensation. If a department wishes to recognize an employee’s milestone such as retirement or farewell, please refer to the guidance above for giving a non-cash gift or award.

Gift cards excluded
This procedure excludes gift cards given under the following circumstances:

- Gifts cards given to a participant in a research study. The procedure Remuneration to Research Participants outlines the process and reporting responsibilities in this situation.
- Gift cards given as a prize for a draw. The procedure Prizes for Draws and Contests (under construction) outlines the process and reporting responsibilities in this situation.

Gifts that are never permitted to be given
Some gifts are never appropriate because they are contrary to University policy, including:

- Gifts of alcohol or gift cards of a direct supplier of alcohol (i.e. The Beer Store or Liquor control board of Ontario (LCBO))
- Performance-related rewards to employees in the form of non-cash or near-cash gifts are not permitted. Performance related rewards are to be handled through the annual increase process only.

Purchase Methods
Gift cards should be purchased no more than one month before disbursement. Individuals, on behalf of University departments, might purchase gift cards in several ways including:

- Request internal department (e.g. Retail Services) to charge internally
- Purchase on a University purchasing card (P-Card), if the purchase is less than $3,000
- Request external supplier/retailer to invoice the University, if purchase is equal to or greater than $3,000
- Purchase out-of-pocket and claim reimbursement
- Request WatCard to apply an amount to an individual’s WatCard and charge a department account.

See the Procedure section below for detail on each of these purchase methods.

Procedure

Accountability
The person who purchases the gift on behalf of a department is responsible for providing the necessary information to Finance – Accounts Payable. The Gift Reporting Form (PDF) must be completed and submitted for all gifts in accordance with this guideline and as
outlined in the Summary of Reporting Requirements. It is important to submit the required form promptly when the gift is given to the recipient.

Finance – Accounts Payable is responsible for:

- Reimbursing the individual purchaser when processing an expense claim (i.e. Request for Payment)
- Paying an external supplier/retailer for the purchase if the gift is purchased on account
- Providing the Gift Reporting Form to Human Resources in a timely manner

Retail Services - WatCard is responsible for:

- Applying an amount to an individual’s WatCard
- Providing the Gift Reporting Form to Human Resources in a timely manner

Human Resources is responsible for:

- Accumulating and aggregating gift information provided on Gift Reporting Forms for a given tax year
- Evaluating the tax implications of gifts and awards based on Gift Reporting Forms received
- Processing transactions related to earnings or taxable benefits, including relevant taxable gifts and awards
- Reporting earnings, including relevant taxable gifts and awards, and any deductions for tax purposes to Canada Revenue Agency for a calendar year in the following February of each year
- Issuing the necessary tax reporting documents (i.e. T4, T4A, T4NR) to individuals

Process

Request internal department (e.g. Retail Services) to charge internally

- Purchase the gift and request that it be charged to an appropriate University expense account (AFF) (Note: the purchaser must be authorized to charge the specified expense account). It is recommended to use object code 6540.
- Complete the Gift Reporting Form (PDF) as required in the Summary of Reporting Requirements and submit it to Finance – Accounts Payable.
- Make a note of the recipient’s name on the invoice/receipt. Also indicate that the Gift Reporting Form (PDF) was submitted to Finance – Accounts Payable and the date submitted.
- Submit to your department administrator or retain the invoice/receipt in accordance with the procedure for reviewing monthly financial statements for your department or research project.

Purchase on a University purchasing card (P-Card)

- The purchase must be within the purchaser’s P-Card transaction limit (generally $3,000). [Note: P-Card transaction splitting is expressly prohibited]
- Purchase the gift and charge it to a University purchasing card. [Note: internal University purchases are expressly prohibited – see instead Request internal]
It is recommended to allocate the purchase in the P-Card system to object code 6540.

- Receive the invoice/receipt for the purchase.
- Complete the Gift Reporting Form (PDF) as required in the Summary of Reporting Requirements and submit to Finance – Accounts Payable.
- Make a note of the recipient’s name in the P-Card system and on the invoice/receipt. Also indicate that the Gift Reporting Form (PDF) was submitted to Finance – Accounts Payable and the date submitted.
- Print the RPT121 Cardholder Statement (Central Bill) as required in the P-Card Manual and attach the invoice/receipt. Ensure that the tax code is changed to NTX for No Tax if a gift card is purchased.

**Request external supplier/retailer to invoice the University**

- Purchase the gift and receive the invoice from the supplier/retailer.
- Complete the Gift Reporting Form (PDF) and attach it to the invoice.
- Obtain the appropriate authorization on the invoice (i.e. expense approval). It is recommended to charge the purchase to object code 6540.
- Submit the invoice to Finance – Accounts Payable for payment.

**Claim reimbursement for an out-of-pocket expense**

- Purchase the gift and receive the invoice/receipt for the purchase. The invoice/receipt must indicate that payment was received or separate proof of payment must be provided.
- Complete the Request for Payment form. It is recommended to charge the purchase to object code 6540.
- Complete the Gift Reporting Form (PDF) and attach it to the Request for Payment form.
- Obtain the appropriate authorization(s) (i.e. one-over-one approval and expense approver).
- Submit the claim to Finance – Accounts Payable for reimbursement.

**Request WatCard to apply an amount to an individual's WatCard and charge a department account**

- Obtain the appropriate authorization for both the gift and to charge the account. It is recommended to charge the purchase to object code 6540.
- Complete request to WatCard for the transfer.
- Complete the Gift Reporting Form (PDF).
- Submit the request and the Gift Reporting Form in hard copy to the WatCard office for payment.
# Summary of Reporting Requirements

<table>
<thead>
<tr>
<th>All Recipients (Employees, Students, Visitors*)</th>
<th>Taxable?</th>
<th>Gift Reporting Form Required?</th>
</tr>
</thead>
</table>
| Cash and near-cash gifts or awards**<sup>**</sup>  
  ** For Students and Visitors only a gift card given as a prize for a draw provided all participants have equal opportunity to win is not taxable and does not require a gift reporting form  
  ** For the purposes of this Procedure, gift cards redeemable only at the Waterloo Store are considered non-cash if they are nominal in value as they can be used to purchase only branded merchandise. | Y | Y |
| Gift cards given to a participant in a research study | Y | See [Remuneration to Research Participants Procedure](#) |

* Canadian tax reporting relates to Canadian Residents only.

<table>
<thead>
<tr>
<th>Students and Visitors* Only</th>
<th>Taxable?</th>
<th>Gift Reporting Form Required?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tokens of appreciation for participation in an event. The nature of a token is such that they are non-cash gifts expected to be modest or nominal in value (i.e. &lt;$50)</td>
<td>N</td>
<td>N</td>
</tr>
</tbody>
</table>

* Canadian tax reporting relates to Canadian Residents only.

<table>
<thead>
<tr>
<th>Employees Only</th>
<th>Taxable?</th>
<th>Gift Reporting Form Required?</th>
</tr>
</thead>
</table>
| Non-cash (tangible) gifts or awards paid for from department funds (under $500 annually, cumulative) i.e. for a special occasion  
  ** this cannot be related to the employee's job performance | N | Y |
| Non-cash (tangible) gifts or awards paid for from department funds (in excess of $500 annually, cumulative) i.e. for a special occasion  
  ** this cannot be related to the employee’s job performance | Y | Y |
| Non-cash (tangible) or near-cash gifts paid for through contributions solely from other employees  
  ** this should never be deposited into a University account, otherwise the non-reportable nature of the gift is tainted and it may become taxable | N | N |
| Non-cash (tangible) gifts paid for with a combination of contributions from other employees and department funds  
  ** this cannot be deposited into a University account, otherwise the non-taxable nature of the gift is tainted | Determined by HR | Y - for portion covered by department funds |
| Non-cash expression of sympathy (i.e. a memorial donation, or flower arrangement) | N | N |
| Tokens of appreciation for participation in an event. The nature of a token is such that they are non-cash gifts expected to be modest or nominal in value (i.e. <$50). | Determined by HR | Y - for portion covered by department funds |
If you have a situation that does not appear in the charts above, please contact payroll@uwaterloo.ca for guidance.

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Finance/Human Resources
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