

Guide to Providing Gifts to Pastors and Other Employees

A cash gift or award that you give an employee is considered a taxable benefit from employment. CRA's policy allows an employer to provide a non-cash gift or award, which may not be considered a taxable benefit under certain circumstances.

This policy allows a church to give pastors and employee a non-cash gift for special occasions such as Christmas, a birthday, a wedding, the birth of a child, or a similar event as well an award in recognition of employment achievements. The non-cash gifts and awards with a combined total value of \$500 or less annually, the amount does not have to be included in the employee's income.

If the cost of each non-cash gift or award is more than the \$500 limit, the church is required to include the full fair market value of the gift(s) or award(s) in the employee's income. If the church gives an employee more than one gift or award in a year and the total cost is over the \$500 limit, then the church may have to include the fair market value of one or more of the gifts in the employee's income, depending on the cost of each gift or award and the number of gifts or awards given in a year.

Some church congregations collect personal gifts from their members for the pastor at Christmas time or for other special occasions. These churches give what they collect directly to the pastor. The amount is not included in the church's income or expenses, and individual donors do not receive a donation receipt for them. In this case individuals are usually providing the gift not to recognize pastoral services that the pastor has provided, but in recognition of the personal relationship that develops between the pastor and the congregation member. This process is acceptable if the gift is reasonable in the circumstances and this method is not used to give supplemental compensation to the pastor.

DISCLAIMER: This guide is provided for information purposes only and is not intended as advice to the local church. Information is current only as of the date that the guide was prepared. Readers are advised to seek professional advice for their particular situation.

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