



# CORPORATION OF THE TOWNSHIP OF ESQUIMALT

Municipal Hall  
1229 Esquimalt Road  
Esquimalt, B.C. V9A 3P1

## Staff Report

PRESENTED TO

DEC 10 2018

COMMITTEE OF THE WHOLE

File #:18-494

## REQUEST FOR DIRECTION

**DATE:** December 5, 2018

Report No. ADM-18-034

**TO:** Laurie Hurst, Chief Administrative Officer

**FROM:** Vicki Gannon, Director of Human Resources

**SUBJECT:**

Council Employment Expenses - Elimination of the 1/3 Tax Free Allowance

**ESSENTIAL QUESTION:**

Do members of Council wish to use the Canada Revenue Agency's T2200 form, (*Declaration of Conditions of Employment*)?

**RECOMMENDATION:**

That the Committee of the Whole receive Staff Report ADM-18-034 for information and provide direction to staff in terms of using T2200 forms for any Council employment expenses that are not reimbursed by the Township of Esquimalt.

**BACKGROUND:**

A motion was passed unanimously at the May 22, 2018 Special Meeting of Council that remuneration for the future Mayor and Council, commencing November 1, 2018, be the independently identified median rate of \$57,600 for the position of Mayor, and that Councillors receive 40% of the Mayor's remuneration.

At the same meeting, a motion was passed that Council defer consideration of any proposed revisions to Council Policy ADMIN-58 (Review and Market Analysis of Council Remuneration) and Council Policy ADMIN-62 (Remuneration for Elected Officials) until further information has been provided by staff, including tax implications and options.

At a Council Meeting on July 9, 2018, staff brought forward Staff Report ADM-18-022 (attached) with information regarding the process for elected officials to deduct employment expenses from his or her income, together with a recommendation that Council provide direction to update the Council Remuneration Bylaw and related Council Policies. A motion was carried unanimously that staff update Council Remuneration Bylaw and related Council Policies, effective November 1, 2018. Copies of Bylaw No. 2941 and the Policies are attached. Not included in the motion was the request

that staff bring information on tax implications to Council for review post election.

**ISSUES:**

If the Township requires Mayor and Council to pay expenses without getting reimbursed, in order to earn their employment income, a Canada Revenue Agency (CRA) form called *Declaration of Conditions of Employment* (T2200) can be used in order that allowable employment expenses be deducted from their income tax. A copy of this form is attached.

If Mayor and Council wish to deduct employment expenses from their income tax, the employer must complete and sign the T2200 form annually. The signed forms are not required to be included with the tax returns, but they must be retained in the event CRA requests a copy.

It should be noted that the deductible expenses must be directly related to the duties of an elected official, and the burden of responsibility is on the elected official to maintain supporting documentation of expenses incurred, and the business reason, should a personal CRA audit take place. There are rules regarding the claiming of expenses, as outlined in the attached 2017 CRA Guideline.

In order to determine specific allowable expenses, it is recommended that the elected officials get advice from their personal tax accountants.

**ALTERNATIVES:**

1. That the COTW receive Staff Report ADM-18-034 for information, provide any additional direction to staff as the COTW considers advisable, and direct staff to prepare a report for Council's consideration.
2. That the COTW provide alternative direction to staff.
3. That the COTW request further information from staff.