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## Income Tax

Number: IMP. 37-1/R23  
Date: September 30, 2013  
Page: 1 of 2

Act(s): *Taxation Act (CQLR, c. I-3), sections 37 and 1015*

Subject: **Value of certain taxable benefits received or enjoyed by hotel or restaurant employees by reason of their office or employment**

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*This version of interpretation bulletin IMP. 37-1 replaces the version of September 28, 2012, and applies from January 1, 2014. The bulletin was revised to update the determination of the value of the taxable benefits that hotel or restaurant employees receive or enjoy by reason of their office or employment.*

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This bulletin states the policy of Revenu Québec concerning the determination of the value of the taxable benefits that a hotel or restaurant employee receives or enjoys where the employer allows the employee to occupy a lodging or consume a meal free of charge or at a cost that is less than the fair market value.

### APPLICATION OF THE ACT

#### DETERMINATION OF THE VALUE OF THE TAXABLE BENEFIT RECEIVED

##### Meals

1. Under section 37 of the *Taxation Act* (TA), hotel and restaurant employees must include in computing their income the value of every benefit arising from the consumption, on the employer's premises, of meals provided free of charge or at a cost that is less than the fair market value.

2. The value of this taxable benefit may be determined by the formula

$$A - B$$

where

A is the lesser of

- the minimum sale price of a meal (daily special, business meal, table d'hôte, buffet, brunch, etc.) on the employer's premises, goods and services tax (GST) and Québec sales tax (QST) included, and

- \$7.67; and

B is the aggregate of

- 20% of the amount A, to take into account two factors not considered in such circumstances, that is, profit and payroll, and

- the amount paid by the employee for the meal, if applicable.

##### Lodging

3. Where an employer provides an employee with lodging rent-free, or for a rent that is less than what the employee would have had to pay a third party for similar lodging, the employee receives or enjoys a taxable benefit, the value of which must be included in computing the employee's income. Normally, the value attributed to this benefit must be a reasonable approximation of its fair market value.

4. Where an employer in the hotel or restaurant business provides an employee with a single room of reasonable

# *Income Tax*

Number: **IMP. 37-1/R23**

Date: **September 30, 2013**

Page: **2 of 2**

size rent-free, or for a rent that is less than the fair market value, the value of the taxable benefit may be determined by the formula

$$C - D$$

where

C is the lesser of

- the lowest weekly rate (including GST and QST) charged to customers for a room, and

- \$48.25 per week; and

D is the amount paid weekly by the employee for the room, if applicable.

**5.** Revenu Québec considers the formulas set forth in this bulletin to be reasonable methods for determining the value of the benefits received. However, these methods are not mandatory, and an employer may choose any other method that will precisely determine the value of the benefit received by an employee. In such a case, the employer must be able to justify the results with factual proof.

**6.** The value of the taxable benefit that a hotel or restaurant employee receives or enjoys with regard to the occupancy of a lodging or the consumption of meals must be added to the amount of remuneration paid to the employee for the purpose of determining the prescribed amount of tax that the employer must deduct or withhold at source under section 1015 of the TA.