

Tuition Another anomalous situation to be corrected (as proposed) will deny a tuition deduction where the employer pays schooling fees for an employee's child and the payment is made under tax-exempt circumstances. This can occur where the child must attend school away from home because schooling in his or her official language is not available locally.

Signing Bonuses Non-resident recipients of signing bonuses, non-competition payments and the like will now be subject to Canadian tax if the payor may deduct such payments. This provision, carried forward from the November 1981 Budget, would seem to have its biggest impact on athletes.

LOANS TO EMPLOYEES Some of the most troublesome proposals in the November Budget concerned the taxation of an imputed interest benefit on low interest loans received from one's employer. Essentially, that Budget proposed to further restrict loans as follows:

- to impute an interest benefit on other forms of indebtedness as well as loans;
- to eliminate the basic \$500 exemption of deemed benefit;
- to eliminate the exemption for housing loans of up to \$50,000 received during the course of a move;
- to withdraw the exemption for loans to acquire shares;
- to impose tax on the employee (or shareholder) even though the actual loan may have been made to a spouse or other related person; and
- to provide offset only for interest payments made within 30 days after the year-end.

Generally, these proposals are reflected in the June draft legislation. When an individual or partnership receives a loan, or otherwise incurs a debt with an employer, the employee will be deemed to receive a benefit calculated at rates that will change every quarter. Corporations that carry on a Personal Services Business (see Corporations section) will be treated like individuals for these purposes. The proposed wording will result in the employee or Personal Services Corporation being taxed on the interest benefit regardless of who receives the loan if the loan is made in respect of employment. Where a person or partnership is a shareholder of a corporation or is related to a shareholder, or is a member of a partnership or is a beneficiary of a trust that is a shareholder of a corporation, any low-interest loan will give rise to a benefit. Inter-corporate transactions at non-arm's length are exempted. All loans or debts made at market rates of interest at the time of the loan, given all the terms and conditions, are exempt from the imputed interest benefit rules.