



News Release

Remember, tips are taxable income

Ottawa, Ontario, January 21, 2008... The Canada Revenue Agency (CRA) wants to remind Canadians who earn tips and gratuities of the rules for reporting this income on their annual income tax returns. Restaurant servers, hairdressers, valets, taxi drivers and others who earn tips may not have all of their income recorded by the employer and therefore not included on their T4 slips.

The *Income Tax Act* is clear regarding the treatment of income from tips and gratuities: all tips are taxable and it is your responsibility to report any you receive. The CRA is committed to administering and enforcing the *Income Tax Act* in a fair and equitable manner, ensuring that the requirements under the law are met while respecting the rights of the individuals involved.

When people earn tips and do not report them, they are increasing the tax burden on their friends, family, and neighbours who have all of their income reported by their employers on their T4 slips. In preparing to file your tax return, you may have to contact your employer to find out if any or all of your tips will be included on your T4 slip. Even if you do not get a T4 slip to show your income from tips, you are still required to report all tips received in the course of your work and report the amount on line 104 of your return. It is your responsibility to keep track of all amounts received in the course of your employment. During a review or audit, CRA officers use the available records to confirm taxable income. If such records are not available, officers use other supporting information or documents available at the time of the review.

Taxpayers are entitled to fair treatment in all their dealings with the CRA, including the right to dispute an assessment. This right is important in maintaining a high degree of trust and confidence in the Canadian tax system. Taxpayers who do not agree with a reassessment always have a right to object. They may ask for a review by the CRA's Appeals Branch and if after this review they still do not agree, they may then ask a Judge of the Tax Court of Canada to rule on the amount assessed. If you haven't declared all of your income in the past, you may be able to correct your information using the CRA's Voluntary Disclosures Program. If you make a full disclosure before any compliance action is started, you may only have to pay the taxes owing plus interest, but not the penalties. For more information about the Voluntary Disclosures Program, visit:

www.cra.gc.ca/voluntarydisclosures.

Check for more information in our **Tax Alert** and **Fact Sheet**. To find out more about your responsibilities, contact us at 1-800-959-8281 or visit the CRA's Web site at **www.cra.gc.ca**. Using the A-Z button in the top-left menu, select "T" for "Tips and Gratuities".

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