

Cell Phone and Internet Claims Reimbursement Guideline

When University faculty and staff are required to perform some of their duties away from the office and seek reimbursement for home internet and/or cell phone service, the following guideline will assist with the application of the existing University of Guelph Travel and Expense Reimbursement Policy and Procedures. This does not cover reimbursements related to the work from home arrangements due to the ongoing COVID-19 pandemic. Guidance for these incremental expenses can found at: <https://news.uoguelph.ca/2019-novel-coronavirus-information/faq-employees/> under 'Logistics While Working Remotely'.

Based on Canada Revenue Agency (CRA) rules, if the employer pays for, or reimburses the cost of an employee's cell phone or internet service plan to help carry out their employment duties, the portion used for employment/business purposes is not a taxable benefit.

If part of the use of the cell phone or internet service plan is personal, then the value of the personal usage will be considered as a taxable benefit to the employee.

The department and claimant are responsible for determining the percentage of employment/business usage and including appropriate supporting documentation on the expense claims. The department and claimant should be prepared to justify that the claimed amount represents business usage if requested.

Guideline for Reimbursement of Cell Phone or Internet Service Plan:

A: Cell Phone Services:

For cellular phone service only, employee's personal use of the cellular phone service is not considered to be a taxable benefit if all of the following apply:

- the plan's cost is reasonable
- the plan is a basic plan with a fixed cost
- employee's personal use of the service does not result in charges that are more than the basic plan cost

B: Home Internet Service Claims can be Requested in Two Methods:

1. Claimant submits a portion of the actual bill that represents business usage to be reimbursed:

As per CRA requirement, only amounts used for business purposes may be claimed. When completing the expense claim, eligible employees are required to include, in the Purposes/Notes field, the percentage being claimed for business purposes. When approving claims, Chairs/Directors should ensure that the percentage claimed is reasonable as it is the University's responsibility for determining the percentage of business usage. Only in exceptional circumstances will high reimbursement percentages be permitted. For example, a household with an existing internet service that adds a dedicated second service for business use could be justification for a 100% business usage percentage.

Where the service being claimed is bundled with another service and no individual cost is available on the invoice/receipt, the eligible employee will be required to provide documentation of the current unbundled cost for each bundled service. The amount eligible to be claimed would be based on the ratio of the service being claimed to the total amount of all the unbundled services. However, where the unbundled cost for all services is not available, the amount eligible to be claimed would be based on the ratio of the number of services being claimed to the total number of services included in the bundle.

Example 1 – Unbundled Internet Service:

An eligible employee is claiming for internet service. They have determined that their business usage for that service is 30%. The cost of the internet service as itemized on the detailed invoice is \$90.

Since business usage was determined to be 30%, multiply the cost of the internet service (\$90) by the business usage (30%). The amount eligible to be claimed is $\$90 \times 30\% = \27 .

Example 2 – Bundled Internet Service Where Unbundled Costs Are Available:

An eligible employee is claiming for internet service. They have determined that their business usage for that service is 40%. The internet service is included in a bundle with TV service and the total cost is \$100. The provider does not break out the cost of the individual services included in their bundles. However, the provider does sell equivalent internet and TV services individually. When purchased alone, internet service would cost \$90 and TV service would cost \$60.

To determine the internet claim amount, first divide the unbundled internet cost (\$90) by the total of the unbundled internet and TV costs ($\$90 + \$60 = \$150$) and multiply by the total cost of the bundle (\$100). The internet value within the bundle is determined to be $\$90/\$150 \times \$100 = \60 . Next, since business usage was determined to be 40%, multiply the internet value (\$60) by the business usage (40%). The amount eligible to be claimed is $\$60 \times 40\% = \24 .

Example 3 – Bundled Internet Service Where Unbundled Costs Not Available:

An eligible employee is claiming for internet service. They have determined that their business usage for that service is 50%. The internet service is included in a bundle with TV service and home phone service and the total cost is \$120. The provider does not break down the cost of the individual services included in their bundles. Also, the provider does not sell equivalent services individually.

To determine the internet claim amount, divide the number of services being claimed (1) by the total number of services in the bundle (3) and multiply by the total cost of the bundle (\$120). The internet value within the bundle is determined to be $1/3 \times \$120 = \40 . Since business usage was determined to be 50%, multiply the internet value (\$40) by the business usage (50%). The amount eligible to be claimed is $\$40 \times 50\% = \20 .

2. A fixed dollar amount determined by the department is paid to the claimant as allowance.

Some departments may have a policy of reimbursing a fixed amount for these services. In these cases, a monthly allowance up to \$50 is allowed. This should only be allowed when the actual eligible business portion of the internet bill is higher than the fixed amount. The claimant should still acknowledge in “Purpose /Notes” of the claim, that the amount claimed represents the employee’s University of Guelph business usage.

For all of the above expense claims, a copy of the detailed invoice/receipt must be included for each billing period claimed. The required invoice/receipt should include the first page of the monthly statement showing the account holder’s name, account balance, and the detailed page showing the plan breakdown and cost. All calculations used to determine your claim amount must also be included with your claim.

Eligible employees claiming for internet or cell phone service should keep all records related to these claims and their justification for business usage as they may be asked to provide documentation related to the internet or cell phone service to the CRA. For more information, visit: Cellular phone and Internet services - Canada.ca