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NO: **IT-158R2**

DATE: JULY 14, 1989

SUBJECT: INCOME TAX ACT

Employees' professional membership dues

REFERENCE: Subparagraph 8(1)(i)(i) (also subsection 8(5))

Application

This bulletin cancels and replaces Interpretation Bulletin IT-158R dated March 13, 1978. Current revisions are designated by vertical lines.

Summary

The purpose of this bulletin is to discuss the circumstances under which an employee may deduct annual professional membership dues in computing the income or loss from an office or employment.

Discussion and Interpretation

1. An employee may deduct annual professional membership dues in computing the income or loss from an office or employment to the extent that they may reasonably be regarded as applicable to that source of income and provided that

(a) they are annual dues (in contrast with entrance fees) necessary to maintain professional status,

(b) the amount claimed is paid in the taxation year and the employee is not reimbursed or entitled to be reimbursed, and

(c) the professional status is recognized by a Canadian, provincial, or foreign statute.

2. In determining whether a payment is applicable to an office or employment for the purposes of 1 above, such a payment need not be essential for an employee to hold a position or job.

However, there must be a reasonable degree of relationship between it and the position or job. For example, a chemical engineer who is employed by a company to sell chemical products or who is the president of a company that processes chemicals satisfies this requirement in respect of engineering dues. On the other hand, an architect, who is working full-time as president of a clothing manufacturing business and who is not a practising architect does not satisfy the requirement and, accordingly, is not entitled to deduct dues paid to maintain professional status as an architect.

3. Since it is the employee's professional status (not the organization's) that must be recognized by statute, dues are only deductible where membership in an organization is necessary for the employee to retain professional status. If membership in a given association does not affect professional status (e.g., the Canadian Medical Association for physicians) dues to it are not deductible even if they entitle the employee to a designation of letters after his or her name. (However, see 5 below for an exception to this rule.) If, on the other hand, membership is necessary to maintain professional status (e.g., the provincial College of Physicians & Surgeons for the physician) the dues to it are deductible. Within these limitations, an employee may claim dues paid to more than one professional organization (e.g., a physician who belongs to the College of Physicians and Surgeons in two provinces). Where membership in a provincial organization is necessary to maintain an employee's professional status and the provincial organization requires payment of annual dues that, in part, are passed on to a national association, the entire amount of the annual dues qualifies as being necessary to maintain professional status even though direct membership in the national association by an employee would not affect the employee's professional status.

4. For the purposes of 1(c) above, it is not necessary that the employee's professional status be recognized by statute in the jurisdiction of employment. For example, where an employee, who resides and works in Alberta, belongs to an association in Australia where the employee's professional status is recognized by statute, the employee would be entitled to deduct dues paid to the association provided the other requirements in 1 above are met.

5. Where an employee works in a province that has no legislation that recognizes the employee's professional status, it may be necessary to belong to an organization in another province in order to maintain professional recognition outside the employee's province of residence. In such a case, dues paid to that organization may be deductible (see 4 above). Alternatively, there may be a federal organization to which the employee must belong to maintain professional status, and dues paid to the federal organization may be deductible in a similar way. Normally, the employee cannot claim both federal dues and provincial dues, unless it is essential to belong to both organizations in order to maintain professional status. The test is always whether membership in a particular professional organization is an essential prerequisite for carrying on that profession in the territory controlled by the organization, whether or not the member is actually carrying on the profession in that territory.

6. Membership dues which are not deductible under subparagraph 8(1)(i)(i) may be deductible under subparagraph 8(1)(i)(iv), which provides a deduction for annual dues to maintain membership in a trade union (see the current version of IT-103) or an association of public servants the primary object of which is to promote the improvement of the members' conditions of employment or work.

7. Subsection 8(5) provides that an employee may not deduct annual professional membership dues (or union dues under subparagraph 8(1)(i)(iv) or dues to a parity or advisory committee or similar body under subparagraph 8(1)(i)(vi)) to the extent that they are, in effect, levied

(a) for or under a superannuation fund or plan,

(b) for or under a fund or plan for annuities, insurance (other than professional or malpractice liability insurance that is necessary to maintain a professional status recognized by statute) or similar benefits, or

(c) for any other purpose not directly related to the ordinary operating expenses of the association (or trade union or parity or advisory committee or similar body) to which they were paid.

8. Dues paid by students before becoming members of a professional organization are not allowable under subparagraph 8(1)(i)(i), but may qualify as tuition fees under paragraph 60(f) for 1987 and prior years (see IT-82R3) or in computing a tuition tax credit under section 118.5 for 1988 and subsequent years (see the current version of IT-516).

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