Canada Revenue Agency | Agence du revenu du Canada

# Deducting Income Tax on Pension and Other Income, and Filing the T4A Slip and Summary Form

RC4157(E) Rev. 05

Canada

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If you have any comments or suggestions to help us improve the information contained in this guide, we want to hear from you. Please send your comments to:

Client Services Directorate
Canada Revenue Agency
750 Heron Road
Ottawa ON  K1A 0L5

## What's new?

### Internet File Transfer (XML)

As of January 2006, the Internet File Transfer (XML) filing option is available for payers who are using prepared payroll software to manage their business. T4A Internet File Transfer (XML) allows you to transmit a return with 1 to 500 slips (maximum file size of 610 kilobytes). All you need is a Web browser to connect to the Internet and your software will create, print, and save your electronic T4A information return in XML format. If you want information about this filing option, contact your software publisher or visit our Web site at **www.cra.gc.ca/magmedia** or **www.cra.gc.ca/t4internet**.

Internet filing is available from January 9, 2006, to early December 2006.

Visually impaired persons can get our publications in braille, large print, or etext (computer diskette), or on audio cassette from our Web site at **www.cra.gc.ca/alternate** or by calling **1-800-267-1267** weekdays from 8:15 a.m. to 5:00 p.m. (Eastern Time).

La version française de cette publication est intitulée *Comment retenir l'impôt sur les revenus de pension ou d'autres sources et établir le feuillet T4A et le formulaire Sommaire.*

# Table of Contents

# Chapter 1 – Before you start

## Is this guide for you?

Use this guide if you are a **payer**, such as an employer, a trustee, an estate executor (or liquidator), an administrator, or a corporate director, and you pay any of the following types of income:

- pension or superannuation;
- lump-sum payments;
- self-employed commissions;
- annuities;
- retiring allowances;
- patronage allocations;
- RESP accumulated income payments;
- RESP educational assistance payments;
- fees or other amounts for services; or
- other income such as research grants, certain payments under a wage-loss replacement plan, death benefits, and certain benefits paid to partnerships or shareholders.

You have to complete a T4A slip if you made any of the payments listed above and:

- the total of all payments in the calendar year was more than $500; or
- you deducted tax from any payment.

You have to prepare a T4A slip if you provided **group term life insurance** taxable benefits for former employees, even if the total of all benefits paid in the calendar year is $500 or less.

You have to prepare a T4A slip if you are the administrator or trustee of a multi-employer plan and you provided taxable benefits under the plan to employees or former employees, if the total of all benefits paid exceeds $25.

For a complete list of the types of other income covered in this guide, see "Box 28 – Other income" on page 15.

**Note**
In this guide, the term **recipient** refers to the beneficiary of a payment and includes employees, ex-employees, retired persons, and shareholders.

### Do not complete a T4A slip for:

- Payments made by a department or a Crown corporation for goods and services. Complete the T1204, *Government Service Contract Payments*.
- Payments made by individuals, partnerships, trusts, or corporations with construction as their primary business activity to subcontractors for construction services. Complete the T5018, S*tatement of Contract Payments*.
- Amounts paid or credited to a non-resident of Canada, such as interest, dividends, rental income, royalties, pension income, retiring allowances, or other similar types of passive income. For more information, see the *Non-Resident Withholding Tax Guide* (T4061).
- Lump-sum payments from a retirement compensation arrangement. Report them in box 16, "Distributions," of a T4A-RCA slip, *Statement of Amounts Paid From a Retirement Compensation Arrangement (RCA).* For reporting requirements, see the *Retirement Compensation Arrangements Guide* (T4041) or call **1-800-959-5525**.
- Amounts paid for management fees, director's fees, tips and gratuities, group term life insurance premiums paid for current employees, and other employment income. Report those amounts on a T4 slip.
- Payments under a supplementary unemployment benefit (SUB) plan as defined under the *Income Tax Act*. Maternity and parental leave top-up plans are not SUB payments as defined in the *Income Tax Act*, but are considered regular employment income and are not reported on a T4A slip. See the *Employer's Guide to Payroll Deductions and Remittances* (T4001) for details on maternity and parental top-up plans.

## What are your responsibilities?

As a payer, you must do the following:

- Deduct income tax from amounts you pay to recipients.
- Hold these deductions in trust for the Receiver General. You have to keep these amounts separate from the operating funds of your business. Make sure these amounts are **not** part of an estate in liquidation, assignment, receivership, or bankruptcy.
- Remit these deductions.
- Report the deductions on the T4A slip. You must file the T4A information return by the end of February of the following calendar year. See page 19.
- Keep records. You must keep records of what you do as our officers can ask to see them.

  Keep your paper and electronic records for at least six years after the year for which they relate. However, if you want to destroy them before the period is over, complete Form T137, *Request for Destruction of Books and Records.* See *Keeping Records* (RC4409) and Information Circular 78-10, *Books and Records Retention/Destruction*, for more information.

**Note**
If you fail to deduct or remit income tax as required, you may be subject to penalties and interest.

### Trustee in bankruptcy

Under the *Canada Pension Plan* and the *Employment Insurance Act*, the trustee in bankruptcy is the agent of the bankrupt employer in the event of an employer's liquidation, assignment, or bankruptcy.

Amounts paid by a trustee to employees of a bankrupt corporation to settle claims for wages that the bankrupt employer did not pay are taxable income but are not subject to payroll deductions (Canada Pension Plan contributions, Employment Insurance premiums, and income tax). These payments are to be reported in box 28, "Other income," of the T4A slip.

## What should you do if your business stops operating?

Send all unremitted amounts you withheld for the recipients to your tax centre **within seven calendar days** of the day your business ends. Send the T4A slips and T4A Summary to the Ottawa Technology Centre (see address on back cover) **within 30 days** of the day your business ends. You have to calculate the **pension adjustment (PA)** that applies to your former employees who accrued benefits for the year under your **registered pension plan (RPP)** or **deferred profit sharing plan (DPSP)**. Distribute copies of the T4A slips to your former employees.

For detailed information on how to complete a T4A slip and T4A Summary form, see Chapters 4 and 5.

If you prepare more than 500 slips, you have to file your return on magnetic media, as explained on page 19.

# Chapter 2 – Deducting income tax

In this section, you will find the information you need to correctly deduct income tax on some special payments.

## Special payments

**These payments are not pensionable or insurable.** Do not deduct Canada Pension Plan contributions or Employment Insurance premiums.

### Death benefits

A death benefit is the gross amount of any payment (including a payment to a surviving spouse or common-law partner, heir, or estate) on or after the death of an employee to recognize the employee's service in an office or employment.

If you pay a death benefit to a surviving spouse, common-law partner, or heir, that person may be able to deduct part of this payment (to a maximum of $10,000) when he or she files an income tax and benefit return. Do not deduct income tax from this part of the payment. For more information, see Interpretation Bulletin IT-508, *Death Benefits*.

Use the withholding rates for lump-sum payments shown on this page to deduct income tax from the rest of the death benefit.

### Life income fund (LIF)

Report on a T4RIF slip income paid from a life income fund (LIF). However, if a life annuity is bought from the proceeds of a LIF, the annuity payments have to be reported on a T4A slip.

### Lump-sum payments

Retiring allowances (as defined on page 7) are treated as lump-sum payments. You have to deduct income tax from a retiring allowance **unless** it is paid directly into a registered retirement savings plan (RRSP) or a registered pension plan (RPP).

You also have to deduct income tax from lump-sum payments that are:

- from a registered retirement savings plan (RRSP) or a plan referred to in subsection 146(12) of the *Income Tax Act* as an amended plan;
- from a registered pension plan (RPP);
- more than the minimum amount you have to pay to an annuitant under a registered retirement income fund (RRIF); or
- from a retirement compensation arrangement. These payments are reported in box 16, "Distributions," on a T4A-RCA slip, *Statement of Amounts Paid From a Retirement Compensation Arrangement (RCA)*

If you pay a lump-sum payment (such as a refund of premiums) to a deceased annuitant's spouse or common-law partner, do not deduct income tax.

#### Withholding rates for lump-sum payments

Combine all lump-sum payments that have or are expected to be paid in the calendar year when determining the composite rate to use. Use these federal and provincial or territorial composite rates:

- 10% (5% for Quebec) on amounts up to $5,000;
- 20% (10% for Quebec) on amounts from $5,000 to $15,000; and
- 30% (15% for Quebec) on amounts over $15,000.

Recipients may have to pay additional tax on these amounts when they file their returns. To avoid this situation, if a recipient requests it, you can:

- calculate the annual tax to deduct from the recipient's yearly remuneration, **including** the lump-sum payment (see "Step-by-step calculation of tax deductions" in Part A of the *Payroll Deductions Tables* – T4032);
- calculate the annual tax to deduct from the recipient's yearly remuneration, **not including** the lump-sum payment; and
- **subtract** the second amount from the first amount.

The result is the amount you deduct from the lump-sum payment if the recipient requests it.

If you make payments out of deferred profit sharing plans (DPSPs), call **1-800-959-5525** to find out how to deduct income tax.

Do not deduct income tax from a lump-sum payment if a recipient's total earnings received or receivable during the calendar year, including the lump-sum payment, are less than the "claim amount" on the employee's Form TD1, *Personal Tax Credits Return*. This does not apply to lump-sum payments paid to non-residents.

### Retroactive lump-sum payments

Certain retroactive lump-sum payments totalling $3,000 or more (not including interest) are eligible for a special tax calculation at the time of processing the individual's return, regardless of the amount of tax you withhold from the payment.

To qualify for a special tax calculation, the payments described on Form T1198, *Statement of Qualifying Retroactive Lump-Sum Payment*, must have been paid to the individual after 1994 for one or more years after 1977 throughout which the individual was a resident of Canada.

> **Note**
> If you pay a retroactive pay increase, see our guide called *Payroll Deductions and Remittances* (T4001).

You have to provide the following information in writing to the recipient:

- the year in which the lump-sum payment was made to the recipient;
- a complete description of the lump-sum payment and why it was paid;
- the total amount of the lump-sum payment, including a breakdown between the principal and the interest element, if any; and
- the principal amount of the lump-sum payment that relates to the current year and each of the preceding years covered by the payment.

You can provide this to the recipient by using Form T1198, *Statement of Qualifying Retroactive Lump-Sum Payment*. The recipient has to send Form T1198 to us and request the special tax calculation in his or her income tax and benefit return.

### Transfer of funds

A recipient can transfer a lump-sum payment out of an RPP or a DPSP to an RPP, an RRSP, a DPSP, or a RRIF. Do not deduct income tax on an amount that you transfer **directly** (not paid to the recipient) to an RPP, an RRSP, a DPSP, or a RRIF.

Trustees and administrators should use Form T2151, *Direct Transfer of a Single Amount Under Subsection 147(19) or Section 147.3*, to transfer the lump-sum payment directly on a recipient's behalf. The receiving carrier should not issue receipts. The transferring carrier has to keep the necessary documents to support the transfer.

The *Income Tax Act* sometimes limits how much of an RPP lump-sum payment you can transfer directly to such registered plans. If the amount you transfer is more than these limits, the recipient has to include the excess transfer in his or her income and you have to deduct income tax on the amount you did not directly transfer. You cannot transfer this amount to another RPP, RRSP, or DPSP.

You **cannot** transfer to an RPP any benefits and lump-sum payments you paid after February 15, 1984, from a pension fund or plan that is not registered under the *Income Tax Act*.

Amounts from RRSPs and RRIFs may also be transferred on a tax-deferred basis in accordance with various provisions of the *Income Tax Act*. For more information about transferring funds between plans, see Interpretation Bulletin IT-528, *Transfers of Funds Between Registered Plans*.

## Patronage payments

Patronage payments include:

- certificates of indebtedness;
- amounts credited towards the balance a recipient may owe the payer of the patronage; and
- shares of a corporation that an individual receives because of a patronage payment.

You have to apply a withholding tax of 15% on the value of patronage payments that Canadian residents receive in a year. This withholding tax applies to the payment or to the total of several payments of more than $100 you made during the year.

**Example**
You give Luan a $250 patronage payment. The amount on which you apply the 15% withholding tax is $150 ($250 – $100). The withholding tax is $22.50 ($150 × 15%).

Complete the remittance voucher at the bottom of Form PD7A, *Statement of Account for Current Source Deductions*, and include it with the deducted amount you are sending to the Receiver General.

The withholding tax does not apply to Canadian residents who are exempt under section 149 of the *Income Tax Act.*

For more details, see Interpretation Bulletin IT-362, *Patronage Dividends*.

## Registered education savings plan (RESP)

Investment earnings in an RESP can be paid to the subscriber or, in some circumstances, to a person other than the subscriber. These payments are called accumulated income payments (AIPs).

If, as the promoter of an RESP, you make AIPs, you have to withhold amounts for tax payable under Part I and Part X.5 of the *Income Tax Act*.

The amount subject to withholding taxes may be reduced if both of the following conditions are met:

- the recipient of the AIPs is the original subscriber (or, after the death of the original subscriber, his or her spouse or common-law partner if there is no other subscriber); and
- the original subscriber (or, after the death of the original subscriber, his or her spouse or common-law partner if there is no other subscriber) has completed Form T1171, *Tax Withholding Waiver on Accumulated Income Payments From RESPs*, and asks that you transfer the payment directly to the subscriber's registered retirement savings plan (RRSP) or spousal or common-law partner RRSP.

If you are satisfied that these conditions and those explained on Form T1171 are met and you can reasonably believe that the recipient of the AIPs will deduct that amount as an RRSP contribution for the year you paid it, you do not have to withhold any taxes on the amount transferred.

The amount subject to withholding tax is the AIP **minus** the reduction determined on Form T1171.

Report all payments from an RESP on a T4A slip.

See the information sheet called *Registered Education Savings Plans (RESPs)* (RC4092).

## Retiring allowances

A retiring allowance (also called severance pay) is an amount paid to officers or employees when or after they retire from an office or employment in recognition of long service or for the loss of office or employment.

A retiring allowance **includes**:

- payments for unused sick-leave credits on termination; and
- amounts individuals receive when their office or employment is terminated, even if the amount is for damages (wrongful dismissal).

A retiring allowance **does not include**:

- a superannuation or pension benefit;
- an amount an individual receives as a result of an employee's death,(these payments may be treated as death benefits);
- a benefit derived from certain counselling services;
- payments for accumulated vacation leave not taken prior to retirement;
- pay in lieu of termination notice; and
- damages for violations or alleged violations of an employee's human rights awarded under human rights legislation to the extent these amounts are not taxable, as explained in Interpretation Bulletin IT-337, *Retiring Allowances.*

If you pay a retiring allowance to a **resident** of Canada, deduct income tax from any part you pay directly to the recipient. Use the lump-sum withholding rates shown on page 5 to deduct income tax.

If you pay a retiring allowance to a **non-resident** of Canada, you have to withhold 25% of the retiring allowance (subject to various tax conventions and agreements). Send this amount to the Receiver General on the non-resident's behalf. For more information, see Interpretation Bulletin IT-337, *Retiring Allowances,* and T4145*, Electing Under Section 217 of the Income Tax Act*.

### Transfer of a retiring allowance

There are situations when a person can transfer all or part of a retiring allowance to a registered pension plan (RPP) or a registered retirement savings plan (RRSP).

A retiring allowance may be paid over one or more years. The amounts paid in any particular year may be transferred to an RRSP or an RPP, but cannot exceed the employee's eligible portion of the retiring allowance minus the eligible portion transferred by the employee in a prior year. The amount of retiring allowance paid in each year should be reported in Box 26 each year. The accumulated payments cannot exceed the total eligible amount. The balance should be reported in Box 27. For example if an employee receives $60,000 payable in instalments of $10,000 over 6 years and has an eligible amount of $40,000, the amounts reported in the first 4 years should be reported in Box 26, while the amounts paid in years 5 and 6 should be reported in Box 27.

You do not have to deduct income tax on the eligible retiring allowance that is transferred directly to the recipient's RPP or RRSP. If you transfer the amount to an RPP, you may have to report a pension adjustment (PA). For information, contact your plan administrator.

The amount that is eligible for transfer under section 60*(j.1)* of the *Income Tax Act* is limited to:

- $2,000 for each year or part of a year before 1996 that the retiree worked for you (or a person related to you); plus
- $1,500 for each year or part of a year before 1989 of that employment in which none of your contributions to the RPP or DPSP were vested in the employee's name when you paid the retiring allowance. Determine the equivalent number of years of vesting by referring to the terms of the particular plan. The number can be a fraction.

The recipient can contribute the **non-eligible part** to his or her RRSP, or to a spousal or common-law partner's RRSP, up to the amount of the recipient's available RRSP deduction limit. In this situation, you will withhold income tax.

However, you can contribute the non-eligible part directly on the recipient's behalf to his or her RRSP or to a spousal or common-law partner RRSP **if** you have reasonable grounds to believe that the amount can be claimed based on the recipient's RRSP deduction limit. In this situation, you do not have to deduct income tax on the amount of the retiring allowance that you transfer directly.

**Example**
In November 2001, you pay Bruno, your ex-employee, who is single, a retiring allowance of $50,000. He worked for you from 1980 to 2001 (22 years, including part-years of service). According to the terms of the pension plan, his contributions are not vested in the pension plan. Therefore, you can only reimburse his contributions to the plan.

Calculate the amount of retiring allowance eligible for transfer as follows:

| | |
|---|---|
| ■ $2,000 × 16 years (from 1980 to 1995, including part-years) | $32,000 |
| **plus** | |
| ■ $1,500 × 9 years (from 1980 to 1988, including part-years) | $13,500 |
| **Total eligible for transfer** | **$45,500** |

**Note**
You can no longer transfer $2,000 per year of service to an RPP or RRSP for 1996 and following years.

Bruno is allowed to transfer directly $45,500 to an RPP or RRSP, without tax deductions.

The difference of $4,500 between the allowance paid and the maximum eligible for transfer could be directly transferred to Bruno's RRSP, without tax deductions, if he informs you that it is within his deduction limit.

For more information about retiring allowances, see Interpretation Bulletin IT-337, *Retiring Allowances*.

## How do you calculate tax deductions?

The payroll deductions tables contain information to help you calculate the amount of income tax that you have to deduct. Use the provincial or territorial tables for the province or territory in which the recipient resides.

You can get any of the following versions of the payroll deductions tables:

- *Payroll Deductions Tables* (T4032) and *Payroll Deductions Supplementary Tables* (T4008) – You can use these tables to calculate your recipients' payroll deductions.

  Payroll deductions tables for all provinces and territories are available on our Web site at **www.cra.gc.ca/payroll** (see "What's new")**.** You can order a paper copy from our Web site at **www.cra.gc.ca/orderforms** or by calling **1-800-959-2221**. The tables are on the Web site three weeks before the printed copies are available.

- *Tables on Diskette (TOD)* (T4143) – This is an electronic version of the *Payroll Deductions Tables* (T4032) and *Payroll Deductions Supplementary Tables* (T4008). TOD calculates payroll deductions of federal, provincial (except Quebec), and territorial income tax. TOD calculates the deductions for any pay period, for commission income, and for special payments such as bonuses.

  TOD (T4143) is available on our Web site. It is also available on the Electronic Document Distribution System (EDDS). For more information, see the *Payroll Deductions Tables* (T4032) or call **1-800-959-5525**.

- *Payroll Deductions Formulas for Computer Programs* (T4127) – If you have a computer, you may want to use these formulas instead of the printed tables to calculate your recipients' payroll deductions of federal, provincial (except Quebec), and territorial income tax.

  If the **computer formulas** you want to use are different from the ones in the guide called *Payroll Deductions Formulas for Computer Programs* (T4127), you have to submit them to any tax services office or tax centre for approval.

All versions of the payroll deductions tables are available for each province and territory and for employees working outside Canada.

## Form TD1, *Personal Tax Credits Return*

Individuals who receive salary, wages, commissions, Employment Insurance benefits, pensions, or other remuneration, and **want to claim more than the basic personal amount**, have to complete a federal and a provincial or territorial Form TD1, *Personal Tax Credits Return*.

These forms outline the credits that recipients can claim when filing their income tax and benefit returns. They should complete new TD1 forms within seven days of any change to a situation that will affect their returns.

Individuals who do not complete new forms may be subject to a penalty of $25 for each day the form is late. The minimum penalty is $100; the maximum is $2,500.

It is a serious offence to knowingly accept a TD1 form that contains false or deceptive statements. If you think a TD1 form contains incorrect information, call **1-800-959-5525**.

Keep completed TD1 forms on file in case we ask to see them.

### Claim codes

The claim codes are listed in the *Payroll Deductions Tables* (T4032). In some cases you will have to use one claim code for the federal Form TD1 and another claim code for the provincial or territorial form.

If you use *Tables on Diskette* (*TOD*), you will find a listing of the claim codes on the Help Menu by selecting "Index" and then "What's New?"

## Penalty and interest

### Penalty – Failure to deduct

We can assess a penalty of **10%** of the amount you fail to deduct. If you fail to deduct the required amount of CPP, EI, or income tax more than once in a calendar year, we **may** apply a **20%** penalty to the second or later failures if they were made knowingly or under circumstances of gross negligence. Generally, we only apply the 10% penalty to the part of the amount you failed to deduct that is more than $500.

However, we may apply the 10% penalty to the total amount if the failure was made knowingly or under circumstances of gross negligence.

### Interest

We can charge interest from the day your payment is due. For due dates, see Chapter 3, Remittance Methods.

### Waiving penalties and interest

The fairness provisions of the *Income Tax Act* give us some discretion to cancel or waive all or a part of any interest charges and penalties. This allows us to consider extraordinary circumstances that may have prevented payers from fulfilling their obligations under the *Income Tax Act*. See Information Circular 92-2, *Guidelines for the Cancellation and Waiver of Interest and Penalties*.

# Chapter 3 – Remittance methods

There are several methods to choose from when remitting your deductions.

## Are you a new remitter?

If you have never remitted Canada Pension Plan (CPP) contributions, Employment Insurance (EI) premiums, or income tax deductions before, call **1-800-959-5525**. We will give you a Business Number and tell you how to remit your deductions. New employers are considered regular remitters.

When you make your first payment, send a cheque or money order to any tax centre. Make the cheque or money order payable to the Receiver General, and include a letter stating:

- that you are a new remitter;
- the period your remittance covers;
- your complete employer name, address, and business telephone number; and
- your Business Number, if you have one.

We will send you a remittance form in the mail each month after you make your first remittance and then following each subsequent remittance. If you do not receive a form in time for your next payment, send in the payment as described above. In your letter, be sure to indicate that you did not receive your remittance form.

# Remitter types and information

## Regular remitter

If your average monthly withholding amount (AMWA) two years ago was less than $15,000, you are a regular remitter and have to remit your deductions so we receive them on or before the 15th day of the month following the month you made the deductions.

We consider a remittance that was due on January 15 of the current year (for deductions you made in December of the previous year) to be late if it is paid with the previous year's T4 information return, and this return is filed after January 15.

## Quarterly remitter

Quarterly remitting gives payers the option of remitting source deductions once every three months.

To qualify for quarterly remitting, a payer has to:

- have an average monthly withholding amount (AMWA) of less than $1,000 in either the first or the second preceding calendar year;
- have a perfect compliance history in the previous 12 months; and
- have no outstanding GST/HST returns or T4A information returns for the previous 12 months.

  **Note**
  We consider a payer to have a perfect compliance history when all deductions and remittances of income tax, GST/HST, CPP contributions, and EI premiums have been made on time, and T4A information returns and GST/HST returns are also filed on time.

- You do not have to apply to remit quarterly. If you are a new eligible payer, we will notify you by mail that you have the option to remit quarterly, and we will provide more information on quarterly remitting. Payers who remain eligible to remit quarterly from one year to the next will not be re-notified by letter. If you are currently an eligible quarterly remitter, and you have not been notified to the contrary, you may continue to remit quarterly.

The quarters are January to March, April to June, July to September, and October to December. Remittances are due the 15th day of the month immediately following the end of each quarter. The due dates are April 15, July 15, October 15, and January 15.

**Notes**
We conduct an annual review to identify payers who qualify to be quarterly remitters. However, if at any time after 12 months of business a payer feels they have met the conditions mentioned above, they can contact their tax services office and apply to remit quarterly.

A payer who fails to comply with all the required conditions loses the quarterly remitting privilege. To regain the privilege, the payer has to re-establish a 12 month history of compliance. Also, a payer with multiple payroll deductions accounts must meet the compliance requirements for all accounts. If one payroll deductions account is ineligible, the payer loses the quarterly remitting privilege for all accounts.

## Accelerated remitter

There are two groups of accelerated remitters (also called thresholds).

### Threshold 1

This group includes employers, including those with associated corporations, who had a total average monthly withholding amount (AMWA) of $15,000 to $49,999.99 two calendar years ago.

Amounts you withhold from remuneration paid in the first 15 days of the month are due by the 25th of the same month. Amounts you withhold from the 16th to the end of the month are due by the 10th day of the following month.

Threshold 1 employers can make payments at their Canadian financial institution or any tax centre.

### Threshold 2

This group includes payers, including those with associated corporations, who had a total average monthly withholding amount (AMWA) of $50,000 or more two calendar years ago.

Amounts you withhold from remuneration you pay any time during the month are due by the third working day (not counting Saturdays, Sundays, or holidays) after the end of the following periods:

- from the 1st through the 7th day of the month;
- from the 8th through the 14th day of the month;
- from the 15th through the 21st day of the month; and
- from the 22nd through the last day of the month.

Threshold 2 employers have to make payments at their Canadian financial institution. They cannot make their payments at a tax services office or tax centre.

Threshold 1 and Threshold 2 accelerated remitters are considered to be monthly accelerated remitters if they have a payroll frequency of only once a month.

### Associated corporations

If a corporation is associated with one or more corporations in the current year, and the total average monthly withholding amount in the second preceding calendar year before the current calendar year of all the associated corporations was $15,000 or more, we consider all the associated corporations to be accelerated remitters. The definition of associated corporations in the *Income Tax Act* applies in this situation.

> **Note**
> Under the *Income Tax Act*, employers have the option of changing their remitting frequency based on their average monthly withholding amount in the previous year. If you want to use this option, contact any tax services office or tax centre. We will review your account and let you know in writing when we have to receive your deductions.

## What if my remittance due date falls on a Saturday, Sunday, or public holiday?

If your remittance due date is a Saturday, Sunday, or public holiday, the remittance is due on the next business day. For a list of holidays, see **www.cra.gc.ca/duedates**.

## Average Monthly Withholding Amount (AMWA)

We determine the type of remitter you are by adding up all the CPP, EI, and tax amounts you had to send us for your payroll accounts two calendar years ago. We divide the total by the number of months (maximum 12) that you had to make payments in that year. For example, if you made two monthly remittances totalling $120,000 in 2004, your average monthly withholding amount for 2006 would be $60,000 ($120,000 divided by 2). If your remitter type changes based on our calculations, we will advise you in writing, usually in December, of when we have to receive your remittances for the year.

## Remittance forms

To make your remittance, you must use one of the following forms:

- Form PD7A, *Statement of Account for Current Source Deductions*, for regular, quarterly, and monthly accelerated remitters; or
- Form PD7A(TM), *Statement of Account for Current Source Deductions*, or Form PD7A-RB, *Remittance Voucher for Current Source Deductions*, for accelerated remitters (other than monthly accelerated remitters who use Form PD7A).

It is important that you complete your remittance voucher (which corresponds to the bottom part of the remittance form) correctly so we can apply your remittance to your account.

## Form PD7A

We will issue Form PD7A to each eligible regular, quarterly, and monthly accelerated remitter to remit payments.

**Form PD7A has three parts:**

**Top part –** This part is a statement of account from us. It shows:

- the date of your statement of account;
- your account number (Business Number);
- your business name; and
- balances on your last statement:
  - **amounts paid for (year indicated)**, which are payments we received for your deductions for the year indicated; and
  - **assessed amount owing,** which is the amount you had to pay on assessments of deductions, including penalties and interest;
- current balances:
  - **amounts paid for (year indicated)**, which are the amounts you paid for your deductions for the year indicated; and
  - **assessed amount owing,** which is your balance owing on assessments of deductions, including penalties and interest; and
- an explanation of changes.

For information about accounting entries and remitting procedures, see the back of Form PD7A.

**Bottom part** – This part is your remittance voucher for current remittances.

When you complete the bottom part, ensure that the following information is correct:

- Your name, address, and account number (Business Number).
- The gross payroll for the remitting period (rounded to the nearest dollar). This represents all remuneration that you pay before you make any deductions, such as income tax. It includes regular wages, commissions, overtime pay, paid leave, taxable benefits and allowances, piecework payments, and special payments. It is the same as the monthly total of all amounts that would appear in box 14, "Employment income," on your employees' T4 slips. (For quarterly remitters, it is the total of these amounts for the last month of the quarter).
- The number of employees in the last pay period. This includes any employee for whom you will prepare a T4 slip, such as part-time and temporary employees, and employees absent with pay. Do not include people for whom you will not complete a T4 slip. Do not include those who you did not pay in the last pay period in the month or quarter, such as employees on unpaid leave.
- The end of the remitting period for which deductions were withheld. Enter the month and year for which you are remitting (for regular remitters) or the last month and the year of the quarter for which you are remitting (for quarterly remitters).
- The amount paid. This is the total tax, CPP, and EI (employer and employee portions) you are remitting.

**Back of the form –** This part can be used if you will not be making a remittance during the month or quarter.

It also provides information on our TeleReply service.

If you mail your cheque or money order payable to the Receiver General, keep the top part as a record of your payment and send the bottom part of Form PD7A to the following address:

Canada Revenue Agency
875 Heron Road
Ottawa ON  K1A 1B1

If you need more information about Form PD7A, contact the tax services office that appears under the section "Explanation of changes" on the form.

## Form PD7A(TM)

Each month, we send Form PD7A(TM) to all accelerated remitters, except monthly accelerated remitters (who receive Form PD7A).

### Form PD7A(TM) has two parts:

**Top part** – This part is a statement of account from us. It shows:

- the date of your statement of account;
- your account number (Business Number);
- your business name; and
- balances on your last statement:
  - **amounts paid for (year indicated)**, which are payments we received for your deductions for the year indicated; and
  - **assessed amount owing**, which is the amount you had to pay on assessments of deductions, including penalties and interest;
- current balances:
  - **amounts paid for (year indicated)**, which are the amounts you paid for your deductions for the year indicated; and
  - **assessed amount owing**, which is your balance owing on assessments of deductions, including penalties and interest; and
- an explanation of changes.

For information about accounting entries and remitting procedures, see the back of Form PD7A(TM).

**Bottom part** – This part is your remittance voucher for current remittances.

When you complete the bottom part, ensure that the following information is correct:

- Your name, address, and account number (Business Number).
- The gross payroll for the remitting period (rounded to the nearest dollar). This represents all remuneration that you pay before you make any deductions, such as income tax. It includes regular wages, commissions, overtime pay, paid leave, taxable benefits and allowances, piecework payments, and special payments. It is the same as the total of all amounts for the remitting period that would appear in box 14, "Employment income," on your employees' T4 slips.
- The number of employees in the last pay period. This includes any employee for whom you will prepare a T4 slip, such as part-time and temporary employees, and employees absent with pay. Do not include people for whom you will not complete a T4 slip. Do not include those you did not pay in the last pay period of the remitting period, such as employees on unpaid leave. If you have various pay groups (for example, executive, hourly, and salaried), include all employees paid in each group's last pay period, but do not count any person twice.
- The end of remitting period (YY MM DD). Threshold 1 accelerated remitters have two remitting periods per month. Therefore, they should enter either "15th" or "month-end" as their "end of remitting period" on the remittance form. Threshold 2 accelerated remitters have four remitting periods per month. Therefore, they should enter either "7th," "14th," "21st," or "month-end," as their "end of remitting period."
- The amount paid. This is the total tax, CPP, and EI (employer and employee portions) you are remitting.

When you make your payment at your financial institution or tax centre, complete the top and the bottom parts of Form PD7A(TM) and present them with your payment. The recipient will date-stamp the bottom part and return the top part to you as a receipt.

**Note**
Threshold 2 remitters and certain payroll service companies have to make payments at their **financial institution**. They cannot make their payments at a tax services office or tax centre.

## Form PD7A-RB

As well as sending Form PD7A(TM) monthly, each December we provide accelerated remitters (except monthly accelerated remitters who receive Form PD7A) with a booklet of PD7A-RB forms to use to remit payments. If you do not receive your booklet or if you would like more booklets, contact any tax services office or tax centre.

### Form PD7A-RB has two parts:

**Top part** – This part is a receipt.

**Bottom part** – This part is your remittance voucher when making your payment. To complete this part, see "Bottom part" under the heading "Form PD7A(TM)"on this page.

## E-PD7A

E-PD7A is a new online service being offered that lets you receive and view your Statement of Account for Current Source Deductions. E-PD7A replaces the paper version of the PD7A and the PD7A(TM). For information see **www.cra.gc.ca/payroll.**

## Not making a remittance

If you are not making a remittance for the month or quarter, you may notify us via our TeleReply service, or by mail.

If you prefer not to use TeleReply, complete the voucher and mail it to us. Be sure to indicate when you expect to have employees subject to deductions.

### TeleReply

You can use TeleReply if you currently have no employees, are submitting nil remittance information for your payroll deductions account; and the Business Number printed on your remittance voucher is correct.

If you use TeleReply, do not mail your remittance voucher to us, but fill it out and keep it for your records.

#### Hours of operation

You can use TeleReply during the following local times:

- Monday to Friday............. 8:00 a.m. to 7:30 p.m.
- Saturday............................. 8:00 a.m. to 4:30 p.m.

You cannot use TeleReply on holidays.

#### What do you do before you call TeleReply?

Before you call TeleReply, you should complete the back of your remittance voucher, make sure the Business Number and address printed on your remittance voucher are correct, and have this information with you when you call TeleReply.

> **Notes**
> For best results, and to ensure your privacy, do not use a cordless or cellular telephone or one with the keypad in the handset. Also, if at any time during the call we tell you that you cannot use TeleReply, you will have to mail your remittance voucher.

#### How do you use TeleReply?

1. Call TeleReply at **1-800-959-2256**.
2. Follow the step-by-step instructions to enter your information.
3. At the end of the call, we will ask you to confirm the information you entered.
4. Write down the confirmation number we will give you and keep it and your payroll remittance voucher with your records.
5. If we do not give you a confirmation number, your information will not be processed. You will have to call TeleReply again or mail your completed payroll deductions remittance voucher to us.

If you need more information, visit our Web site at **www.cra.gc.ca/telereply** or call **1-800-959-5525.**

## Remittance methods

### Electronically

You may be able to remit your deductions electronically through your financial institution's telephone or Internet banking services. For more information, visit our Web site at **www.cra.gc.ca/electronicpayments** or contact your financial institution.

### By mail

You can mail a cheque or money order payable to the Receiver General to the address listed in your package or on the back of your remittance voucher. Complete and include the bottom part of your remittance voucher with your payment. Allow enough mailing time to ensure that we receive your payment by the due date. **Do not send cash in the mail.**

### At your financial institution

You can make your payment at your Canadian financial institution. Complete the remittance voucher and present it with your payment. The financial institution will date stamp the bottom part and return the top part to you as a receipt.

### Using the ATM (automated teller machine)

If you use an ATM to send us a payment, allow time for the financial institution to process the payment. The institution will debit your account when you use the ATM. However, you should allow time for us to receive the payment. An ATM receipt **is not** proof of payment by the due date.

## Missing or lost remittance forms

If you are a **regular** or **quarterly** remitter and do not receive your remittance form for the month or quarter, or if you lose one, send your cheque or money order made payable to the Receiver General to your tax centre. Include a short note that states your Business Number and the month or quarter for which you withheld the deductions.

If you are an **accelerated** remitter and you did not receive your remittance forms or you lost them, contact any tax services office or tax centre.

> **Note**
> Even if you do not have a remittance form, you still have to send us your remittance so that we receive it by the due date.

## Do you have more than one account?

If you remit deductions for more than one account, make sure you give a breakdown of the amounts intended for each account. This enables us to credit the proper amounts to the correct accounts.

## *Notice of Assessment* – Payroll deductions

If you receive a *Notice of Assessment*, use only the remittance voucher attached to the notice to make your payment.

Use only Forms PD7A, PD7A(TM), and PD7A-RB for current remittances.

## Service bureaus

Service bureaus or similar institutions that take care of payroll deductions for clients can remit a lump-sum payment for the amounts they deduct for their clients. They have to provide the following information for each client:

- the Business Number;
- the amount remitted;
- the gross payroll; and
- the number of employees in the last pay period.

If you use a service bureau or similar institution to remit your deductions, you are still responsible for making sure that the institution withholds your deductions and sends them to us on time.

## Remitting error

If you discover that you made an error in remitting your source deductions, you should remit any shortage as soon as possible using another remittance form, or by writing a short letter giving your Business Number and the pay period for which it applies.

If you have over-remitted, reduce your next remittance by the amount of the overpayment.

If your remittance is late, we may apply a late-remitting penalty.

## Penalty

### Failure to remit / late or deficient remittances

We can assess a penalty of up to 20% of the amount you failed to remit when you withhold the amounts, but do not remit them, or when we receive the amounts you withheld past the due date. For example, if a remittance that was due on January 15 of the current year (for deductions you made in December of the previous year) is paid with the previous year's:

- T4A information return, and this return is filed after January 15; or
- if you have not paid by the prescribed date the total deductions reported and you include with your T4A return the balance due indicated in box 86 of the T4A Summary form.

In addition, we consider an NSF cheque to be a failure to remit and will automatically apply a penalty.

Generally, we only apply this penalty to the part of the amount you failed to remit that is more than $500. However, we may apply the penalty to the total amount if the failure was made knowingly or under circumstances of gross negligence.

If the remittance due date is a Saturday, Sunday, or public holiday, your remittance is due on the next business day.

### Waiving penalties and interest

The fairness provisions of the *Income Tax Act* give us some discretion to cancel or waive all or a part of interest charges and penalties. This flexibility allows us to consider extraordinary circumstances that may have prevented payers from fulfilling their obligations under the *Income Tax Act*. See Information Circular 92-2, *Guidelines for the Cancellation and Waiver of Interest and Penalties.*

# Chapter 4 – T4A Slips

## Types of T4A slips available

You can order the **single-page** slip for laser or ink jet printers, typing, or hand-filling (3 slips per page) by completing the online order form at **www.cra.gc.ca/forms** or calling **1-800-959-222**1.

We accept forms on other than our original pre-printed paper. You can get blank copies of carbonless T4A slips and blank T4A Summary forms from **www.cra.gc.ca/forms** and print them on plain white paper. The T4A is also available from **www.cra.gc.ca/fillable,** which you can use to create, save, print and send.

## General guidelines

- Make sure the social insurance number (SIN) and name you enter on the T4A slip for each recipient are the same as on his or her SIN card. If the employee does not give you his or her SIN, you should be able to show that you made a reasonable effort to get it. For example, if you contact an employee by mail to ask for his or her SIN, record the date of your request and keep a copy of any correspondence that relates to it. If you do not make a reasonable effort to get a SIN, you may be subject to a penalty of $100 for each failure. If you cannot obtain a SIN from the recipient, file your information return, without the SIN, no later than the last day of February. If you do not, you may be subject to a **penalty**.

  For more information related to the SIN, see Information Circular 82-2, *Social Insurance Number Legislation That Relates to the Preparation of Information Slips*, or visit the Web site of Human Resources and Skills Development Canada at **www.hrsdc.gc.ca**.
- Complete the slips clearly and in alphabetical order.
- Use a standard 10- or 12-character per inch font if you are typing or generating the slips by computer.
- Report all amounts you paid during the year in Canadian dollars and cents.
- Do not show hyphens or dashes between numbers or names.
- Do not enter the dollar sign ($).
- Do not put negative dollar amounts on slips. To make changes to previous years, send us an amended slip for the years in question.
- If you do not have to enter an amount in a box, do not enter "nil"—leave the box blank.
- Do not change the headings of any of the boxes.

## Detailed instructions

#### Recipient's name and address

In the area next to the arrow, enter the last name of the person to whom you made the payment, followed by the first name and initials. Directly below the name, enter the person's address, including the province, territory, or U.S. state, Canadian postal code or U.S. zip code, and country.

### Payer's name

Enter your operating or trading name in the space provided on each slip.

### Footnote codes and explanation

In many cases, we ask you to enter an explanatory note and a corresponding code to describe payments or part payments. Use the "Footnotes codes and explanation" area of the T4A slip to report certain kinds of income or identify transfers of funds under certain sections of the *Income Tax Act*. Enter the corresponding code in box 38. You can find a complete list of the possible codes and explanations in the section called "Box 38 – Footnote codes" on page 17.

### Year

Enter the four digits of the calendar year in which you made the payment to the recipient.

### Box 12 – Social insurance number

Enter the social insurance number (SIN) of the recipient.

### Box 13 – Business Number (BN)

If the recipient of the reported amount is a business (sole proprietor, partnership, or corporation), enter the first nine digits of the recipient's BN.

### Box 14 – Recipient's number

If you wish, you can enter a retiree, an employee, or a payroll number.

### Box 16 – Pension or superannuation

Enter the taxable part of annuity payments you paid to an employee or retired employee out of, or under, a superannuation or pension fund or plan, including disability benefits paid in the form of a life annuity.

You may have paid superannuation or pension benefits from an employee benefit plan for services that a person rendered in a period during which the person did not reside in Canada. If you paid the benefits periodically, report the amount in box 16. These payments **cannot** be transferred to a registered pension plan (RPP) or RRSP.

**Unregistered pension plan** – You have to identify pension benefits you paid from a pension fund or plan that is not registered. In the footnotes area, enter "Box 16, Unregistered $________." In box 38, enter **09**. These benefits **cannot** be transferred to a registered plan.

**Status Indian** – Pension or superannuation is usually exempt from income tax when a person receives it as a result of employment income that was exempt from tax. If part of the employment income was exempt, then a similar part of these amounts is also exempt. Do not include the exempt income in box 16. Include it in the footnotes area. Enter "Box 16, Status Indian (exempt income) $________." In box 38, enter **14**.

## Disability benefits

Enter the disability benefits paid as a life annuity in box 16.

Enter the disability benefits paid out of a superannuation or pension plan in box 28, "Other income."

### Box 18 – Lump-sum payments

In box 18, enter the following payments:

- the taxable part of a **single payment** out of a pension fund or plan because of a:
  - withdrawal from the plan, retirement from employment, or death of an employee or former employee; or
  - termination of, amendment to, or modification of the plan; and
- the taxable part of a **single payment** out of a deferred profit sharing plan (DPSP) due to a withdrawal from the plan, retirement from employment, or death of an employee or former employee.

If you include lump-sum payments out of RPPs and DPSPs accrued to December 31, 1971, in the footnotes area, enter "Box 18, Accrued to December 31, 1971 $________." In box 38, enter **10**.

**Direct transfers** – Do not report direct transfers of RPP lump-sum payments to RRSPs, RRIFs, or other RPPs that are transferred according to subsections 147.3(1) to (8) of the *Income Tax Act*. Similarly, do not report direct transfers of DPSP lump-sum payments to RPPs, RRSPs, RRIFs, or other DPSPs that are transferred according to subsection 147(19) of the Act. You do not have to report as income a lump-sum amount directly transferred according to these subsections. Also, the receiving carrier should not issue receipts. You can use Form T2151, *Direct Transfer of a Single Amount Under Subsection 147(19) or Section 147.3,* to document these direct transfers.

**Amounts not eligible for transfer** – Amounts transferred that are higher than the amounts allowed under subsections 147.3(1) to (8) or 147(19) of the *Income Tax Act* are considered income in the year they are transferred. Report such amounts in box 18. The receiving carrier should issue a receipt for these excess transfers.

If you paid a single amount out of an RPP to an individual or you transferred such an amount that we consider to be income, in the footnotes area, enter "Box 18, RPP – not eligible for transfer $________." In box 38, enter **08**.

**Deferred profit sharing plan (DPSP)** – Use box 18 to report the total of amounts you allocated or reallocated in the year under a DPSP or a revoked plan (to a person described in paragraph 147(2)(*k*.2) of the *Income Tax Act*) for:

- employer contributions made to the plan after December 1, 1982; or
- amounts forfeited in the plan if these amounts are withdrawn from the plan during the year.

If you allocated an amount under subsection 147(10.3) of the *Income Tax Act* in a previous year and you made the payment in the current year, you have to report the amount of the payment. In the footnotes area, enter "Box 18, DPSP – not eligible for transfer $_______." In box 38, enter **08**.

**Employee benefit plan (EBP)** – You may have paid superannuation or pension benefits from an EBP for services that a person rendered in a period throughout which the person did not reside in Canada. If you paid the benefits in a lump sum, report the amount in box 18.

You **can** transfer the amount to an RPP or RRSP under paragraph 60(*j*) if the recipient or the recipient's spouse or common-law partner performed the services for which you made the payment. If you made such a transfer, enter "Box 18, Benefits for non-resident services transferred under paragraph 60(*j*) $________" in the footnotes area. In box 38, enter **02**.

If the amount you pay from an EBP is **not** a lump-sum payment, get the guide called *Filing the T4 Slip and Summary Form* (RC4120).

**Non-registered plan** – You have to identify pension benefits you paid from a pension fund or plan that is not registered. In the footnotes area, enter "Box 18, Unregistered $________." In box 38, enter **09**. You **cannot** transfer these benefits to a registered plan.

**Status Indian** – A lump-sum payment is usually exempt from income tax when a person receives it as a result of employment income that was exempt from tax. If part of the employment income was exempt, then a similar part of this amount is also exempt. Do not include the exempt income in box 18. Include it in the footnotes area. Enter "Box 18, Status Indian (exempt income) $________." In box 38, enter **14**.

### Box 20 – Self-employed commissions

Enter the amount of commissions you paid to an independent agent. Do not include GST paid to the recipient on those services.

### Box 22 – Income tax deducted

Enter the **total** income tax you deducted from the recipient's remuneration during the year. This includes the federal, provincial (except Quebec), and territorial taxes that apply. Leave the box blank if you did not deduct tax.

Do not include an amount you withheld under the authority of a garnishee or a requirement to pay that applies to the employee's previously assessed tax arrears.

### Box 24 – Annuities

Enter annuity payments from a life annuity purchased from the proceeds of a life income fund (LIF).

Enter the total annuity payments under an income-averaging annuity contract (IAAC) and the yearly taxable part of other annuity payments.

If you include IAAC payments in this box, in the footnotes area, enter "Box 24, IAAC $________." In box 38, enter **10**.

If you include instalment or annuity payments under a DPSP, in the footnotes area, enter "Box 24, DPSP annuity or instalment payments $________." In box 38, enter **15**.

When you report annuity payments from other sources on the T4A slip, follow these guidelines:

- Report annuity payments from a superannuation or pension fund or plan (other than a life annuity) in box 16.
- In box 28, report the proceeds of disposition (or deemed disposition) of an IAAC.

For details, see Information Circular 77-1, *Deferred Profit Sharing Plans*.

**Notes**
Report on a **T5 slip** the annuity payments for accrued income from a life insurance policy that you include when you calculate a person's income under the provisions of section 12.2 of the *Income Tax Act*.

Report annuity payments to a non-resident on an **NR4 slip**.

### Box 26 – Eligible retiring allowances

Enter the amount of retiring allowances (also called severance pay) eligible for transfer to an RPP or RRSP, even if not transferred. An employee can choose to receive his or her retiring allowance by yearly instalments, and the eligible amount that is paid in the year must be shown in this box.

**Status Indian** – A retiring allowance is usually exempt from income tax when a person receives it as a result of employment income that was exempt from tax. If part of the employment income was exempt, then a similar part of these amounts is also exempt. Do not include the exempt income in box 26. Include it in the footnotes area. Enter "Box 26, Status Indian (exempt income) $________." In box 38, enter **14**.

For more information, see "Retiring allowance" on page 7.

### Box 27 – Non-eligible retiring allowances

Enter the amount of retiring allowances (also called severance pay) not eligible for transfer to an RPP or RRSP.

An amount that is not eligible and is paid yearly by instalments must be indicated in box 27.

An amount of retiring allowance is not eligible for transfer to an RPP or RRSP when it is more than the limit permitted by the *Income Tax Act*. For more information, see "Retiring allowance" on page 7.

**Example**
If an employee is paid a retiring allowance of $60,000 of which $40,000 is eligible for transfer, enter $40,000 in box 26 and $20,000 in box 27 of the T4A slip.

**Status Indian** – A retiring allowance is usually exempt from income tax when a person receives it as a result of employment income that was exempt from tax. If part of the employment income was exempt, then a similar part of these amounts is also exempt. Do not include the exempt income in box 27. Include it in the footnotes area. Enter "Box 27, Status Indian (exempt income) $________." In box 38, enter **14**.

### Box 28 – Other income

Enter the following types of payments in box 28:

1. Annuity payments from an annuity that an individual bought with a refund of premiums from a deceased annuitant's RRSP.– For more information on this type of annuity, see Interpretation Bulletin IT-500, *Registered Retirement Savings Plans – Death of an Annuitant* (paragraphs 27 and 28).

2. Payments under a revoked DPSP – In the footnotes area, enter "Box 28, Payments from a revoked DPSP $________." In box 38, enter **23**.

3. Any fees or other amounts paid for services.

4. Research grants – In the footnotes area, enter "Box 28, Research grants $________." In box 38, enter **04**.

   Scholarships (study grants), fellowships, bursaries, and prizes – In the footnotes area, enter "Box 28, Scholarships, bursaries, or fellowships $________." In box 38, enter **05**.

   For more information, see Interpretation Bulletin IT-75, *Scholarships, Fellowships, Bursaries, Prizes, and Research Grants*.

5. Certain payments made under a wage-loss replacement plan, except for some payments you made under an insured wage-loss replacement plan, even if you made a contribution to the plan. To find the types of payments you should report, see Interpretation Bulletin IT-428, *Wage Loss Replacement Plans*. In the footnotes area, enter "Box 28, Income from wage-loss replacement plan, not fully funded by employee premiums $________." In box 38, enter **07**.

   **Status Indian** – Wage-loss replacement plan benefits are usually exempt from income tax when a person receives them as a result of employment income that was exempt from tax. If part of the employment income was exempt, then a similar part of these amounts is also exempt. Do not include the exempt income in box 28. Include it in the footnotes area. Enter "Box 28, Status Indian (exempt income) $________." In box 38, enter **14**.

6. Payments under the *Labour Adjustment Benefits Act*, or a benefit payable under the *Appropriation Act* to compensate for loss of office or employment, such as in the textile and leather-tanning industries.

7. The gross amount of any payment (including a payment to a surviving spouse, common-law partner, heir, or estate) on or after the death of an employee to recognize the employee's service in an office or employment. In the footnotes area, enter "Box 28, Death benefit $________." In box 38, enter **06**.

8. Benefits from board and lodging, or transportation that a third party (a prime contractor or another subcontractor) supplies to employees of subcontractors (for example, all workers on a site who share common quarters). The person who provides the benefits (a third-party payer) has to report them on a T4A slip, unless the benefits are non-taxable allowances for working at a special work site or remote work location.

   If an employee usually lives in a prescribed zone and works at a special work site in a prescribed zone, report any non-business travel assistance (including medical travel assistance) in box 28. Separate the medical travel from the other non-business travel. In the footnotes area, enter "Box 28, Medical travel $________." In box 38, enter **16**.

   If an employee does not usually live in a prescribed zone but works at a special work site in a prescribed zone and meets the residency requirements for the northern residents' deductions, **do not** include in box 28 the exempt portion for board and lodging benefits the employee receives while working at the special work site which is within 30 kilometres from the nearest urban area having a population of at least 40,000 persons. In the footnotes area, enter "Special work site in a prescribed zone – exempted portion for board and lodging benefits $________." In box 38, enter **24**.

   **Note**
   Include any GST/HST that applies to the related benefits. For more information, see the guide called *Taxable Benefits* (T4130) or Interpretation Bulletin IT-91, *Employment at Special Work Sites or Remote Work Locations*.

9. Premiums you pay as a contribution to a provincial health services insurance plan for a retired employee. See "Premiums under provincial hospitalization, medical care insurance, and certain Government of Canada plans" in the guide called *Taxable Benefits* (T4130). In the footnotes area, enter "Box 28, Medical premium benefit $________." In box 38, enter **18**.

10. Benefits of a loan that a person or partnership received as a shareholder or related to a shareholder. In the footnotes area, enter "Box 28, Loan benefit under subsection 80.4(2) $________." In box 38, enter **17**.

11. Any benefit for employer-provided group term life insurance when the benefit is conferred by a former employer or reported by another party on behalf of the employer or former employer. In the footnotes area, enter "Box 28, Group term life insurance benefit $________." In box 38, enter **19**.

12. Disability benefits paid out of a superannuation or pension plan. In the footnotes area, enter "Box 28, Disability benefits paid out of a superannuation or pension plan $________." In box 38, enter **25**.

13. A cash award or prize paid directly from a manufacturer to the employee of a dealer or other sales organization. For more details, see Interpretation Bulletin IT-470, *Employees' Fringe Benefits*, and its Special Release.

14. Amounts paid by a trustee in bankruptcy to employees of a bankrupt corporation in settlement of claims filed for wages that the bankrupt employer did not pay.

15. Report any other amount from which you deducted income tax and which you do not have to report elsewhere on a T4A slip or other information return.

    **Note**
    These payments are not subject to payroll deductions (CPP, EI, and income tax).

### Box 30 – Patronage allocations

Report all allocations you gave to customers for their patronage. This includes payments you made in cash or in kind, by certificate of indebtedness, issue of shares, set-off, assignment, or any other way. Your allocations should be in proportion to the patronage.

### Box 32 – Registered pension plan contributions (past service)

Enter the contributions a former employee made to buy past service. The plan administrator usually completes the T4A slip when an employer-employee relationship no longer exists. Include any instalment interest paid for past-service contributions. Instalment interest is the portion of contributions that represents the amount charged to buy past service over time. In the footnotes area, enter "Box 32, Pre-1990 past service $________." In box 38, enter **26**.

### Box 34 – Pension adjustment

Enter, in dollars only, the amount of pension adjustment (PA) an employee has under an RPP during a period of leave or reduced services. Do this in the year for which you report the PA as the pension plan administrator for a multi-employer plan. See the *Pension Adjustment Guide* (T4084) for details.

### Box 36 – Pension plan registration number

Enter the registration number we issued for the RPP or DPSP in which an employee participates, and which gave rise to the PA you are reporting. You have to report the pension plan number even if your plan requires only employer contributions. If you made contributions to more than one plan for the employee, enter only the number of the plan under which the employee has the largest PA.

Enter registration numbers (not more than three) for any additional plans on lines 71, 72, and 73 of the T4A Summary form.

### Box 38 – Footnote codes

When you enter a written footnote in the "Footnote codes and explanation" area, you have to enter the corresponding footnote code in box 38. If there is no written footnote, leave box 38 blank or enter **00**. If you have only one footnote code, record it in box 38. If you have more than one code, enter **13** in box 38. Also record all the relevant codes in the "Footnote codes and explanation" area at the bottom of the T4A slip.

The following is a list of the codes and the T4A slip boxes to which they apply.

| Code | Explanation and use |
|---|---|
| **00** | No footnote code required. |
| **02** | Transfer of funds, paragraph 60(*j*) – use this code to describe a transfer amount in box 18. |
| **04** | Research grant – box 28 only. |
| **05** | Scholarships (study grants), bursaries, or fellowships – box 28 only. |
| **06** | Death benefit – box 28 only. |
| **07** | Income from wage-loss replacement plan; not fully funded by employee premiums – box 28 only. |
| **08** | RPP or DPSP – not eligible for transfer – use this code to describe an amount in box 18. |
| **09** | Unregistered plan – use this code to describe the amount in box 16 or 18. |
| **13** | Multiple footnotes – use this code if more than one code applies. |
| **14** | Status Indians with exempt income – use this code to describe any exempt amounts not included in boxes 16, 18, 26, 27, and 28. |
| **15** | Instalment or annuity payments under a DPSP – box 24 only. |
| **16** | Medical travel – box 28 only. |
| **17** | Loan benefit [under subsection 80.4(2)] – box 28 only. |
| **18** | Medical premium benefit – box 28 only. |
| **19** | Group term life insurance benefit – box 28 only. |
| **22** | RESP accumulated income payments paid to someone other than the subscriber or subscriber's spouse or common-law partner – box 40 only. |
| **23** | Payments from a revoked DPSP – box 28 only. |
| **24** | Special work site (enter only the exempted portion that is related to work sites that are within 30 kilometres of the nearest urban area having a population of at least 40,000 persons) – box 28 only. |
| **25** | Disability benefits paid out of a superannuation or pension plan – box 28 only. |
| **26** | Pre-1990 RPP past-service contributions – box 32 only. |

### Box 40 – RESP accumulated income payments

If you are the promoter of a registered education savings plan (RESP) and you paid RESP accumulated income payments (other than a refund of contributions, an educational assistance payment, an amount transferred to another RESP, or a payment made to a designated educational institution in Canada generally providing courses at a post-secondary level) to a subscriber of the plan, report this amount in box 40.

If the subscriber and the subscriber's spouse or common-law partner are deceased and you pay the RESP accumulated income payments to someone else, enter in the footnotes area "Box 40, RESP accumulated income payments paid to someone other than the subscriber or subscriber's spouse or common-law partner $________." In box 38, enter **22**.

> **Note**
> Accumulated income payments may be subject to both the regular tax on lump-sum payments and an additional tax of 20% (12% for Quebec).
>
> For more information on RESPs, see the information sheet called *Registered Education Savings Plans (RESPs)* – (RC4092).

### Box 42 – RESP educational assistance payments

If you are the promoter of a registered education savings plan (RESP), and you paid RESP educational assistance payments (amounts other than a refund of contributions) to or for an individual to help further his or her education at a post-secondary school level, report this amount in box 42 of the T4A slip.

For more information on these payments, see the information sheet called *Registered Education Savings Plans (RESPs)* – (RC4092).

**Box 46 – Charitable donations**
Enter the amount you deducted from the recipients' earnings for donations to registered charities in Canada.

**Box 61 – Payer's Business Number (BN)**
Enter the 15-digit BN you use to send us your recipients' deductions. This number appears in the top left corner of the statement of account that we send to you each month.

Your BN does not appear on copies 2 and 3 of the T4A slip that you give to the recipients.

# Chapter 5 – T4A Summary Form

## General guidelines

Use a T4A Summary form to report the totals of the amounts that you reported on the T4A slips.

- Report amounts in **Canadian** dollars and cents.
- Complete a separate summary form for each one of your payroll deductions accounts. Ensure each summary form is in front of the related slips.
- **Make sure the totals you report on your summary form agree with the totals you report on your slips.** Errors or omissions can cause unnecessary processing delays.
- If you file on paper, send the original T4A Summary form along with the related slips to the Ottawa Technology Centre. You can find the address on the back cover.
- If you file on magnetic media or Internet, **do not** submit a paper copy of the slips or the summary form. See **www.cra.gc.ca/magmedia** or **www.cra.gc.ca/t4internet**.

  **Note**
  If you did not receive a personalized T4A Summary form, you can get a blank one from **www.cra.gc.ca/forms** or by calling **1-800-959-2221**.

## Detailed instructions

**Identification**
If you did not receive a personalized form, enter your 15-digit Business Number, operating or trading name, and address in the relevant boxes at the top of the blank form.

**Year**
Enter the last two digits of the calendar year for which you file the return.

**Line 16 – Pension or superannuation**
Add the amounts in box 16 on all T4A slips. Enter the total on line 16.

**Line 18 – Lump-sum payments**
Add the amounts in box 18 on all T4A slips. Enter the total on line 18.

**Line 20 – Self-employed commissions**
Add the amounts in box 20 on all T4A slips. Enter the total on line 20.

**Line 22 – Total tax deductions reported**
Add the amounts in box 22 on all T4A slips. Enter the total on line 22.

**Line 24 – Annuities**
Add the amounts in box 24 on all T4A slips. Enter the total on line 24.

**Line 26 – Eligible retiring allowances**
Add the amounts in box 26 on all T4A slips. Enter the total on line 26.

**Line 27 – Non-eligible retiring allowances**
Add the amounts in box 27 on all T4A slips. Enter the total on line 27.

**Line 28 – Other income**
Add the amounts in box 28 on all T4A slips. Enter the total on line 28.

**Line 30 – Patronage allocations**
Add the amounts in box 30 on all T4A slips. Enter the total on line 30.

**Line 32 – RPP contributions (past service)**
Add the amounts in box 32 on all T4A slips. Enter the total on line 32.

**Line 34 – Pension adjustment**
Add the amounts in box 34 on all T4A slips. Enter the total on line 34.

**Line 40 – RESP accumulated income payments**
Add the amounts in box 40 on all T4A slips. Enter the total on line 40.

**Line 42 – RESP educational assistance payments**
Add the amounts in box 42 on all T4A slips. Enter the total on line 42.

**Lines 71, 72, and 73 – Registration numbers for RPP**
Enter the seven-digit registration numbers that we gave you, up to a maximum of three.

**Lines 74 and 75 – Canadian-controlled private corporations or unincorporated employers**
Enter the social insurance numbers of any proprietors or principal owners.

**Lines 76 and 78 – Person to contact about this return**
Enter the name and telephone number of a contact person that we can call to get or clarify information you reported on the summary form.

**Line 82 – Remittances**
Enter the amount you remitted for the year for the Business Number indicated in the identification area of the form.

#### Difference
Subtract line 82 from line 22. Enter the difference in the space provided. If there is no difference between the total deductions you reported and the amount you remitted for the year, leave lines 84 and 86 blank. We do not refund or charge on a difference of $2 or less.

#### Line 84 – Overpayment
If the amount on line 82 is more than the amount on line 22 (and you do not have to file another type of return for this account), enter the difference on line 84. Send us a note indicating the reason for the overpayment and whether you want us to transfer this amount to another account or another year, or refund the overpayment to you.

#### Line 86 – Balance due
If the amount on line 22 is more than the amount on line 82, enter the difference on line 86.

#### Amount enclosed
If you have a balance due, attach to the T4A Summary form a cheque or money order payable to the Receiver General for the balance owing. If you remit your payment late, any balance due may be subject to penalties and interest at the prescribed rate.

#### Line 88 – Number of T4A slips filed
Enter the total number of all T4A slips that you are including with the T4A Summary form.

#### Certification
A current officer of the business has to sign the T4A Summary form to show that the information is correct and complete.

# Chapter 6 – T4A Information Return

A T4A information return consists of T4A slips and the related T4A Summary form.

### What should you do with large returns?
If you file **more than 500 slips for the calendar year**, you **have to** file your information returns on magnetic media, as explained on page 19.

## Customized forms
To reduce the workload of those who complete large numbers of forms, we will accept forms other than our own. To get our written approval for your version, send two samples of your proposed computer-printed slip to:

Forms and Publications Management Division
Electronic and Print Media Directorate
Canada Revenue Agency
25 Nicholas Street
Albion Tower, 17th floor
Ottawa ON  K1A 0L5

For more information, see **www.cra.gc.ca/customized**.

## When and where to file the T4A information return
You have to file your T4A information return by the **last day of February following the calendar year to which the information return applies**. If the last day of February is a Saturday or Sunday, your information return is due the next business day.

Send your completed paper T4A information return to:

Ottawa Technology Centre
Canada Revenue Agency
875 Heron Road
Ottawa ON  K1A 1G9

When you send us copies of the slips, keep T4A slips three to a page. This will allow us to process your information return faster.

If you file on magnetic media or Internet, **do not submit a** paper copy of the slips or the summary form. Visit our Web site at **www.cra.gc.ca/magmedia** or **www.cra.gc.ca/t4internet**.

### Distributing copies of T4A slips
You must give recipients two copies of their T4A slip by **the last day of February** following the calendar year to which the slips apply.

You can provide T4A slips to recipients in electronic format. However, the recipient has to consent in writing or by email to receive the slips electronically.

## Do you need to file electronically or on paper?
This chart can help determine which filing method to use.

| Number of slips | Internet File transfer | Paper | Magnetic Media |
|---|---|---|---|
| 1 - 500 | ✓ | ✓ | ✓ |
| 501+ | | | ✓ |

For more information, visit **www.cra.gc.ca/magmedia** or **www.cra.gc.ca/t4internet**.

## When do you have to file information returns on magnetic media?
If you or your service bureau files more than 500 various information slips for the calendar year (for example, the total number of T4, T4A, and T5 slips), you **have to** file your information return on magnetic media in extensible mark-up language (XML) format.

For details, see **www.cra.gc.ca/magmedia.**

When sending your information returns on magnetic media, **do not send us** paper copies of your summary form or slips. Only attach paper copies of any slips that are not included on the magnetic media submission.

Drop the package off at any tax services office or tax centre, or mail it to:

Electronic Media Processing Unit
Ottawa Technology Centre
Canada Revenue Agency
875 Heron Road
Ottawa ON K1A 1A2

### Failure to file information returns in electronic format

If you file more than 500 various slips (for example T4, T4A, T5) and you do not file the information returns in an electronic format as required under the *Income Tax Act* and *Income Tax Regulations,* you are liable to a penalty of $2,500 for the first offence. For each subsequent occurrence, the penalty will increase by increments of $2,500.

If a service bureau is filing an information return for you, you are still responsible for the accuracy of the information and for any balance due.

If you have overpaid, include a letter explaining how you want us to apply the overpayment. If you owe an amount, indicate on your cheque which account and tax year the payment is for.

## Branch offices filing information returns

If the branch office of a company has sent in income tax deductions under a separate account, which only that branch uses, file the information return (slips and related summary form) of that branch as a separate return.

## How can you amend, cancel, or replace T4A slips?

### Amending slips

After you file your information return, you may notice that you made an error when preparing the T4A slips. If so, you will have to prepare amended slips to correct the information.

### Amending T4A slips electronically

We accept amended T4A slips in electronic format. See **www.cra.gc.ca/eservices/tax/business** and click on "amendments in electronic format."

Do not send an amended summary form when you send amended slips in an electronic format.

### Amending slips on paper

Clearly identify the new paper slips by writing "amended" at the top. When you amend a slip, make sure you complete all the necessary boxes, including the information that was correct on the original slip. Distribute the amended slips to the recipients the same way as the originals.

Send a copy of the amended slips to any tax centre with a letter explaining the reason for the amendment.

**Note**
Do not file an amended summary form when you send in amended **paper** slips.

## Cancelling slips

### Cancelling slips electronically

We accept cancellations for T4A slips through electronic format. See **www.cra.gc.ca/eservices/tax/business** and click on "amendments in electronic format."

### Cancelling paper slips

If you are cancelling a T4A slip, send us a copy of the original clearly marked "cancelled."

If you notice errors on the T4A slips **before** you file them with us, you can correct them by preparing new slips and **removing** any incorrect slips from the return. If you do not prepare a new slip, initial any changes you make on the slip. Make sure you also correct the summary form.

### Replacing slips on paper

If you issue T4A slips to replace copies that recipients lost or destroyed, do not send these copies to us. Clearly identify them as **duplicate copies**, and keep with your records any copies you do not distribute.

#### Pension adjustment (PA)

You have to recalculate a pension adjustment (PA) when both of the following conditions are met:

- an employee returns from a leave of absence or from a period of reduced services; and
- benefits are retroactively provided for the period concerned.

If, as the pension plan administrator for a multi-employer plan, you have to recalculate a PA for an employee under a registered pension plan (RPP) during a period of leave or reduced services, amend the PA for the employee for each year after 1989 that is affected by the leave.

You **do not have** to report an amended PA when the difference between the previously reported PA and the amended PA is less than $50. However, you **do have** to report one if an employee asks you to accurately report the PA, or if we ask you to report the amended PA.

For the years in which you had not previously reported a PA for the employee, you have to file an amended T4A slip showing the correct PA. If you previously reported a PA for the employee in a particular year, you have to show the **total** PA that applies for that year on the amended T4A.

For information on recalculating a PA, see the *Pension Adjustment Guide* (T4084). For information on calculating and reporting a past service pension Adjustment (PSPA), see the *Past Service Pension Adjustment Guide* (T4104).

## Failure to file the T4A information return

In all instances, you have to file the T4A information return and give the information slips to the recipients by the **last day of February following the calendar year to which the information return applies**. If you fail to do this, the penalty for each failure is $25 a day, with a minimum penalty of $100 and a maximum of $2,500.

If the last day of February is a Saturday or Sunday, your information return is due the next business day.

# Addresses

## Electronic Media Processing Unit

Electronic Media Processing Team
Ottawa Technology Centre
Canada Revenue Agency
875 Heron Road
Ottawa ON  K1A 1A2

## Ottawa Technology Centre

Ottawa Technology Centre
Canada Revenue Agency
875 Heron Road
Ottawa ON  K1A 1G9

## Tax Centres

Jonquière Tax Centre
2251 René-Lévesque Boulevard
Jonquière QC  G7S 5J1

Shawinigan-Sud Tax Centre
4695 – 12th Avenue
Shawinigan-Sud QC  G9N 7S6

St. John's Tax Centre
290 Empire Avenue
St. John's NL  A1B 3Z1

Sudbury Tax Services Office
1050 Notre Dame Avenue
Sudbury ON  P3A 5C1

Summerside Tax Centre
275 Pope Road
Summerside PE  C1N 6A2

Surrey Tax Centre
9755 King George Highway
Surrey BC  V3T 5E1

Winnipeg Tax Centre
66 Stapon Road
Winnipeg MB  R3C 3M2