Canada Revenue Agency    Agence du revenu du Canada

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

RC4157(E) Rev. 07

Canada

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## Electronic mailing lists

We can notify you immediately about new information on payroll, electronic filing for businesses and more. To subscribe free of charge, see **www.cra.gc.ca/lists**.

## Teletypewriter users

If you use a teletypewriter (TTY), you can call our bilingual enquiry service at **1-800-665-0354**.

## Your opinion counts!

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

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

## What's New?

### Apprenticeship Incentive Grant (AIG)

The AIG is a taxable grant of $1,000 per year, to a maximum of $2,000 per person. The grant is administered by Human Resources and Social Development Canada and it is available to registered apprentices once they have successfully completed their first or second year/level (or equivalent) of an apprenticeship program in a Red Seal trade. This amount will be reported in box 28, "Other Income," and in footnote code 30 in box 38.

### My Business Account

The Canada Revenue Agency has expanded its suite of e-services to provide business owners with convenient and secure on-line access to their personalized business account information through an on-line service called My Business Account. For information, see **www.cra.gc.ca/mybusinessaccount**.

### Quarterly remitter

Starting in 2008, the average monthly withholding amount (AMWA) threshold—which is used to determine an employer's entitlement to make quarterly remittances of payroll deductions—has increased to $3,000.

### Internet file transfer

Starting January 2008, if you use payroll, commercial, or in-house developed software to manage your business, you can file up to 5 MB (approximately 3,500 slips). See **www.cra.gc.ca/file-XML**.

If you have a visual impairment, you can get our publications in braille, large print, or etext (CD or diskette), or on audio cassette or MP3. For details, visit our Web site at **www.cra.gc.ca/alternate** or call **1-800-959-2221**.

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 Sommaire.*

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# 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 or retirees, 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, former employees, or retirees, 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 16.

> **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 a T1204 slip, *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 a T5018 slip, *Statement 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. Complete an NR4 slip, *Statement of Amounts Paid or Credited to Non-Residents of Canada*. For information, see Guide T4061, *NR4 – Non-Resident Tax Withholding, Remitting, and Reporting*.
- Payments from a retirement compensation arrangement. Complete a T4A-RCA slip, *Statement of Amounts Paid From a Retirement Compensation Arrangement (RCA).* For information, see the T4041, *Retirement Compensation Arrangements Guide,* 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. Complete a T4 slip, *Statement of Remuneration Paid*.
- Payments received under a supplementary unemployment benefit plan (SUBP) that **does not** qualify as a SUBP under the *Income Tax Act* (for example, employer-paid maternity and parental top-up amounts). Complete a T4 slip, *Statement of Remuneration Paid*. For information see the T4001, *Employers' Guide – Payroll Deductions and Remittances,* and the RC4120, *Employers' Guide – Filing the T4 Slip and Summary*.

## 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 should 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 payments and deductions on the T4A slip. You must file the T4A information return and give information slips to the recipients by the end of February of the following calendar year. See page 19.
- Keep records. 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 Records.* See **www.cra.gc.ca/records** or get Guide RC4409, *Keeping Records*.

> **Note**
> If you fail to deduct, remit, or report 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. Complete the T4A slips and T4A Summary and send them 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.

If you prepare more than 500 slips, you have to file your return electronically, as explained on page 20.

## Penalties 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 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.

### Penalty – Failure to remit / late or deficient remittances

We can assess a penalty of up to 20% of the amount you fail to remit when you withhold the amounts, or when we receive the amounts you withheld past the due date.

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.

### Penalty – 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.

### Penalty – 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.

### Interest

If you fail to pay an amount, we may apply interest from the day your payment was due. The interest rate we use is determined every three months, in accordance with the prescribed interest rates, and it is compounded daily. We also apply interest to unpaid penalties.

### Waiving penalties and interest

The taxpayer relief 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 07-1, *Taxpayer Relief Provisions*.

# Deducting income tax

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

## Special payments

**The following 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 remainder of the taxable amount 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 (defined on page 7) are treated as lump-sum payments. You have to deduct income tax from a retiring allowance **unless** it is transferred 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);
- from a deferred profit-sharing plan (DPSP);
- 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 over $5,000; 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 Guide T4032, *Payroll Deductions Tables*);
- 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 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 their 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.

Eligible sources of income are:

- benefits from Unemployment Insurance or Employment Insurance.
- benefits from a superannuation or pension plan (other than non-periodic benefits such as lump-sum withdrawals); and
- spousal, common-law partner, or child support payments.

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 the T4001 *Employers' Guide – Payroll Deductions and Remittances*.

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 sends Form T1198 to us and requests 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, or a RRIF. In addition, a DPSP may be transferred to another DPSP. Do not deduct 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 may 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 Colin 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 information, 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 RC4092, *Registered Education Savings Plans (RESPs)*.

## 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.

For more information about retiring allowances, see 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 6 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* and Guide T4061, *NR4 – Non-Resident Tax Withholding, Remitting, and Reporting*.

### 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 eligible for transfer paid in each year should be reported in box 26. Amounts not eligible for transfer are 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 amount of 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 paragraph 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 employee or former employee 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. To determine the equivalent number of years of vesting, refer 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. The eligible portion of the retiring allowance cannot be transferred to a spousal or common-law partner's RRSP.

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 2007, you pay William, your ex-employee a retiring allowance of $50,000. He worked for you from 1985 to 2007 (23 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 × 11 years
  (from 1985 to 1995, including part-years) ............. $22,000

  **plus**

- $1,500 × 4 years
  (from 1985 to 1988, including part-years) ............. $ 6,000

  **Total eligible for transfer** ...................................... **$28,000**

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

William is allowed to transfer directly $22,000 to an RPP or RRSP without tax deductions.

The difference of $20,000 between the allowance paid and the maximum eligible for transfer could be directly transferred to William's RRSP without tax deductions if he gives you a written statement indicating that the amount is within his RRSP 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, **unless you will be applying lump sum withholding rates**..

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

- **Payroll Deductions Online Calculator (PDOC)** – This is a Web-based calculator that calculates the Canada Pension Plan (CPP) contributions; Employment Insurance (EI) premiums; and federal, provincial (except Quebec) and territorial tax deductions for all pay periods. It's easy to use and compatible with all users' operating systems. For more information, see **www.cra.gc.ca/pdoc**.
- **T4143, *Tables on Diskette (TOD)*** – This is an electronic version of Guide T4032, *Payroll Deductions Tables,* and Guide T4008, *Payroll Deductions Supplementary Tables*. 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 Guide *Payroll Deductions Tables* (T4032) or call **1-800-959-5525**.

- **Guide T4032, *Payroll Deductions Tables,*** and **Guide T4008, *Payroll Deductions Supplementary Tables***; 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**. To order a paper copy, see **www.cra.gc.ca/orderforms** or call **1-800-959-2221**. The tables are on the Web site three weeks before the printed copies are available.

- **Guide T4127, *Payroll Deductions Formulas for Computer Programs*** – 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 Guide T4127, *Payroll Deductions Formulas for Computer Programs*, 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.

If you fail to deduct the required amounts, we may apply a failure to deduct penalty. See "Penalties and Interest" on page 5.

## Form TD1, *Personal Tax Credits Return*

Individuals who will receive salary, wages, commissions, employment insurance benefits, pensions, or other remuneration **have to** complete a federal Form TD1 **and**, if more than the basic personal amount is claimed, a provincial or territorial Form TD1.

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 changes to a situation that will affect their income tax and benefit 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.

Individuals do not have to complete new TD1 forms if their personal tax credit amounts have not changed for the year.

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**.

Have a completed Form TD1 on file for each individual. We may ask to see it.

### Claim codes

The total amount an employee claims on Form TD1 will determine which claim code to use. The claim codes are listed in Guide T4032, *Payroll Deductions Tables*. 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?"

# How and when to remit

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 and payers are considered regular remitters.

When you make your first remittance, send a cheque or money order to your tax centre. Make the cheque or money order payable to the Receiver General and print your BN on the back.

Include a letter stating:

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

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 remittance, send in the remittance as described above. In your letter, be sure to indicate that you did not receive your remittance form.

## Remitter types and information

We determine the type of remitter you are by adding up all the CPP contributions, EI premiums, and income tax deductions 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 2006, your **average monthly withholding amount** (AMWA) for 2008 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 following year.

### Regular remitter

If your 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 or T4A 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 AMWA of less than $1,000 in either the first or the second preceding calendar year;

  Under proposed legislation the AMWA threshold will increase from $1,000 to $3,000, starting in 2008.

  and

- have a perfect compliance history.

  We consider a payer to have a **perfect compliance history** when, over a 12-month period, all deductions and remittances of CPP contributions, EI premiums, and income tax have been made on time, GST/HST has been paid on time, and T4 type information returns and GST/HST returns have also been 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 call **1-800-959-5525** 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 perfect 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 payers, 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 payers can make remittances at their Canadian financial institution, tax services office 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 public 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 1 and Threshold 2 accelerated remitters are considered to be monthly accelerated remitters if they have a payroll frequency of only once a month.

**Note**
Threshold 2 remitters **must** remit their deductions electronically or in person at their Canadian financial institution.

### 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 term **"associated corporations"** is defined in the *Income Tax Act*.

### Remittance frequency

Under the *Income Tax Act*, payers 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, call **1-800-959-5525**. We will review your account and let you know in writing when we have to receive your deductions.

## What if your 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 public holidays, see **www.cra.gc.ca/duedates**.

## 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).

Complete your remittance voucher (the bottom part of the remittance form) correctly so we can apply your remittance to your account.

## Form PD7A

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

### 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 remittances we received 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.

**Bottom part** – This part is your remittance form 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.
- The number of employees in the last pay period. This includes any employee for whom you will prepare a T4 or a T4A 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 or a T4A 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 income tax 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 remittance 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, call **1-800-959-5525**.

## 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 remittances we received 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.

**Bottom part** – This part is your remittance form 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 or T4A 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 or T4A 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 income tax you are remitting.

When you make your remittance at your financial institution or tax centre, complete the top and the bottom parts of Form PD7A(TM) and present them with your remittance. 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 **must** remit through their **financial institution**.

## Form PD7A-RB

Each December, we provide accelerated remitters (except monthly accelerated remitters who receive Form PD7A) a booklet of PD7A-RB forms (either 27 or 54 forms) to use to remit deductions. These booklets are printed once a year. If you require additional forms, call **1-800-959-5525**.

### 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 an electronic service that lets you receive and view your *Statement of Account for Current Source Deductions*. The E-PD7A replaces the paper version of the PD7A and the PD7A(TM). See **www.cra.gc.ca/epd7a** for more information.

## Not making a remittance

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

If you prefer not to use My Business Account or TeleReply, complete the remittance form and mail it to us. Be sure to indicate when you expect to have employees subject to deductions.

### My Business Account

My Business Account now allows business owners to provide a nil payroll remittance. To learn more about this convenient electronic option, visit **www.cra.gc.ca/mybusinessaccount**.

### 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 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 Sundays or public holidays.

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

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

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 form.

#### 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.

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. For more information, see **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. See **www.cra.gc.ca/electronicpayments** or contact your financial institution.

### At your financial institution

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

### Using an ATM (automated teller machine)

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

### 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 form. Write your Business Number (BN) on the back of your cheque or money order. Complete and include the bottom part of your remittance form with your payment. Allow sufficient mailing time to ensure that we receive your remittance by the due date. We accept cheques that are post-dated to the due date. **Do not send cash in the mail.**

## 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, call **1-800-959-5525**.

> **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*

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:

- Business Number;
- amount remitted;
- gross payroll; and
- 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. See "Penalties and Interest" on page 5.

# T4A slips

## What types of T4A slips are available?

### Customized T4A slips

For those who complete large numbers of forms, we accept forms other than our own. To get written approval, send **two** samples of your proposed computer-printed slips to:

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

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

### Slips for filing electronically

For information about completing and filing T4A slips electronically, see **www.cra.gc.ca/file-XML** or **www.cra.gc.ca/electronicmedia**.

## Slips for filing on paper

You can get **single-page** slips that have three slips per page and are intended for laser or ink jet printers, for typing, or to be filled out by hand. They are available at, **www.cra.gc.ca/forms** or by calling **1-800-959-2221**.

From our Web site, you can print pdf copies of T4A slips that you complete by hand.

You can use fillable T4A slips on our Web site. After completing them, you can print on plain white paper. For more information, see **www.cra.gc.ca/fillable**.

# Completing T4A slips

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 individual 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, 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 Social Development Canada at **www.hrsdc.gc.ca**.

## Tips for completing T4A slips

- Complete the slips clearly and in alphabetical order.
- Use a standard 10 or 12 character per inch font if typed or computer-generated.
- Report, in dollars and cents, all amounts you paid during the year except for pension adjustment amounts, which are reported in dollars only.
- Report all amounts in Canadian dollars, even if they were paid in another currency.
- 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 year 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 recipient's social insurance number (SIN) as it appears on the recipient's SIN card. If you don't have the SIN, enter nine zeros. See "Completing T4A slips" above for information on your obligation to provide a valid SIN.

### 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, retired employee, or survivor or spouse of an 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 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; or
- reimbursement of any over-contributions to the plan; and

Also, enter 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, death of an employee or former employee, or reimbursement of any over-contributions to the plan.

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, see the RC4120, *Employers' Guide – Filing the T4 Slip and Summary*.

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

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

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**.

Report annuity payments from a superannuation or pension fund or plan (other than a life annuity) in box 16.

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) that was paid in the year and is eligible for transfer to an RPP or RRSP, even if not transferred.

**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 allowances" 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.

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

**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:

- Payments under a revoked DPSP – In the footnotes area, enter "Box 28, Payments from a revoked DPSP $________." In box 38, enter **23**.
- Any fees or other amounts paid for services.

  **Note**
  Do not include the GST/HST paid to the recipient for these services.

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

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

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

- 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**.

- 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.
- 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**.
- 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 information, see the T4130, *Employers' Guide – Taxable Benefits,* or Interpretation Bulletin IT-91, *Employment at Special Work Sites or Remote Work Locations*.

- 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 T4130, *Employers' Guide – Taxable Benefits.* In the footnotes area, enter "Box 28, Medical premium benefit $________." In box 38, enter **18**.

- Payments received under a supplementary unemployment benefit plan (SUBP) that **does** qualify as a SUBP under the *Income Tax Act* (not including maternity/parental top ups which are included on a T4 slip).
- 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**.
- 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**.
- 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**.
- 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.
- 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.
- Report the amounts received in the year on account of an earnings loss benefit, supplementary retirement benefit or permanent impairment allowance payable to the taxpayer under Part 2 of the *Canadian Forces Members and Veterans Compensation Act.* In the footnotes area, enter "Box 28, Veteran's benefit $________." In box 38, enter **27**.
- 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.
- Report all tax deferred cooperative shares issued by an agricultural cooperative in the year. In the footnotes area, enter "Box 28, Tax deferred cooperative shares $________." In box 38, enter **29**.
- Apprenticeship incentive grant paid to registered apprentices who have successfully completed their first or second year/level (or equivalent) of an apprenticeship program in a Red Seal trade. In the footnotes area, enter "Box 28, Apprenticeship incentive grant $________." In box 38, enter **30.**

**Note**
The above payments are not subject to payroll deductions (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 T4084, *Pension Adjustment Guide*, 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.

### 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), fellowships, bursaries, or art production grants – 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.

**10** Amounts reported in footnotes for lump-sum payments accrued to December 31, 1971, and IAAC annuities – use this code to describe the amount in box 18 or 24.

**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.

**27** Veteran's benefit – box 28 only.

**29** Tax deferred cooperative shares – box 28 only.

**30** Apprenticeship incentive grant – box 28 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 the regular tax on lump-sum payments **and** an additional tax of 20% (12% for Quebec).

#### 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 RC4092, *Registered Education Savings Plans (RESPs)*.

#### 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 should not appear on copies 2 and 3 of the T4A slip that you give to the recipients.

## Distributing copies of T4A slips

You must give recipients their T4A slip on or before **the last day of February** following the calendar year to which the slips apply:

- two copies, sent by mail to their last known address;
- two copies, delivered in person; or
- one copy distributed electronically (by email, for example) if you have received the recipient's consent in writing or electronic format.

# T4A Summary

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

- If you file on paper, send the original summary and the related slips to the Ottawa Technology Centre. You can find the address on the back cover.
- If you file on electronic media or by Internet, **do not** submit a paper copy of the slips or Summary. See **www.cra.gc.ca/electronicmedia** or **www.cra.gc.ca/file-XML**.

## Completing the T4A Summary

- Report amounts in **Canadian** dollars and cents, even if they were paid in another currency.
- Complete a separate summary for each one of your payroll deductions accounts.
- Place each summary on top of the related slips.
- **Make sure the totals you report on your summary agree with the totals you report on your slips.** Errors or omissions can cause unnecessary processing delays.

## Detailed instructions

### Identification

Enter your 15-digit Business Number, operating or trading name, and address in the relevant boxes at the top of the blank summary.

### Year

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

### Line 16 – Pension or superannuation

Enter the total from box 16 on all T4A slips.

### Line 18 – Lump-sum payments

Enter the total from box 18 on all T4A slips.

### Line 20 – Self-employed commissions

Enter the total from box 20 on all T4A slips.

### Line 22 – Total tax deductions reported

Enter the total from box 22 on all T4A slips.

### Line 24 – Annuities

Enter the total from box 24 on all T4A slips.

### Line 26 – Eligible retiring allowances

Enter the total from box 26 on all T4A slips.

### Line 27 – Non-eligible retiring allowances

Enter the total from box 27 on all T4A slips.

### Line 28 – Other income

Enter the total from box 28 on all T4A slips.

### Line 30 – Patronage allocations

Enter the total from box 30 on all T4A slips.

### Line 32 – RPP contributions (past service)

Enter the total from box 32 on all T4A slips.

### Line 34 – Pension adjustment

Enter the total from box 34 on all T4A slips.

### Line 40 – RESP accumulated income payments

Enter the total from box 40 on all T4A slips.

### Line 42 – RESP educational assistance payments

Enter the total from box 42 on all T4A slips.

### 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 person that we can call to get or clarify information reported on the summary.

### Line 82 – Remittances

Enter the amount you remitted for the year for the Business Number indicated in the identification area of the summary.

### 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. Generally, we do not charge or refund 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, enclose a cheque or money order payable to the Receiver General. If you remit your payment late, any balance due may be subject to penalties and interest at the prescribed rate.

> **Note**
> Threshold 2 remitters must remit any balance due in person at their Canadian financial institution.

### Line 88 – Number of T4A slips filed

Enter the total number of all T4A slips that you are including with the T4A Summary.

## T4A information return

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

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. If you fail to do so, we may assess a penalty. See "Penalties and Interest" on page 5.

If you have more than one payroll deductions account, you will have to file a separate return for each account.

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.

#### Service bureaus filing returns

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.

#### Branch offices filing 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) of that branch as a separate return.

## Filing electronically

If you file 1 to 500 information slips, we encourage you to file in extensible mark-up language (XML) format by Internet file transfer. You will get immediate confirmation that we received your information return.

If you file more than 500 various information slips, you **must** file the return electronically in extensible mark-up language (XML) format.

- For 501 to 3,500 slips, file by Internet file transfer or on electronic media.
- For more than 3,500 slips, file on electronic media.

If you fail to do so when required, we may apply a penalty. See "Penalties and Interest" on page 5.

### Electronic media

Use electronic media (DVD, CD, or diskette) to file one or more slips. See **www.cra.gc.ca/electronicmedia**.

### Internet file transfer

Starting January 2008, if you use payroll, commercial, or in-house developed software to manage your business, you can file up to 5 MB (approximately 3,500 slips). See **www.cra.gc.ca/file-XML**.

Internet filing is available from January 7, 2008, to early December 2008.

#### Web access code

To file your return using Internet file transfer, you need a Web access code (WAC). If you don't have a WAC, call our help desk at **1-877-322-7849**.

#### My Business Account (MyBA)

MyBA allows you to file your T4A return over the Internet without a Web Access Code. You can file using Internet file transfer. Log in to MyBA using your epass User ID. For details, see **www.cra.gc.ca/mybusinessaccount**.

## Filing by paper

We encourage you to file in extensible mark-up language (XML) format by Internet file transfer. You will get immediate confirmation that we received your information return. See "Filing electronically" on this page.

> **Note**
> If you are filing more than 500 slips, you **must** file electronically.

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.

# After you file

When we receive your information return, we check it to see if you have prepared it correctly. After an initial review, we enter your return into our processing system, which captures the information and performs various validity and balancing checks. If there are any problems, we may contact you.

## Amending, cancelling, adding, or replacing slips

### Amending

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 slips electronically

For information on amending slips electronically, see **www.cra.gc.ca/file-XML** and select "Amending returns."

#### Amending paper slips

Clearly identify the new slips as amended 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. Send the amended slips to the recipient the same way as the originals.

Send one copy of the amended slips to any tax centre with a letter explaining the reason for the amendment. The addresses of our tax centres are listed on the back cover.

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

### Cancelling

#### Cancelling slips electronically

A cancelled slip is considered to be an amended slip. For information on cancelling slips electronically, see **www.cra.gc.ca/file-XML** and select "Amending returns."

### Cancelling paper slips

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

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

## Adding

After you file your return, you may discover that you need to send us additional slips. If you have original slips that were not filed with your return, file them in a separate original return.

### Adding slips electronically

We accept additional original T4A slips in electronic format. See **www.cra.gc.ca/file-XML**.

### Adding slips on paper

When submitting additional slips on paper, clearly identify the new slips by writing "ADDITIONAL" at the top. Send a copy of the slips to any tax centre.

## Replacing

If you issue slips to replace copies that are lost or destroyed, do not send us copies of these slips. Clearly identify them as "DUPLICATE" copies, and keep them with your records.

# Pension adjustment (PA)

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

- an employee returns from a leave of absence or from a period of reduced services;
- the service was not previously pensionable service; and
- benefits are retroactively provided for the period concerned before April 30 of the year following the year the period of leave ended.

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

# Notes

# Addresses

## Electronic Media Processing Unit

Electronic Media Processing Unit
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

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