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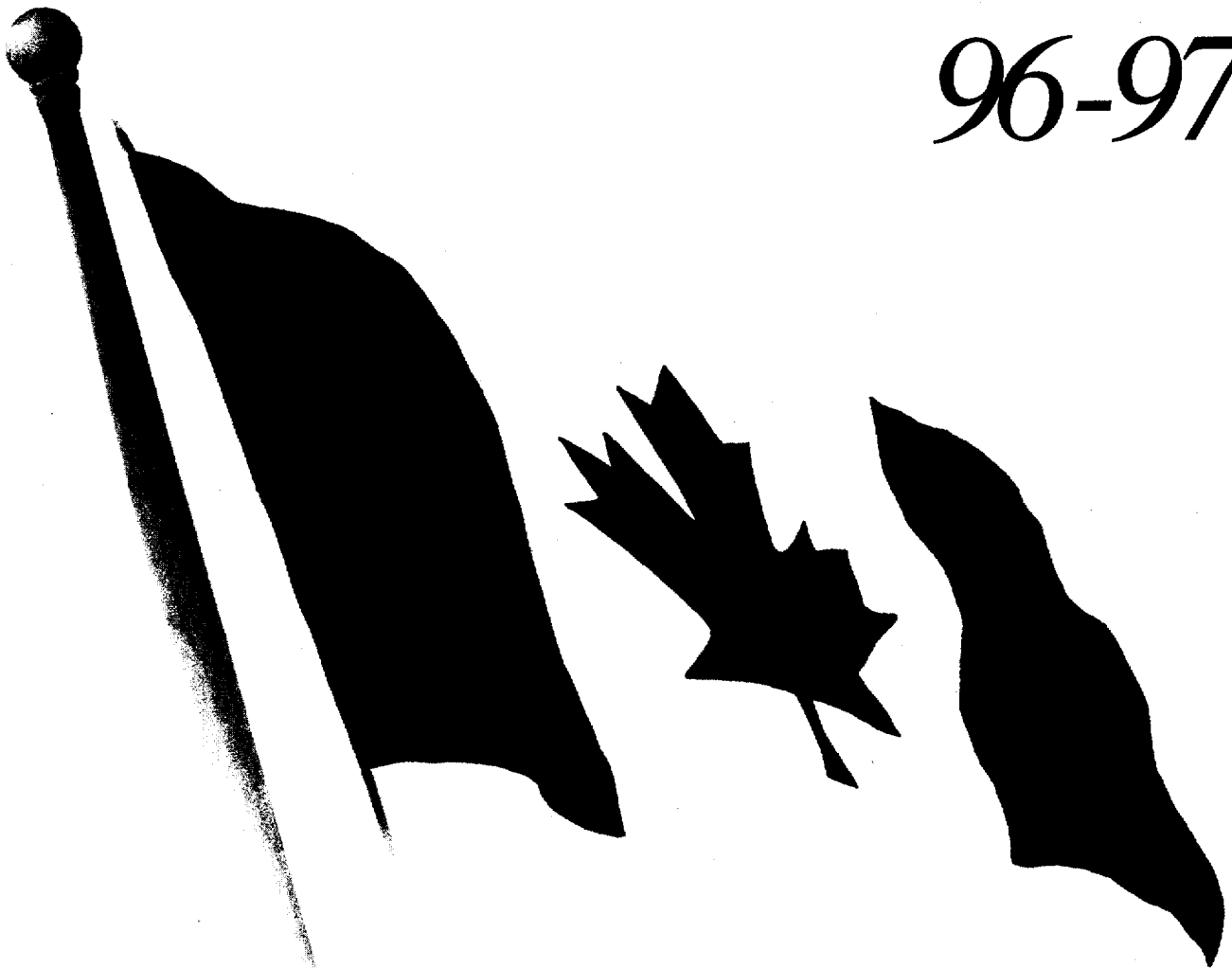
Canada

# Employers' Guide to Payroll Deductions

Basic Information

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96-97



## **Problem Resolution Program**

Revenue Canada is always looking at ways to make it easier for you to file your information returns, deduct and send in your remittances, and resolve any problems you may have.

We deal with the majority of your payroll-related questions and concerns through regular channels. If you have a problem, you can call, write, or visit Client Services at your Revenue Canada tax services office or tax centre.

However, if, after contacting Client Services, your problem is not resolved to your satisfaction, you should get in touch with a Problem Resolution Program co-ordinator. You can find the phone numbers for your tax services office and tax centre listed under "Revenue Canada" in the Government of Canada section of the telephone book.

## **TTY users**

If you have a Teletypewriter (TTY) attached to your telephone, you can call our toll-free, bilingual enquiry service at 1-800-665-0354 during regular hours of service.

## **Order form**

If you want to obtain other guides or publications, forms, information circulars, or interpretation bulletins, please complete the order form at the back of this guide. You can also call or visit your tax services office or tax centre. You can find the addresses and telephone numbers listed under "Revenue Canada" in the Government of Canada section of the telephone book.

## **Internet access**

If you have access, you can find many of our publications at <http://www.rc.gc.ca> on the Internet.

## **Cancellation/reinstatement form**

To save paper, we want to reduce the number of guides we mail to you. If you receive more than one copy of a guide because you have more than one payroll deductions account, please complete the cancellation/reinstatement form at the back of this guide.

## **Your opinion counts!**

We review this guide each year. If you have any comments or suggestions that would help us improve the information it contains, we would like to hear from you.

Please send your comments to:

Revenue Canada  
Client Services Directorate  
Room 8000  
400 Cumberland Street  
Ottawa ON K1A 0L8

**Visually impaired persons can get this publication in braille or large print, or on audio cassette or computer diskette. To order, please call 1-800-267-1267 weekdays between 8:15 a.m. and 5:00 p.m. (Eastern Time).**

This guide uses plain language to explain the most common tax situations. If you need more help after you read this guide, please contact your Revenue Canada tax services office or tax centre.

La version française de cette publication est intitulée *Guide de l'employeur – Retenues sur la paie : Renseignements de base*.

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### Tax changes announced in the federal budget on March 6, 1996, effective for 1996

#### Form TD1, *Personal Tax Credits Return*

We have revised the following tax credits to reflect the March 6, 1996, federal budget. The tax changes are effective for 1996 and later years.

#### Section 3 – Amount for disabled dependent relatives

The dependant's income threshold at which the credit begins to be reduced is now \$4,103, not \$2,690.

#### Section 6 – Tuition fees and education amount

The monthly amount you use to calculate the education credit is now \$100, not \$80.

#### Section 8 – Amounts transferred from your spouse, relatives, or dependants

The unused part of the tuition fees or the education amount that you can deduct is now a maximum of \$5,000 per student, up from \$4,000.

### Tax changes announced in the federal budget on March 6, 1996, effective for 1997

#### Child support payments

Effective May 1, 1997, periodic **child support payments** made according to a written agreement or a court order dated (or amended to vary the amounts payable) May 1, 1997, or later, will no longer be taxable for the recipient or deductible by the payer.

However, the new tax rules will not apply to court orders or written agreements dated **before** May 1, 1997, unless:

- the order or agreement specifies that the child support payments made on or after a particular date (May 1, 1997, or later) will not be taxable; or
- the recipient and the payer jointly elect that the amounts paid after a particular date (May 1, 1997, or later) will not be taxable.

**Spousal support payments** continue to be taxable for the recipient and deductible by the payer.

#### Note

As an employer, you need a **letter of authority** from the tax services office before you can deduct less income tax.

For more information, contact your tax services office or tax centre.

### Overseas employment tax credit

For 1997 and later tax years, certain Canadian individuals cannot claim the overseas employment tax credit when they are employed by a Canadian firm that contracts with a foreign firm to provide the individual's services. The credit will no longer be available in such situations if the Canadian firm employs less than six full-time employees and is either:

- a corporation that the individual owns, or the individual is related to a shareholder of the corporation who owns, 10% or more of any class of shares of the corporation's capital stock; or
- a partnership where the individual is related to a member of the partnership or is a specified shareholder of a member of the partnership.

### Unemployment Insurance

1996-1997 is a transition period for bringing in the new *Employment Insurance Act*. We have replaced the term "unemployment insurance" (UI) with "employment insurance" (EI) in this guide. All references to EI include UI.

### Employment Insurance

The new *Employment Insurance Act* replaces the *Unemployment Insurance Act* and the *National Training Act*.

Effective January 1, 1997, you will calculate eligibility for employment insurance benefits on all hours the employee worked in a year, rather than on weeks worked.

With an hours-based system, workers will pay premiums on every dollar they earn up to the annual maximum insurable earnings of \$39,000 for the years 1997 to 2000.

### Employment Insurance premium refund for employers

Employers facing large premium increases because of first-dollar coverage can get a premium refund for the employer's part of the premium for 1997 and 1998 if they request it when they send in their T4 information returns for 1997 and 1998.

Details will be available in the *Employers' Guide to Payroll Deductions – Basic Information* for 1997-1998. For more information, contact your tax services office or tax centre.

### Group term life insurance

For 1996 and later taxation years, you have to prepare a T4A Supplementary slip if you provide group term life insurance taxable benefits to former employees or employees of a multi-employer benefit plan **only** if the group term life insurance taxable benefit is more than \$25.

## Reducing tax deductions at source

Employees can ask you to reduce the amount of tax you deduct from their employment earnings or pension income. To make this request, employees **have to write to Client Services** at their tax services office. They should explain the reasons why they want less tax deducted and provide supporting documentation. For example, if individuals make regular spousal support payments, they should provide a complete copy of the decree, order, or agreement under which they make payments. If individuals regularly contribute to an RRSP during the year, they should provide documents to show the amount they contribute.

**Employees who reside in one province and who are employed in another province may be subject to excessive tax deductions. If so, they can request a reduction in tax deductions.**

As an employer, you need a **letter of authority** from the tax services office before you can deduct less tax. Keep this letter with your payroll records so our officers can examine it. This rule also applies if you pay an excess amount of retiring allowance, a lump-sum payment (other than a retiring allowance), and a bonus or retroactive payment, as long as the payment is more than \$10,000.

However, you do not need a letter of authority when you deduct an RRSP contribution **at source** from the employee's salary.

## T4 Short

The T4 Short is a joint effort between the business community and the federal government to reduce the paper burden for small employers.

You can use this shortened version of the T4 Supplementary slip if you pay your employee a basic salary, wage, or commission, and the employee does not receive any taxable benefits or allowances, such as automobile benefits, gifts, and housing, board, and lodging benefits.

This year we are sending the T4 Short and a copy of this guide to small employers with six or less employees. Employers who need more T4 Short slips can contact their tax services office.

## T4 Supplementary slips for laser printers

If you use T4 Supplementary slips for laser printers, see the instructions on the back of the slip.

If you need additional copies, contact your tax services office or tax centre.

## How to order more blank T4 and T4A Supplementary slips

To order blank copies of T4 and T4A Supplementary slips, contact your tax services office or tax centre. You can find the addresses and telephone numbers listed under "Revenue Canada" in the Government of Canada section of the telephone book.

## Notice

### Year-end calculation of CPP contributions and EI premiums for 1996

For Canada Pension Plan (CPP) purposes, earnings are not pensionable from the first dollar. Earnings become pensionable after they exceed an exempted amount that is based on the period of employment.

If used improperly, some payroll software programs, in-house payroll programs, and bookkeeping methods can calculate unauthorized refunds of CPP contributions for both employees and employers. These programs and methods treat all employment as if it were full-year employment, which incorrectly reduces both the employee's and employer's contributions.

For example, when a casual employee does not qualify for the full annual exemption, a program may indicate that the employer should report a CPP overdeduction in box 22 of the T4 Supplementary slip. In this case, we would issue an unauthorized refund to the individual.

The pensionable service of individuals who receive refunds for apparent CPP overdeductions is adversely affected. This could affect their CPP income when they retire. In addition, employers who report such overdeductions receive a credit to which they are not entitled. We do not authorize this practice.

The only year-end calculations of CPP contributions and EI premiums that we authorize are the ones we provide at the end of this guide. This calculation is also provided on pages 76 and 79 of the publication *Payroll Deductions Formulas for Computer Programs*, (63rd Edition).

## Taxable benefits

The title of the publication *Employers' Guide to Payroll Deductions - Taxable Benefits and Non-Resident Information* has changed to *Employers' Guide to Payroll Deductions - Taxable Benefits*. To get a copy, use the order form at the end of this guide, or contact your tax services office or tax centre.

## Non-resident employees who perform services in Canada

Employees not resident in Canada who are in regular and continuous employment in Canada are subject to tax deductions in the same way as Canadian residents. For more information, see "Deducting income tax" in Chapter 4 of this guide.

If you pay a non-resident individual, partnership, or corporation for services rendered in Canada that they did not perform in the ordinary course of an office or employment, see Information Circular 75-6, *Required*

## **Amounts subject to Part XIII of the Income Tax Act**

If you pay or credit an amount to a non-resident of Canada, such as interest, a dividend, rental income, a royalty, pension income, or other similar types of "passive" income, see the *Guide for Filing the NR4 Return*. You can get more information from Information Circular 77-16, *Non-Resident Income Tax*, and Information Circular 76-12, *Applicable Rate of Part XIII on Amounts Paid or Credited to Persons in Treaty Countries*, and its Special Release.

## **Business Number (BN)**

The BN is a numbering system designed to replace the multiple numbers that businesses use to do business with the federal government. The BN is based on the simple principle – "one business, one number."

All new businesses will get a BN when they open any of the following business accounts with Revenue Canada:

- corporate income tax;
- import/export;
- payroll deductions; and
- goods and services tax.

Revenue Canada business clients have to convert their accounts to the BN by December 31, 1996. Eventually, businesses will be able to use their BN for other Revenue Canada accounts and other federal and provincial government programs.

## **Chapter 1 – General Information**

### **Who should use this guide?**

You should use this guide if you are:

- an employer;
- a trustee; or
- a payer of other amounts (e.g., fees for services rendered by residents or non-residents, commissions to self-employed agents, pension or superannuation benefits).

The instructions in this guide apply to employers. However, we also provide guidelines for estate executors (or liquidators), administrators, and corporate directors.

For information on taxi and other drivers, and barbers and hairdressers, see Chapter 8 of this guide.

If you are self-employed and you would like information about your coverage under the Canada Pension Plan, see the *General Income Tax Guide*, available from your Revenue Canada tax services office or tax centre.

#### **Note**

Throughout this guide, we give examples to illustrate information. The rates we use in the examples are not

always current, and are only meant to show you how to apply this information. For current rates, see the *Payroll Deductions Tables* (T4032) we issue in January, and in July when required.

## **Employer-employee relationships**

We generally consider you to be an employer if:

- you pay salaries, wages (including advances), bonuses, vacation pay, or tips to your employees; or
- you provide certain benefits, such as board and lodging to your employees.

An employer-employee relationship exists if you are in a position to control and direct the person or people who perform the services. Although a written contract might indicate that an individual is self-employed, we may not consider the individual as such if there is evidence of an employer-employee relationship.

You have to examine the written contract and working conditions to determine if an individual is self-employed. If you cannot determine whether a person is an employee, you can obtain a ruling from Revenue Collections at your tax services office.

## **What are your responsibilities as an employer?**

Your responsibilities are to:

- deduct income tax, Canada Pension Plan (CPP) contributions, and Employment Insurance (EI) premiums from amounts you pay to your employees;
- remit these deductions **along with your share** of CPP contributions and EI premiums that you have to pay throughout the year on your employees' behalf; and
- report the employee's income and deductions on the appropriate information return (see Chapter 6) by the end of February of the following calendar year.

#### **Note**

As an employer or payer, you hold payroll deductions in trust for the Receiver General. Therefore, you have to keep these amounts separate from the operating funds of your business. They must not be part of an estate in liquidation, assignment, receivership, or bankruptcy.

## **Social insurance number (SIN)**

As an employer, you have to get a SIN from every employee. If the employee does not give you a 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 a SIN, be sure to record the date of your request and keep a copy of any correspondence that relates to it. We consider this to be a reasonable effort. If you do not make a reasonable effort to obtain a SIN, you may be subject to a penalty of \$100 for each failure. Employees also have to give you their SINs. If an employee does not do this, the employee may be subject to a penalty of \$100 for each failure.



Make sure you always use the correct name and number as shown on the employee's SIN card. When an employee has an interruption in earnings, you have to record the correct SIN on a *Record of Employment (ROE)* for EI purposes (for details on the ROE, see Chapter 3 of this guide). If you don't, you could be fined up to \$2,000, imprisoned for up to six months, or both.

As the employer, you have to tell your employees how to obtain a SIN or how to replace a SIN card. Tell them they should contact the local Human Resource Centre of Canada within three days of the day they start work.

If an employee **refuses** to give you a SIN or to apply for one, you still have to make deductions.

A person who is not a Canadian citizen or a permanent resident of Canada and who applies for a SIN will receive a SIN beginning with the number "9." That person will be authorized to work only for a particular employer, and must have a valid employment authorization.

If you hire a person whom you know is not a Canadian citizen or a permanent resident, make sure that:

- the person's SIN begins with the number "9;" and
- the person has an employment authorization which states that he or she will work only for you.

Under the *Immigration Act*, you cannot hire a person who is not a Canadian citizen or who is not a permanent resident unless that person is authorized to work for you. If you do, you may be penalized under that act.

## What are the remittance due dates?

New employers are considered to be regular remitters for the first two calendar years. Regular remitters have to send in deductions so we receive them on or before the 15th of the month following the month that the deductions are made. Payments can be made at a tax services office, tax centre or Canadian financial institution.

Accelerated remitters have to send in deductions more than once a month. There are two groups (also called thresholds) of these employers.

For more information on remitting deductions, see Chapter 5 of this guide.

## Employer Visits Program

We offer an on-site consultative service to provide any assistance you may need with payroll deductions. As part of this program, we can visit you to help with any problems you may have. If you would like more information about this service, contact your tax services office or tax centre.

## When should a trustee deduct, report, and remit deductions?

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

If a bankrupt employer has deducted CPP contributions, EI premiums, or income tax from amounts employees

received before the bankruptcy, and the employer has not remitted these amounts to us, the trustee must hold the amounts in trust. These amounts are not part of the estate in bankruptcy, and they should be kept separate.

If a trustee carries on the bankrupt employer's business, the trustee has to continue to deduct and remit the necessary CPP contributions, EI premiums, and income tax according to the bankrupt employer's remittance schedule.

## Estate executors (or liquidators) and administrators

Fees paid to executors (or liquidators) and administrators are either **income from office or employment**, or **business income**, depending on whether the executor or administrator acts in this capacity in the regular course of business. For more information about your obligations as an executor or administrator, see "Amounts subject to CPP contributions" in Chapter 2, and "Employment by a trustee" in Chapter 8 of this guide. *Interpretation Bulletin IT-377, Director's, Executor's and Juror's Fees*, also provides more information.

## Director's liability

If a corporation fails to deduct, withhold, or remit amounts (CPP, EI, or tax), the **directors** of the corporation at the time of the failure are **liable** with the corporation to pay the amount due. This amount includes penalties and interest.

However, if the directors take action to ensure the corporation makes the necessary deductions or remittances, we will not hold the directors personally responsible.

For more information, see Information Circular 89-2, *Director's Liability – Section 227.1 of the Income Tax Act*, available at your tax services office or tax centre.

## Penalties and interest

### Penalties – Failure to deduct or remit tax, CPP, and EI amounts

We can assess you a penalty of 10% of the amount you should have withheld the first time that:

- we receive the withheld amounts past the due date;
- you withhold the amounts, but do not remit them;
- you fail to deduct the required amount of income tax; or
- you fail to deduct CPP and EI amounts as required (if you fail to deduct, or if you underdeduct these amounts, we consider this as a failure to remit).

If you are subject to a penalty for any of the above in a calendar year, and a later failure occurs in the same calendar year, we may apply a 20% penalty if the failure was made knowingly or under circumstances of gross negligence.

We only apply the penalty for failing to remit on amounts that are more than \$500. However, we may apply a penalty on amounts less than \$500 when a person is required to remit deductions and knowingly, or under circumstances of gross negligence, delays remitting the deductions or remits an amount less than the required amount.

## Prescribed person

A prescribed person is:

- a person or partnership who remits amounts on behalf of one or more employers and whose total average monthly remittance is \$50,000 or more in the second preceding taxation year (Threshold 2); or
- all other employers who remit an average monthly amount of \$50,000 or more in the second preceding taxation year (Threshold 2).

As a prescribed person, you have to remit payments at a Canadian financial institution. You cannot remit payments at a tax services office or tax centre. We can assess you a penalty of either 10% or 20% of an outstanding amount for failing to remit at a Canadian financial institution.

For information on Threshold 2, see the section on accelerated remitters in Chapter 5.

### Note

We expect you to deduct tax, CPP, and EI amounts as required. If you fail to deduct or remit these amounts, you are liable for the full amount you should have deducted from the employee's remuneration, plus your share of CPP contributions and EI premiums that you should have paid on your employee's behalf.

If you fail to comply with the above requirements, you may be prosecuted. You could be fined from \$1,000 up to \$25,000, or you could be fined and imprisoned for a term of up to 12 months.

## Penalties – Failure to file information returns

Information returns are T4, T4 Short, T4A, and T4F Supplementary slips and the related summary forms. You have to file an information return and give information slips to your employees by the end of February of the following calendar year. 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.

## Interest

We can charge interest from the day your payment is due. For due dates, see "When do you remit deductions?" in Chapter 5 of this guide.

## Waiving penalties and interest

The fairness provisions of the *Income Tax Act* give us greater discretion when cancelling or waiving all or a portion of interest charges and penalties. This added flexibility allows us to consider extraordinary circumstances that may have prevented employers from fulfilling their obligations under the *Income Tax Act*, *Employment Insurance Act*, and *Canada Pension Plan*. For more information, see Information Circular 92-2, *Guidelines for the Cancellation and Waiver of Interest and Penalties*, available at any tax services office or tax centre.

## How do you appeal an assessment?

If you receive an assessment for CPP contributions, EI premiums, or income tax deductions that you do not agree with, you have 90 days after the date of the

assessment to appeal. However, before you file an appeal, you may want to contact your tax services office or tax centre to discuss the matter. This could solve your problem and save you the time and trouble of appealing.

To appeal the amount of **income tax** that we indicate you owe, you can:

- file Form T400A, *Objection*; or
- write to the Chief of Appeals at your tax services office or tax centre. State the reasons why you do not agree with the assessment, and give all related facts.

To appeal the **CPP contributions** or **EI premiums** that we indicate you owe, you can:

- file Form CPT100, *Application for Determination of a Question or Appeal under the Canada Pension Plan or Employment Insurance Act* (you have to complete Part II of the form, and attach a copy of the *Notice of Assessment*); or
- write to the Chief of Appeals at your tax services office. Attach a copy of the assessment, state the reasons why you do not agree with the assessment, and give all related facts.

## How do you appeal CPP and EI rulings?

If you do not know whether you should deduct CPP contributions or EI premiums, a tax services office can issue a ruling to resolve the problem. Employers, employees, or representatives who do not agree with the ruling can appeal it by:

- filing Form CPT100, *Application for Determination of a Question or Appeal under the Canada Pension Plan or Employment Insurance Act*, on or before April 30 of the year that follows the year to which the question relates for CPP, and within 90 days after being notified of the ruling for EI (they have to complete Part I of the form, and attach a copy of the ruling); or
- writing to the Chief of Appeals at their tax services office. They have to attach a copy of the ruling, state the reasons they do not agree with the ruling, and give all related facts.

## Confidentiality

If you want to authorize a representative to discuss your tax matters, complete Form RC59, *Business Consent Form*, or send us a letter of authorization. This speeds up the process of getting the information to your representative without delay. You can obtain Form RC59 from your tax services office or tax centre.

## Payroll deductions tables

Our payroll deductions tables contain information to help you calculate the amount of income tax, CPP contributions, and EI premiums that you have to deduct for your employees or for retired persons.

The tables are available in the following versions:

- **Printed** – *Payroll Deductions Tables* (T4032) and *Payroll Supplementary Tables* (T4008). You can use these tables to

calculate your employees' payroll deductions, especially if you don't have a computer.

- **Diskette** – *Tables on Diskette (TOD) (T4143)*. Revenue Canada has available an electronic version of the *Payroll Deductions Tables (T4032)* and *Payroll Supplementary Tables (T4008)*. This diskette contains the information you need to calculate deductions from your employees' pay for all pay periods.

**Note**

TOD (T4143) is available on the Internet and on the Electronic Document Distribution System (EDDS). For more information, see the *Payroll Deductions Tables (T4032)* or contact your tax services office or tax centre.

- **Electronic** – *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 employees' payroll deductions. This publication contains formulas to calculate federal and provincial income tax amounts (except Quebec provincial tax), CPP contributions, and EI premiums.

**Note**

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

The *Payroll Deductions Tables* are available for each province and territory, and also for employees working outside Canada.

You can obtain the *Payroll Deductions Tables* in any of the above versions at your tax services office or tax centre.

### Which provincial tax tables should you use?

To know which provincial tax tables to use, you have to determine your employee's province or territory of employment. This depends on whether or not you require your employee to report for work at your place of business.

If the employee reports for work at your place of business, the province or territory of employment is the province or territory where your business is located. To withhold payroll deductions, use the tax tables for that province or territory of employment.

**Example 1**

Your head office is in Ontario, but you require your employee to report to your place of business in Manitoba. In this case, use the *Manitoba Payroll Deductions Tables*.

**Example 2**

Your employee lives in Quebec, but you require your employee to report to your place of business in New Brunswick. In this case, use the *New Brunswick Payroll Deductions Tables*.

If you do not require your employee to report for work at your place of business, the employee's province or territory of employment is the province or territory where your business is located, and from where you pay your employee's salary.

**Example 3**

Your employee does not have to report to any of your places of business, but you pay the employee from your office in Quebec. In this case, use the *Quebec Payroll Deductions Tables*. The employee is not subject to CPP contributions, but could be subject to Quebec Pension Plan (QPP) contributions.

## Employment in Quebec

The Quebec provincial government administers its own provincial pension plan, the Quebec Pension Plan (QPP). Therefore, in this guide, replace CPP with QPP if one of the following situations applies:

- the employee has to report to your place of business in Quebec; or
- the employee does not have to report to your place of business, but you pay the employee from your place of business in Quebec.

For more information about QPP, contact the ministère du Revenu du Québec, 3800 Marly Street, Sainte-Foy QC G1X 4A5.

## What should you do if an employee leaves?

We suggest that you calculate the employee's earnings for the year to date, and give the employee a T4 Supplementary slip. If no current-year T4 Supplementary slip is available, use one from the previous year. Just cross out the year at the top and enter the current year. Keep Revenue Canada's copy of the slip and include it with your T4 Summary when you file it by the last day of February of the following year. In addition, you have to prepare a *Record of Employment* for each former employee. For more information, see Chapter 3 of this guide.

## What should you do if you do not have any employees for a period of time?

Complete Part 3 of Form PD7A, *Statement of Account for Current Source Deductions*, to let your tax centre know when you expect deductions to begin again. For more information, see Chapter 5 of this guide.

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

Send all income tax deductions, CPP contributions, and EI premiums to your tax services office or tax centre within seven days of the day your business ends. For more information on how to send in deductions, see Chapter 5 of this guide.

Complete the necessary T4 Supplementary slips and T4 Summary and send them to your tax services office or tax centre within 30 days. 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). If no current-year T4 Supplementary slips or T4 Summary

forms are available, use ones from the previous year. Just cross out the year at the top and enter the current year. Distribute copies of the T4 Supplementary slips to your former employees. For more information on how to complete a T4 Supplementary slip and T4 Summary form, see Chapter 6 of this guide.

Prepare and give a *Record of Employment* to each former employee. For more information, see Chapter 3 of this guide.

## Keeping records

Employers and payers who have to withhold or deduct taxes, CPP contributions, and EI premiums have to keep books and records of what they have done. They must also allow Revenue Canada officers to verify these books and records on request.

You have to keep books and records for at least six years. However, if you want to destroy them before the six-year period is over, complete Form T137, *Request for Destruction of Books and Records*, to ask for permission to do so. You can obtain this form at your tax services office or tax centre. If you need more information, see Information Circular 78-10, *Books and Records Retention/Destruction*.

## What happens if you change your business status?

If you change your business status, we consider you as a new employer. Therefore, you need to use a new account number when you remit and report employee deductions.

The following are some examples of changes to business status:

### Example 1

You are the sole proprietor of a business and you decide to incorporate.

### Example 2

You and a partner own a business. Your partner leaves the business and sells his half interest to you, making you a sole proprietor.

### Example 3

You and your partners own part of a business. The group decides to incorporate.

If you are unsure whether or not your status has changed, contact your tax services office or tax centre.

## Chapter 2 – Canada Pension Plan Contributions

### Under what conditions do you deduct CPP contributions?

You have to deduct CPP contributions from an employee's remuneration if that employee:

- is 18 or older, but younger than 70;

- is in pensionable employment during the year; and
- does not receive a CPP or Quebec Pension Plan (QPP) retirement or disability pension.

#### Note

For information on the QPP, see the *Guide for Employers* which you can get from the ministère du Revenu du Québec.

## Amounts subject to CPP contributions

You generally have to deduct CPP contributions from the following amounts and benefits:

- salary, wages, or other remuneration, commissions, bonuses, and the value of meals and lodging (other than an exempt allowance paid to an employee at a special work site or remote work location);
- certain rent-free and low-rent housing, interest-free and low-interest loans, group term life insurance premiums, personal use of an automobile that an employer owns or leases, holiday trips, subsidized meals, and certain gifts, prizes, and awards;
- honorariums from employment or office, a share of profit that an employer paid, incentive payments, director's fee, fees paid to board or committee members, and executor's (liquidators) or administrator's fees earned to administer an estate (as long as the executor or administrator does not act in this capacity in the regular course of business);
- certain tips and gratuities received for services performed (for more information, see Interpretation Bulletin CPP-1, *Canada Pension Plan – Tips and Gratuities*);
- remuneration received while retired, on vacation, furlough, sabbatical, or sick leave, or for lost-time pay from a union, vacation pay, payments received under a supplementary unemployment benefit (SUB) plan which does not qualify as a SUB plan under the *Income Tax Act*, and payments for sick-leave credits;
- wage-loss benefits that an employee receives from a wage-loss replacement plan (these benefits may or may not be subject to CPP contributions; for more information, see Chapter 7 of this guide);
- benefits derived from stock option plans; and
- workers' compensation payments you make to an employee for an injury. Deduct CPP from the amount that is **more than** the following:
  - the maximum dollar amount the Workers' Compensation Board (WCB) pays, known as a "top-up amount;" or
  - the equivalent amount that the WCB would otherwise pay if you are a self-insured employer. For more information, see Chapter 7 of this guide.

#### Note

If you pay any of these amounts to a former employee and you have to deduct CPP contributions, use the rate in effect when you make the payment.

## Types of employment and amounts not subject to CPP contributions

There are some types of employment, benefits, and payments from which you do not have to deduct CPP contributions.

### Types of excluded employment

Do not deduct CPP contributions from payments for these types of employment:

- employment by an employer in agriculture, an agricultural enterprise, horticulture, fishing, hunting, trapping, forestry, logging, lumbering, unless:
  - you paid a worker \$250 or more in a year; and
  - you will be paying the worker cash remuneration for 25 or more working days<sup>1</sup> in a calendar year—the 25 or more days do not have to be consecutive;
- casual employment, if it is for a purpose other than your usual trade or business;
- employment as a teacher on exchange from a foreign country;
- employment of a spouse, if you cannot deduct the remuneration paid as an expense under the *Income Tax Act*;
- employment of your child or a person that you maintain if no cash remuneration is paid;
- employment of a person you do not regularly employ, if that person helps you in a rescue operation or in reducing the effects of a disaster;
- employment of a person in connection with a circus, fair, parade, carnival, exposition, exhibition, or other similar activity, except for entertainers, if that person:
  - is not your regular employee; and
  - works for less than seven days<sup>2</sup> in the year;
- employment by a government body as a census taker or election worker, if that person:
  - is not a regular employee of the government body; and
  - works for less than 25 days<sup>1</sup> in a calendar year; and
- employment of a member of a religious order who has taken a vow of perpetual poverty. This applies whether the remuneration is paid directly to the order, or the member pays the order.

### Types of excluded benefits and payments

Do not deduct CPP contributions from:

- pension payments, lump-sum payments from a pension plan, death benefits, amounts that a trustee allocated under a profit-sharing plan or that a trustee paid under a deferred profit sharing plan, benefits received under a

supplementary unemployment benefit (SUB) plan that qualifies as a SUB plan under the *Income Tax Act*, and retiring allowances or severance payments received upon or after retirement to recognize long service, or for loss of office or employment;

- wage-loss benefits that an employee receives from a wage-loss replacement plan (these benefits may or may not be subject to CPP contributions; for more information, see Chapter 7 of this guide);
- payments you make after an employee dies, except for amounts the employee earned or was owed before the date of death;
- workers' compensation payments, if you pay your employee:
  - an advance equivalent to a WCB award for an injury while the WCB claim is in progress; or
  - an amount equivalent to a WCB award as a self-insured employer (for information on situations when CPP contributions are required, see "Amounts subject to CPP contributions" discussed earlier in this chapter – for more information on WCB awards, see Chapter 7 of this guide); and
- benefits for the residence of clergy members, if the clergy members receive a tax deduction for their residence.

## How do you deduct CPP contributions?

Both you and your employees have to make CPP contributions. You have to deduct CPP contributions from the amounts you pay your employees. In addition, as an employer, you have to contribute the same amount that you deduct from your employees' remuneration. The contribution that you make is for your employees.

### Example

CPP contributions you deducted	
from your employees in the month .....	\$140.40
Your share of CPP contributions .....	\$140.40
Total amount you send in for CPP contributions .....	\$280.80

### Note

When you calculate the contributions that you have to deduct from your employees, you should not consider any contributions that a former employer or any other employer (i.e., an employee has two jobs at the same time) has deducted in the same year.

You may have places of business in Quebec and in another province. If you transfer an employee from Quebec to another province, you can take into account the QPP contributions you deducted from that employee throughout the year. The total contributions to both plans cannot be more than the maximum contribution for the year. In such a case, you have to prepare two T4 Supplementary slips:

- one showing the QPP deducted and the remuneration the employee earned in Quebec; and
- the other showing the CPP deducted and the remuneration the employee earned in the other province.

<sup>1</sup> When the employee works 25 days or more, the employment is pensionable back to the first day of work

<sup>2</sup> When the employee works seven days or more, the employment is pensionable back to the first day of work.

## Employees' contributions

You deduct employees' CPP contributions from salary, wages, or other remuneration. This includes any taxable benefits you pay or provide. Each year, we determine:

- a maximum amount of pensionable earnings from which you deduct CPP (for 1996, it was \$35,400);
- a basic yearly exemption, which is a base amount from which you do not deduct CPP contributions (for 1996, it was \$3,500); and
- a rate you use to calculate the amount to deduct from your employees (for 1996, it was 2.8%).

## Methods for deducting CPP contributions

You can determine the CPP contributions you have to deduct by using either of the following two methods:

- the table method; or
- the manual calculation method.

### Table method

Use the *Payroll Deductions Tables* (T4032) for the current tax year to determine the amount you should deduct from your employees' remuneration. You will find the CPP tables in Part B of that publication. The amounts indicated in the tables already include the basic yearly exemption. Use the tables in the following way:

- Find the page that corresponds to your pay period. For example, if you pay the employee weekly, go to the "Weekly Pay Period" table.
- Look down the "Pay" column for the bracket that includes the employee's gross pay (this includes any taxable benefits).
- Beside this amount, you will find a corresponding amount in the "CPP" column. This is the amount of contributions to withhold from the employee's pay. As an employer, you have to pay the same amount as your employee.

#### Note

The *Payroll Deductions Tables* (T4032) include the amount of tax, CPP contributions, and Employment Insurance premiums to deduct for weekly, bi-weekly, semi-monthly, and monthly pay periods. Use the *Payroll Deductions Supplementary Tables* (T4008) for 10, 13, and 22 pay periods. When there is a year with an additional pay period (53 or 27), you must use the manual method to determine the CPP contributions. *Tables on Diskette* (TOD), which is an electronic version of the *Payroll Deductions Tables* and the *Payroll Deductions Supplementary Tables*, contains the information you need to calculate deductions from your employee's pay for all pay periods.

### Manual calculation method

To use the manual calculation method, follow these steps:

**Step 1:** Calculate the basic pay-period exemption that applies. To do this, divide the basic yearly

exemption by the number of pay periods in the year.

**Step 2:** Subtract the result of Step 1 from the employee's gross pay for each pay period.

**Step 3:** Multiply the result of Step 2 by the current year's CPP contribution rate. Make sure you do not exceed the maximum for the year. The result is the amount of contributions you should withhold from the employee. As an employer, you have to pay the same amount as your employee.

#### Example

Weekly salary .....	\$500.00
Taxable benefit .....	\$ 50.00
Total .....	<u>\$550.00</u>

**Step 1:** \$3,500 (1996 basic yearly exemption) ÷ 52 = \$67.31

**Step 2:** \$550 - \$67.31 = \$482.69

**Step 3:** \$482.69 × 2.8% = \$13.52

In this case, you would have to send in CPP contributions of:

Employee's contribution .....	\$13.52
Employer's contribution .....	<u>\$13.52</u>
Total .....	<u>\$27.04</u>

## Prorating the maximum contribution for the year

### When to prorate

You will have to prorate the maximum contribution for the year when:

- an employee turns 18 in the year (use the number of months after the month the employee turns 18);
- an employee turns 70 in the year (use the number of months up to and including the month the employee turns 70);
- a retirement pension is payable to an employee under the CPP or the QPP (use the number of months before the month the pension is payable - for more information, see "Employees who are between 60 and 70 years old," later in this chapter);
- a person is considered to be disabled under the CPP or the QPP (use the number of months up to and including the month the person was considered to be disabled and the number of months following the month the person ceased to be disabled); and
- an employee dies in the year (use the number of months up to and including the month of death).

### How to prorate

To prorate the maximum contribution for the year, follow these steps:

**Step 1:** Deduct the year's basic exemption (\$3,500 for 1996) from the year's maximum pensionable earnings (\$35,400 for 1996).

**Step 2:** Multiply the result of Step 1 by the number of pensionable months.

**Step 3:** Divide the result of Step 2 by 12 (months).

**Step 4:** Multiply the result of Step 3 by the CPP rate that applies for the year (2.8% for 1996).

#### Example 1

Brent turned 18 on May 15, 1996. He receives \$2,000 a month (\$24,000 a year). This amount is less than the maximum pensionable earnings (\$35,400) that are subject to CPP contributions.

#### January to May 1996:

No CPP contributions

#### June to December 1996:

- Pay period: monthly
- Earnings: \$2,000
- Basic yearly CPP exemption: \$3,500
- Prorate basic yearly exemption per month:  
 $\$3,500 \div 12 = \$291.67$
- Monthly deduction:  $\$2,000 - \$291.67 = \$1,708.33$ ;  
 $\$1,708.33 \times 2.8\% = \$47.83$

#### Maximum contribution for 1996:

$7/12 (\$35,400 - \$3,500) \times 2.8\% = \$521.03$

Brent's CPP contributions for 1996 should not be more than \$521.03.

#### Example 2

Maria turned 70 on February 15, 1996. She receives \$800 per week (\$41,600 per year). This amount is more than the maximum pensionable earnings (\$35,400) that are subject to CPP contributions.

#### January to February 1996:

- Pay period: weekly
- Earnings: \$800
- Basic yearly CPP exemption: \$3,500
- Prorate basic exemption per week:  $\$3,500 \div 52 = \$67.31$
- Weekly deduction:  $\$800 - \$67.31 = \$732.69$ ;  
 $\$732.69 \times 2.8\% = \$20.52$

#### March to December 1996:

No CPP contributions

#### Maximum contribution for 1996:

$2/12 (\$35,400 - \$3,500) \times 2.8\% = \$148.87$

Maria's CPP contributions for 1996 should not be more than \$148.87. Her employer should not deduct more than this amount.

## Commissions paid at irregular intervals

If an employee always works for a **commission** and is paid only after selling something (which does not occur regularly), you have to prorate the maximum contribution for each day of work.

#### Example

Sylvie, your employee, always works on commission. You pay her only when she sells something. However, this does not occur regularly. On June 3, 1996, you paid her an \$800 commission. You paid her last commission on March 20, 1996. There are 75 days between each pay.

Calculate the required contribution for 1996 as follows:

- Prorate the basic annual exemption:  
 $75 \div 366 (\text{days}) \times \$3,500 = \$717.21$
  - You have to deduct CPP contributions of:  
 $(\$800 - \$717.21) = \$82.79$ ;  $\$82.79 \times 2.8\% = \$2.32$
  - The amount you have to send in is:
- |                              |        |
|------------------------------|--------|
| Employee's contribution..... | \$2.32 |
| Employer's contribution..... | \$2.32 |
| Total.....                   | \$4.64 |

## Employees who are between 60 and 70 years old

These employees can apply to receive a CPP retirement pension. You have to deduct CPP contributions from their remuneration up to the month before the month that the pension becomes payable.

Human Resources Development Canada sends an award letter to employees who get a pension. The letter indicates the date the pension becomes payable. An employee has to show you this letter to prove that contributions are no longer required.

An employee may work after the age of 60 and not apply for a CPP retirement pension. As a result, you have to deduct contributions until the end of the month:

- before the employee receives the retirement pension; or
- in which the employee turns 70;

whichever occurs first.

For more information on eligibility for a CPP retirement pension, contact Human Resources Development Canada.

## CPP overpayment

If you have overdeducted CPP contributions from your employee and you cannot refund the overpayment, show the full deduction and the adjusted pensionable earnings on the T4 Supplementary slip. If you cannot recover your share of the contributions from any future payment for that year, you can ask for a refund by completing Form PD24, *Statement of Overpayment and Application for Refund - Employer's Contributions Under the Canada Pension Plan and/or Premiums Under the Employment Insurance Act*. You can obtain this form and any information you need from your tax services office or tax centre.

## Recovering CPP contributions

If you receive an assessment for failing to deduct CPP contributions, we will send you a notice asking you to pay the contributions. You can recover the employee's contributions from later payments to the employee.

The deductions can be equal to, but not more than, the amount you should have deducted from each payment.

However, you **cannot recover** the amounts for pay periods that go back more than 12 months.

The employer's share is your responsibility.

If you should have made a deduction in a prior year, and you recover it through a deduction in the current year, do not report the recovered amount on the current year's T4 Supplementary slip. The recovered amount does not affect the current year-to-date CPP contributions.

**Example**

- a) You did not deduct or remit CPP contributions that should have been deducted as follows:

Month	CPP
January	\$3.40
February	\$3.40
March	\$4.10
April	\$4.70
<b>Total</b>	<b>\$15.60</b>

- b) After auditing the records, we issue a *Notice of Assessment* as follows:

	Employee	Employer	Total
CPP contributions	\$15.60	\$15.60	\$31.20 <sup>1</sup>

<sup>1</sup> plus penalties and interest

- c) You can recover \$15.60 for CPP from the employee as follows:

	Current deduction	Employer's recovery	
May	\$4.70	\$3.40	(for January)
June	\$4.70	\$3.40	(for February)
July	\$5.10	\$4.10	(for March)
August	\$5.10	\$4.70	(for April)
<b>Total</b>		<b>\$15.60</b>	

**CPP coverage by foreign employers**

If you are a foreign employer who does not have a place of business in Canada, you can apply to have employment that you provide in Canada covered under the CPP. This coverage is optional. Even if your country does not have a social security agreement with Canada, you can apply for coverage by completing Form CPT13, *Application for Coverage of Employment in Canada under the Canada Pension Plan by an Employer Resident Outside Canada*.

You can get more information on extended coverage from a CPP/EI rulings officer at any of our tax services offices.

**International agreements with foreign governments**

Canada has reciprocal social security agreements with other countries. These agreements ensure that only one plan covers an employee—CPP or a foreign social security plan. If you would like information about the agreement between Canada and the United States, get Information Circular 84-6, *Canada-United States Social Security Agreement*, from any of our tax services offices or tax centres.

Canada has agreements with the following countries:

Country	Date in force	CPT form number
Antigua and Barbuda	January 1, 1994	none
Australia	September 1, 1989	none
Austria	November 1, 1987	112
Barbados	January 1, 1986	none
Belgium	January 1, 1987	121
Cyprus	May 1, 1991	none
Denmark	January 1, 1986	none
Dominica	January 1, 1989	none
Finland	February 1, 1988	128
France	March 1, 1981	52/53
Germany	April 1, 1988	130
Greece	May 1, 1983	54
Guernsey	January 1, 1994	none
Iceland	October 1, 1989	none
Ireland	January 1, 1992	none
Italy	January 1, 1979	51
Jamaica	January 1, 1984	none
Jersey	January 1, 1994	none
Luxembourg	April 1, 1990	none
Malta	March 1, 1992	none
Mexico	May 1, 1996	none
Netherlands	October 1, 1990	none
Norway	January 1, 1987	127
Portugal	May 1, 1981	55
Saint Kitts-Nevis	January 1, 1994	none
Saint Lucia	January 1, 1988	none
Spain	January 1, 1988	125
Sweden	January 1, 1986	129
Switzerland	October 1, 1995	none
United States	August 1, 1984	56

You can obtain application forms for coverage or extension of coverage under the CPP from any of our tax services offices or tax centres.

**Note**

If you have questions about coverage under the Quebec Pension Plan in other countries, contact the Direction de l'administration des ententes de sécurité sociale du RRQ, 6th floor, 355 Sainte-Catherine Street West, Montréal QC H3B 1A4.



## Chapter 3A – Employment Insurance Premiums (1996)

THIS CHAPTER IS FOR 1996 ONLY. FOR INFORMATION REGARDING 1997, SEE CHAPTER 3B.

### What is insurable employment?

You and your employee have to pay Employment Insurance (EI) premiums on remuneration from insurable employment. Insurable employment includes most employment in Canada under a contract of service (a contract where the employer pays the employee). There is no age limit for deducting EI premiums. Some employment outside Canada is also insurable (see Chapter 8).

We consider certain workers who are not employees to be in insurable employment. Examples of such workers are **taxi and passenger-vehicle drivers, barbers and hairdressers, and fishermen**. For more information, see Chapter 8 of this guide.

### Which amounts are subject to EI premiums?

Most earnings you pay in cash or partly in kind (taxable benefits) are subject to EI premiums. This includes any allowance you pay your employee for vocational training under a government training plan or that Veterans Affairs Canada pays, as long as you pay remuneration to the employee in addition to the allowance.

For information about Workers' Compensation Board award payments, see Chapter 7 of this guide.

Wage-loss benefits that an employee receives from a wage-loss replacement plan may or may not be subject to EI premiums. For more information, see Chapter 7 of this guide.

### Which employment and payments are not subject to EI premiums?

There are some types of employment that are not included in insurable employment. They are called non-insurable employment. There are also some types of payments that are not subject to EI premiums.

#### Types of employment for which you do not deduct EI premiums

Even if there is a contract of service, the following employment is not insurable and is not subject to EI premiums:

- employment for which a person's cash earnings in any week are less than 20% of the maximum weekly insurable earnings (e.g., for 1996,  $\$750 \times 20\% = \$150$ ) and the person works less than 15 hours a week;

#### Note

You have to deduct EI premiums if **one** of the above conditions does not apply.

- casual employment, if it is not for your usual trade or business;
- employment when you and your employee do not deal with each other at arm's length. This includes individuals connected by blood relationship, marriage, or adoption. However, an employee who does not deal with you at arm's length can be in insurable employment if you would have negotiated a similar contract with a person that you deal with at arm's length. This decision is based on the terms and conditions of employment, and the remuneration paid for the work done.

#### Note

The definition of **spouse** in the *Income Tax Act* includes a common-law spouse.

- when a corporation employs a person who controls more than 40% of the corporation's voting shares;
- employment that is an exchange of work or services;
- employment by an employer in agriculture, in an agricultural enterprise, or in horticulture, when:
  - the person receives no cash remuneration; and
  - works less than seven days<sup>1</sup> with the same employer during the year;
- employment of a person connected with a circus, fair, parade, carnival, exposition, exhibition, or other similar activity, **except** for entertainers, if that person:
  - is not your regular employee; and
  - works for less than seven days<sup>1</sup> in the year;
- employment of a person in a rescue operation, as long as you do not regularly employ that person for that purpose;
- when a government employs a person as a census taker or election worker if that person:
  - is not the government body's regular employee; and
  - works for less than 25 days<sup>2</sup>;
- employment in Canada under an exchange program, if the employer paying the remuneration is not resident in Canada;
- employment of a member of a religious order who has taken a vow of perpetual poverty (this applies whether the remuneration is paid directly to the order, or the member pays it to the order);
- any employment when premiums have to be paid according to the unemployment insurance laws of any state of the United States, the District of Columbia, Puerto Rico, or the Virgin Islands, or according to the *Railroad Unemployment Insurance Act* of the United States;
- employment in Canada of a non-resident person, if the unemployment insurance laws of any foreign country require someone to pay premiums for that employment;

<sup>1</sup> If the employee works seven days or more, the employment is insurable from the first day of work.

<sup>2</sup> If the employee works 25 days or more, the employment is insurable from the first day of work.

- employment in Canada by a foreign government or an international organization, **except** when the foreign government or international organization agrees to cover its Canadian employees under Canada's EI legislation (in this case, the employment is insurable if Human Resources Development Canada (HRDC) agrees); and
- employment of an EI claimant in a job-creation project that HRDC has approved and in which you participate as an employer.

## Types of payments for which you do not deduct EI premiums

Do not deduct EI premiums from the following types of payments:

- a payment you make under a supplementary unemployment benefit plan (SUB);
- the value of board, lodging, and all other benefits received or enjoyed in a period if you do not pay cash for the pay period;

### Note

If hours worked or cash earnings in a pay period do not meet the minimum insurability rules, a non-cash taxable benefit added to the pay, regardless of the amount, cannot be used to create insurability.

- the value of lodging that a member of the clergy receives for employment as a member of the clergy;

### Note

If the member of the clergy receives a cash allowance for lodging, include the allowance in insurable earnings.

- the value of certain benefits and allowances not included in earnings.

If you need more information on any of these amounts, contact your tax services office or tax centre.

## How to allocate insurable earnings to the proper pay period

The following methods are used to allocate insurable earnings.

1. Allocate earnings you paid to an employee to the pay period in which the employee **earned** them. This includes salary, wages, and employer-paid leave, such as vacation.
2. Allocate the following earnings to the pay period in which you **paid** them, if the employee is **not on unpaid leave**, has not left your employment, and has not been dismissed or laid off:
  - overtime pay;
  - retroactive pay increases;
  - bonuses;
  - gratuities;
  - accumulated sick-leave credits;
  - shift premiums;
  - incentive payments;
  - cost-of-living allowances;
  - separation payments;

- wages in lieu of notice; and
- remuneration not paid for a pay period (e.g., vacation pay for time not taken).

3. Allocate the above list to the **last pay period** for which you paid regular salary, wages, or commissions, if the employee is **on unpaid leave**, has left your employment, or has been dismissed or laid off.

If you need more information, contact your tax services office or tax centre.

## EI premiums

Both you and your employee have to pay EI premiums on insurable earnings. According to the *Payroll Deductions Tables*, the EI contributions for 1996 are as follows:

- the employees' premiums are 2.95% of insurable earnings for the pay period; and
- the employer's premiums are 1.4 times the amount of the employees' premiums.

If you have a **wage-loss replacement plan**, you can ask to have your premiums reduced.

## How can you reduce the rate of your EI premiums?

Some employers do this by maintaining an approved wage-loss replacement plan. This allows them to pay their employer's share of EI premiums at a reduced rate. Employers have to obtain a separate payroll deductions account so they can make a separate remittance for employees covered by the plan.

To participate in the Premium Reduction Program, you have to register by submitting:

- an application and the appropriate schedules, which you can find in the *Application Guide* (IN-121A-12-94E); and
- a copy of the plan.

Employers who are already participating in the Program have to complete a renewal application to renew their entitlement to the reduction. Each year, Human Resources Development Canada will send the renewal application to these employers.

For more information on the Program, please contact:

Human Resources Development Canada  
 Premium Reduction Program  
 Nicolas Denys Building  
 P.O. Box 11000  
 Bathurst NB E2A 4T5

Telephone number: 1-800-561-7923

Fax number: (506) 548-7473

If you maintain approved wage-loss replacement plans, file a separate T4 return (T4 Summary form and related T4 Supplementary slips) for each payroll deductions account. Report employees that qualify you for a premium-rate reduction using your separate payroll deductions account. Report all other employees under your regular payroll deductions account. If an employee was a member of a wage-loss replacement plan anytime during

the year, and not a member at other times, file a separate T4 Supplementary slip for each period.

## How do you determine the amount of EI premiums to deduct in 1996?

There are two ways to determine the amount of premiums to deduct: the table method and the manual calculation method.

### Table method

Use Part C of the *Payroll Deductions Tables* to determine the amount of EI premiums to deduct from your employee's remuneration.

To use these tables:

- Look down the "Pay" column for the bracket that lists the employee's gross pay (including taxable benefits).
- Beside this bracket, you will find a corresponding amount in the "EI premium" column. Deduct this amount from the employee's pay. However, do not deduct more than the maximum for the pay period. The maximum premiums are shown at the bottom of each page of the EI tables. As an employer, you have to pay 1.4 times this amount as your employer premium (unless you qualify for a premium reduction).

### Manual calculation method

To calculate using this method, follow these steps:

- Calculate the employee's insurable earnings for the pay period (see the next section, "How do you determine insurable earnings?"). In most cases, the gross pay including taxable benefits is the insurable earnings. Do not calculate an amount that is more than the maximum insurable earnings for that pay period (see the *Payroll Deductions Tables*).
- Multiply your employee's insurable earnings for the pay period by the EI premium rate. The result is the EI premium to deduct for that pay period. Do not calculate an amount that is more than the maximum premium for that pay period. As an employer, you have to pay 1.4 times this amount as your employer premium (unless you qualify for a premium reduction).

## How do you determine insurable earnings for 1996?

The following instructions deal with calculating insurable earnings for these pay periods:

- daily
- weekly
- bi-weekly
- semi-monthly
- monthly
- other

### Daily pay period

It is important to keep a record of individual insurable earnings, along with time records for each of your employees. Deduct EI premiums when your employee:

- earns the minimum weekly insurable earnings (excluding taxable benefits); or
- works 15 hours or more in that week (a week is seven consecutive days beginning on a Sunday).

Once the employee's earnings or number of hours worked equal or are more than the weekly minimum, calculate the EI premiums based on the employee's total insurable earnings for that week.

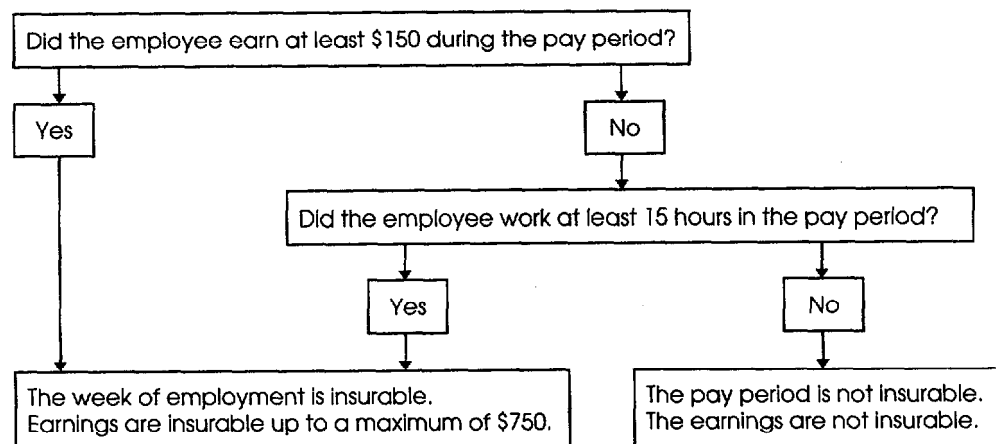
### Weekly pay period

A weekly pay period is seven consecutive days, the last day of which is your pay period ending date. The minimum weekly insurable earnings for 1996 were \$150. Deduct EI premiums from the total remuneration of an employee who is paid on a weekly basis if:

- the earnings (excluding taxable benefits) equal or are more than the weekly minimum amount; or
- the employee worked 15 hours or more in a weekly pay period.

Do not deduct EI premiums from earnings that are more than the weekly maximum.

### Weekly pay period - Determining insurable earnings for 1996



## Bi-weekly pay period

A bi-weekly pay period is 14 consecutive days, the last day of which is your pay period ending date. The minimum bi-weekly insurable earnings for 1996 were \$300. Deduct EI premiums from the total remuneration of an employee who is paid on a bi-weekly basis if:

- the earnings (excluding taxable benefits) equal or are more than the bi-weekly minimum amount; or
- the employee worked 30 hours or more for a bi-weekly pay period.

Do **not** deduct premiums from earnings that are more than the bi-weekly maximum.

### Note

Your employee may have no earnings in one week during the pay period, or the employee's total earnings and hours worked may be less than the bi-weekly minimums. If this is the case, you have to determine the employee's actual earnings and hours worked in each week of the pay period to calculate the required EI premiums. Use the weekly pay period minimums.

### Example 1

The minimum bi-weekly insurable earnings in 1996 were \$300. Larry earns \$100 in the first week of a bi-weekly pay period, and \$300 in the second week, for a total of \$400. The total is more than the bi-weekly minimum, so it is insurable. As a result, you have to deduct premiums.

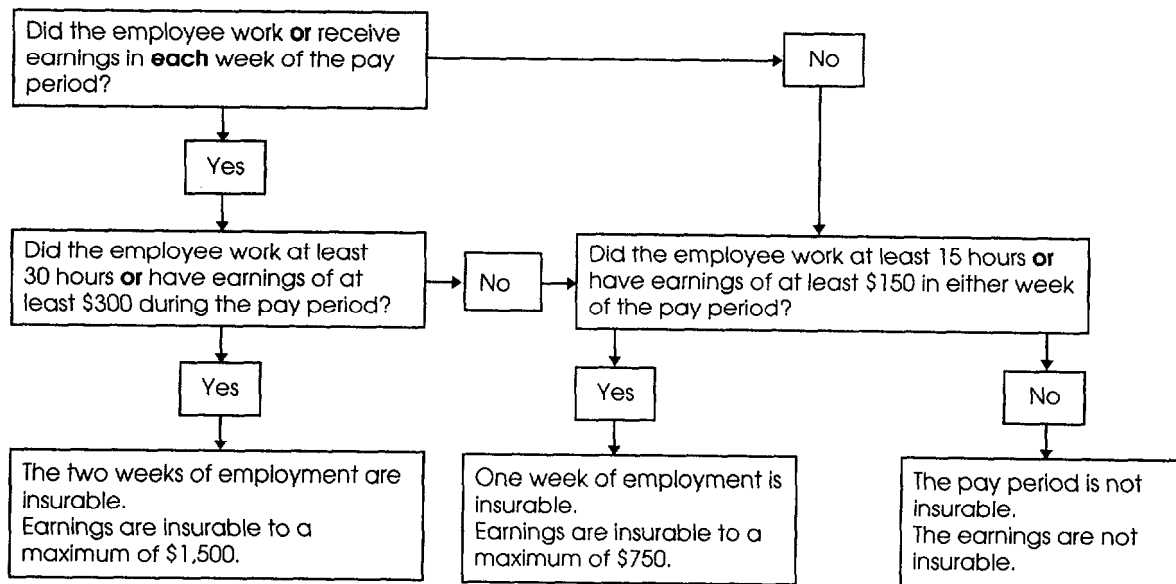
### Example 2

The maximum bi-weekly insurable earnings in 1996 were \$1,500. Natasha earns \$800 in the first week of a bi-weekly pay period, and \$900 in the second week, for a total of \$1,700. The total is more than the bi-weekly maximum insurable earnings, so only \$1,500 is insurable. As a result, you have to deduct premiums.

### Example 3

The minimum bi-weekly hours are 30 hours. Boris works 5 hours in the first week of a bi-weekly pay period, and 25 hours in the second week, for a total of 30 hours. The total earnings are insurable, even if the earnings are less than the bi-weekly minimum, because Boris worked the bi-weekly minimum number of hours.

### Bi-weekly pay period - Determining insurable earnings for 1996



### Note

When there are more than 52 weekly pay periods or more than 26 bi-weekly pay periods in a calendar year, you have to pay extra premiums to cover the extra pay periods. These premiums and insurable earnings that are more than the maximum yearly amounts have to appear on the employee's T4 Supplementary slip. For more information, see the explanation for box 18 under "How to complete the T4 Supplementary slip" in Chapter 6 of this guide.

### Additional EI premiums for 1996

For 53 weekly pay days in a calendar year:

- Insurable earnings for 1996 were \$39,750 (53 weekly pay days, multiplied by the maximum weekly insurable earnings of \$750).
- Maximum employee premiums for 1996 were \$1,172.89 (53 weekly pay days, multiplied by the maximum weekly premium of \$22.13).

For 27 bi-weekly pay days in a calendar year:

- Insurable earnings for 1996 were \$40,500 (27 bi-weekly pay days, multiplied by the maximum bi-weekly insurable earnings of \$1,500).

- Maximum employee premiums for 1996 were \$1,194.75 (27 bi-weekly pay days, multiplied by the maximum bi-weekly premium of \$44.25).

### Semi-monthly pay period

In a semi-monthly pay period, your pay period ending dates **have to** fall on the 15th and the last day of each calendar month. The minimum semi-monthly insurable earnings for 1996 were \$325. Deduct EI premiums from the total remuneration of an employee you pay on a semi-monthly basis if:

- the earnings (excluding taxable benefits) equal or are more than the semi-monthly minimum; or

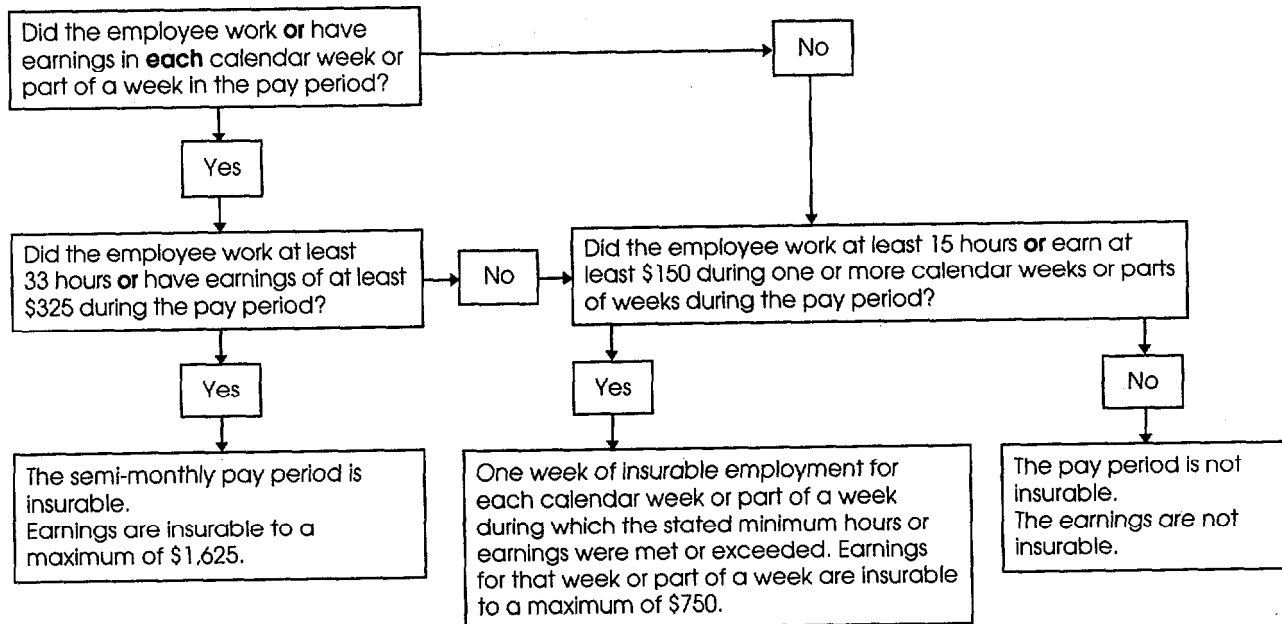
- the employee worked 33 hours or more for a semi-monthly pay period.

Do **not** deduct premiums from earnings that are more than the semi-monthly maximum.

#### Note

Your employee may have no earnings in one week or part of a week during the pay period, **or** the total of the employee's earnings and hours worked may be less than the semi-monthly minimums. To calculate the required EI premiums, you have to determine the employee's actual earnings and hours worked in each week or part of a week in the pay period. Use the weekly pay period minimums.

#### Semi-monthly pay period - Determining insurable earnings for 1996



### Monthly pay period

In a monthly pay period, your pay period ending date **has to** fall on the last day of each calendar month. The minimum monthly insurable earnings for 1996 were \$650. Deduct EI premiums from the total remuneration of an employee who is paid monthly if:

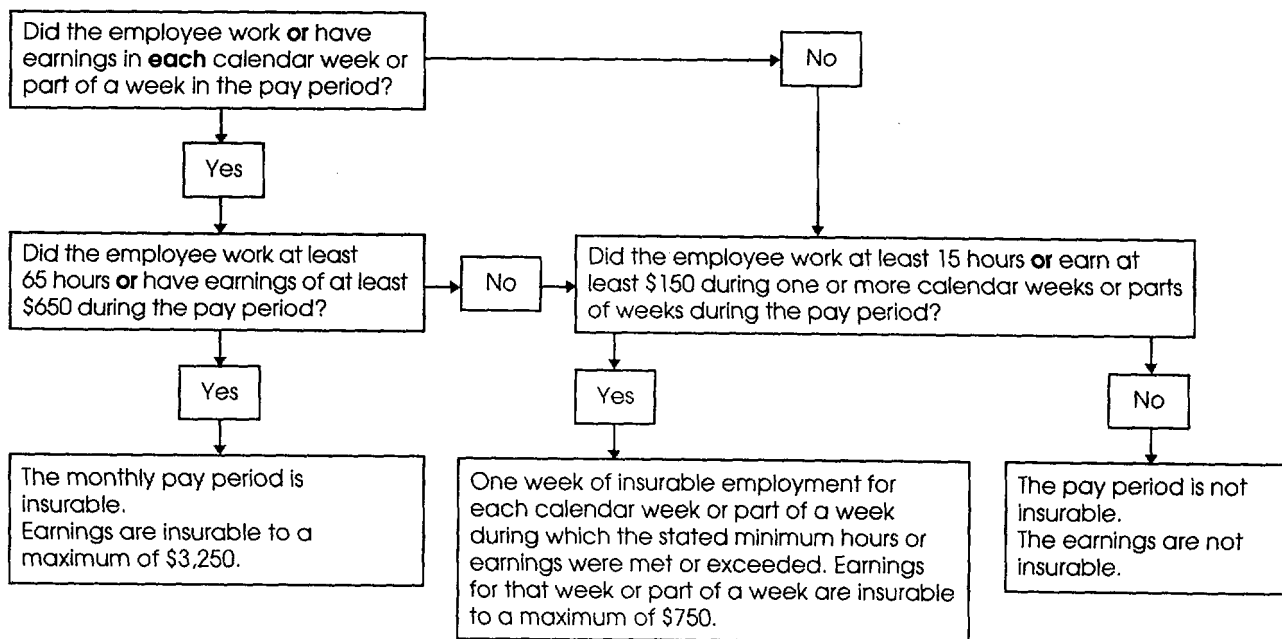
- the earnings (excluding taxable benefits) equal or are more than the monthly minimum; or
- the employee worked 65 hours or more for a monthly pay period.

Do **not** deduct premiums from earnings that are more than the monthly maximum.

#### Note

Your employee may have no earnings in one week or part of a week during the pay period, **or** the total of the employee's earnings and hours worked may be less than the monthly minimums. To calculate the required EI premiums, you have to determine the employee's actual earnings and hours worked in each week or part of a week in the pay period. Use the weekly pay period minimums.

## Monthly pay period – Determining insurable earnings for 1996



### Other pay periods

If you pay the following types of remuneration regularly (e.g., weekly, bi-weekly), treat them like other earnings when you can match them with the pay period in which the employee earned them:

- commissions, when they do not involve a drawing account;
- drawings, when an account is not periodically settled;
- piecework; and
- remuneration you pay to an employee who works for 52 consecutive weeks, when you pay the remuneration in 10 or 22 payments.

Treat the following earnings on a yearly basis:

- commissions you pay irregularly;
- a combination of drawings or regular salary and commissions;
- sums debited to a drawing account at irregular intervals;
- piecework, when settled irregularly; and
- remuneration you pay to an employee who works for 52 consecutive weeks, if:
  - the payments do not cover the 52-week period; and
  - you paid them in other than 10 or 22 payments.

You have to calculate the premiums from the first dollar on each payment up to the maximum insurable earnings on a yearly basis. When you reach the maximum, do not deduct any more premiums.

In addition, you have to prorate the maximum insurable earnings when your employee:

- starts to work for you after January 1; or
- leaves your employment before the end of the year.

### EXAMPLES: CALCULATING THE MAXIMUM INSURABLE EARNINGS

#### Example 1

Matthew's employment began on May 6, 1996. There are 34 weeks from May 6 to December 31. This is how you would calculate his maximum insurable earnings for the year:

$$34 \div 52 \text{ (weeks)} \times \text{yearly maximum insurable earnings.}$$

#### Example 2

Sheila's employment ended on June 28, 1996. She earned \$40,000 and paid EI premiums on this amount. Since the adjusted maximum insurable earnings for the six months she worked would be \$19,500, (6 months  $\div$  12 months  $\times$  \$39,000 = \$19,500), she has overpaid EI premiums.

Her employer should refund this overpayment to her. In addition, her employer should reduce the next payment made in the year to Revenue Canada by an amount equal to:

- Sheila's EI overpayment; and
- the employer's EI premium related to Sheila's overpayment.

### EXAMPLES: CALCULATING THE MAXIMUM INSURABLE EARNINGS

If you pay insurable earnings to a person in a year **after** the one in which the employment occurs, use the premium rate and maximum insurable limits in effect when you paid the earnings.

## EI overpayment

If you have overdeducted EI contributions from your employee and you cannot refund the overpayment, show the full deduction and the adjusted earnings on the T4 Supplementary slip. If you cannot recover your share of the premium from any future payment for that year, you can ask us for a refund by completing Form PD24, *Statement of Overpayment and Application for Refund – Employer's Contributions Under the Canada Pension Plan and/or Premiums*

Under the Employment Insurance Act. You can obtain this form and any information you need from your tax services office or tax centre.

## Recovering EI premiums

If you receive an assessment for failing to deduct EI premiums, you can recover the employee's premiums from future payments to the employee. The deductions can be equal to but not more than the amount you should have deducted from each payment. You **cannot recover** the amounts for pay periods that go back more than 12 months. The employer's share is your responsibility.

If you should have made a deduction in a prior year, and you recover it through a deduction in the current year, do not report the recovered amount on the current year's T4 Supplementary slip.

The recovered amount does not affect the current year-to-date EI premiums.

### Example

- a) You did not deduct or remit EI premiums that should have been deducted as follows:

Month	EI
January	\$8.50
February	\$8.50
March	\$8.50
April	\$8.50
<b>Total</b>	<b>\$34.00</b>

- b) After auditing the records, we issue a *Notice of Assessment* as follows:

	Employee	Employer	Total
EI premiums	\$34.00	\$47.60 <sup>1</sup>	\$81.60 <sup>2</sup>

<sup>1</sup> 1.4 × employee premiums

<sup>2</sup> plus penalty and interest

- c) You can recover \$34.00 for EI premiums from the employee as follows:

	Current deduction	Employer's recovery	
May	\$8.50	\$8.50	(for January)
June	\$8.50	\$8.50	(for February)
July	\$8.50	\$8.50	(for March)
August	\$8.50	\$8.50	(for April)
<b>Total</b>		<b>\$34.00</b>	

## EI and the Record of Employment

You have to complete Form INS 2106, *Record of Employment* (ROE), when an employee stops working for you (an **interruption of earnings**). This happens when the employment ends, or an employee leaves because of pregnancy, injury, illness, adoption leave, layoff, leave without pay, or dismissal.

For full details on the ROE, see a copy of the guide *How to Complete the Record of Employment*, which is available from your nearest Human Resource Centre of Canada, or your tax services office or tax centre. The guide gives you general

information on the ROE and step-by-step help on how to complete it.

## Chapter 3B – Employment Insurance Premiums (1997)

Effective January 1, 1997, you have to withhold Employment Insurance (EI) premiums from each dollar of insurable earnings up to the yearly maximum. Once you have deducted the maximum for the year, you should not deduct any more premiums.

### What is insurable employment?

You and your employee have to pay EI premiums on remuneration from insurable employment. Insurable employment includes most employment in Canada under a contract of service (a contract where the employer pays the employee). There is no age limit for deducting EI premiums. Some employment outside Canada is also insurable (see Chapter 8).

We consider certain workers who are not employees to be in insurable employment. Examples of such workers are **taxi and passenger-vehicle drivers, barbers and hairdressers, and fishermen**. For more information, see Chapter 8 of this guide.

### Which amounts are insurable?

(The information in this section could change by January 1, 1997. We will contact you.)

Most earnings you pay in cash or partly in kind are insurable. The unpaid portion of any earnings from insurable employment which you did not pay because of your bankruptcy, receivership, impending receivership, or non payment of remuneration for which the employee has filed a complaint with the provincial labour authorities, is also insurable.

For information about Workers' Compensation Board award payments, see Chapter 7 of this guide.

Wage-loss benefits that an employee receives from a wage-loss replacement plan may or may not be subject to EI premiums. For more information, see Chapter 7 of this guide.

### Which employment and payments are not subject to EI premiums?

Some types of employment are not included in insurable employment. They are called **non-insurable employment**. Also, some types of payments are not subject to EI premiums.

### Types of employment for which you do not deduct EI premiums

(The information in this section could change by January 1, 1997. We will contact you.)

Even if there is a contract of service, the following employment is **not insurable** and is not subject to EI premiums:

- casual employment, if it is not for your usual trade or business;

- employment when you and your employee do not deal with each other at arm's length. This includes individuals connected by blood relationship, marriage, or adoption. However, an employee who does not deal with you at arm's length can be in insurable employment if you would have negotiated a similar contract with a person that you deal with at arm's length. This decision is based on the terms and conditions of employment, and the remuneration paid for the work done.

**Note**

The definition of **spouse** in the *Income Tax Act* includes a common-law spouse.

- when a corporation employs a person who controls more than 40% of the corporation's voting shares;
- employment that is an exchange of work or services;
- employment by an employer in agriculture, in an agricultural enterprise, or in horticulture, when:
  - the person receives no cash remuneration; and
  - works less than seven days<sup>1</sup> with the same employer during the year;
- employment of a person connected with a circus, fair, parade, carnival, exposition, exhibition, or other similar activity, **except** for entertainers, if that person:
  - is not your regular employee; and
  - works for less than seven days<sup>1</sup> in the year;
- employment of a person in a rescue operation, as long as you do not regularly employ that person for that purpose;
- when a government employs a person as a census taker or election worker, if that person:
  - is not the government body's regular employee; and
  - works for less than 25 days<sup>2</sup>;
- employment in Canada under an exchange program, if the employer paying the remuneration is not resident in Canada;
- employment of a member of a religious order who has taken a vow of perpetual poverty (this applies whether the remuneration is paid directly to the order, or the member pays it to the order);
- any employment when premiums have to be paid according to the unemployment insurance laws of any state of the United States, the District of Columbia, Puerto Rico, or the Virgin Islands, or according to the *Railroad Unemployment Insurance Act* of the United States;
- employment in Canada of a non-resident person, if the unemployment insurance laws of any foreign country require someone to pay premiums for that employment;

<sup>1</sup> If the employee works seven days or more, the employment is insurable from the first day of work.

<sup>2</sup> If the employee works 25 days or more, the employment is insurable from the first day of work.

- employment in Canada by a foreign government or an international organization, **except** when the foreign government or international organization agrees to cover its Canadian employees under Canada's EI legislation (in this case, the employment is insurable if Human Resources Development Canada agrees); and
- employment under the *Self-employment assistance and job creation partnerships* employment benefits established by the Canada Employment and Immigration Commission under section 59 of the *Employment Insurance Act*, or under a similar benefit that a provincial government or other organization provides and is the subject of an agreement under section 63 of the *Employment Insurance Act*.

## Types of payments for which you do not deduct EI premiums

Do not deduct EI premiums from the following types of payments:

- a supplementary unemployment benefit (SUB) payment, except for other types of benefits paid under a SUB, such as short-week benefits;
  - any benefit in kind, except the value of board and lodging enjoyed in a period if you pay cash for the pay period;
- Note**  
"Pay period" means the period for which you pay earnings or other remuneration to an employee employed in insurable employment.
- a retiring allowance;
  - a supplement for any part of an unemployment insurance maternity or parental-benefit period;
  - a worker's compensation supplement paid by the employer (see Chapter 8).

## EI premiums

Both you and your employee have to pay EI premiums on insurable earnings.

You have to deduct and remit the employee's premiums, and pay and remit the employer's premiums.

Starting on January 1, 1997, for withholding purposes, an annual maximum for insurable earnings will replace the current weekly maximum. For the years 1997 to 2000, this annual maximum will be \$39,000.

You have to withhold EI premiums only until the annual maximum is reached. You can find the employee's rate in the 1997 *Payroll Deductions Tables*. Your premiums are 1.4 times the amount of the employee's premiums.

The annual maximum for insurable earnings applies to **each job** the employee holds with different employers. If an employee leaves one employer during the year to start work with another employer, the new employer also has to deduct EI premiums without taking into account what was paid by the previous employer. This is the case even if the employee has paid the maximum premium amount during the previous employment.

Revenue Canada will refund any overpayments to employees when they file their personal income tax returns. Employers are not entitled to a refund.



If you have a **wage-loss replacement plan**, you can ask for a reduction in your premiums.

## How can you reduce the rate of your EI premiums?

Some employers do this by maintaining an approved wage-loss replacement plan. This allows them to pay their employer's share of EI premiums at a reduced rate. Employers have to obtain a separate payroll deductions account so they can make a separate remittance for employees covered by the plan.

To participate in the Premium Reduction Program, you have to register by submitting:

- an application and the appropriate schedules, which you can find in the *Application Guide* (IN-121A-12-94E); and
- a copy of the plan.

Employers already participating in the Program have to complete an application form to renew their entitlement to the reduction. Each year, Human Resources Development Canada will send a new application form to these employers.

For more information on the Program, please contact:

Human Resources Development Canada  
Premium Reduction Program  
Nicolas Denys Building  
P.O. Box 11000  
Bathurst NB E2A 4T5

Telephone number: 1-800-561-7923  
Fax number: (506) 548-7473

If you maintain approved wage-loss replacement plans, file a separate T4 return (T4 Summary form and related T4 Supplementary slips) for each account number. Report employees that qualify you for a premium-rate reduction using your separate payroll deductions account. Report all other employees under your regular account. If an employee was a member of a wage-loss replacement plan anytime during the year, and not a member at other times, file a separate T4 Supplementary slip for each period.

## How do you determine the amount of EI premiums to deduct?

There are two ways to determine the amount of premiums to deduct: the table method, and the manual calculation method.

### Table method

Use Part C of the *Payroll Deductions Tables* to determine the amount of EI premiums to deduct from your employees' remuneration if you pay them \$2,000.16 or less per pay period.

To use these tables:

- Look down the "Pay" column for the bracket that lists the employee's gross pay.

- Beside this bracket, you will find a corresponding amount in the "EI premium" column. Deduct this amount from the yearly maximum. You will find the yearly maximum in the 1997 *Payroll Deductions Tables*. As an employer, you have to pay 1.4 times this amount as your employer premium (unless you qualify for a premium reduction).

### Manual calculation method

Use this method to determine the amount of EI premiums to deduct from your employees' remuneration if you pay them \$2,000.17 or more per pay period.

To calculate the amount using this method, follow these steps:

1. Enter the employee's insurable earnings \$ \_\_\_\_\_
2. Multiply the amount in item 1 by the employee's EI premium rate, which you can find in the 1997 *Payroll Deductions Tables*. × \_\_\_\_\_ %
3. EI premium to be deducted.\* \$ \_\_\_\_\_

#### \*Note

The employee's maximum EI premium amount cannot be more than the maximum EI premium amount for the year. The yearly maximum appears in the 1997 *Payroll Deductions Tables*. Stop deducting when you reach the maximum EI premium amount.

**As an employer, your EI premium payable is 1.4 (unless a reduced rate applies) times the EI premium payable by each employee.**

## EI overpayment

If you have overdeducted EI contributions from your employee and you cannot refund the overpayment, show the full deduction and the adjusted insurable earnings on the T4 Supplementary slip. If you cannot recover your share of the premium from any future payment for that year, you can ask us for a refund by completing Form PD24, *Statement of Overpayment and Application for Refund - Employer's Contributions Under the Canada Pension Plan and/or Premiums Under the Employment Insurance Act*. You can get this form and any information you need from your tax services office or tax centre.

## Recovering EI premiums

If you receive an assessment for failing to deduct EI premiums, you can recover the employee's premiums from future payments you make to the employee. The deductions can be equal to but not more than the amount you should have deducted from each payment. You cannot recover the amounts for pay periods that go back more than 12 months.

You are responsible for the employer's share.

If you should have made a deduction in a prior year and you recover it through a deduction in the current year, do not report the recovered amount on the current year's T4 Supplementary slip.

The recovered amount does not affect the current year-to-date EI premiums.

**Example**

a) You did not deduct or remit EI premiums that you should have deducted as follows:

Month	EI
January	\$14.00
February	\$14.00
March	\$18.00
April	<u>\$25.00</u>
<b>Total</b>	<b>\$71.00</b>

b) After auditing the records, we issue a *Notice of Assessment* as follows:

	Employee	Employer	Total
EI premiums	\$71.00	\$99.40 <sup>1</sup>	\$170.40 <sup>2</sup>
1.4 × employee premiums			
<sup>2</sup> plus penalty and interest			

c) You can recover \$71.00 for EI premiums from the employee as follows:

	Current deduction	Employer's recovery	
May	\$14.00	\$14.00	(for January)
June	\$18.00	\$14.00	(for February)
July	\$41.00	\$18.00	(for March)
August	\$30.00	<u>\$25.00</u>	(for April)
<b>Total</b>		<b>\$71.00</b>	

**Employer refund**

If you are a small employer who paid less than \$30,000 in employer's premiums in 1996, you may be entitled to a refund in 1997 and 1998.

If you are one of these employers, you will be able to claim a refund when filing your T4 information return, as long as the premiums you paid in 1997 and 1998 are at least \$500 more than those paid in 1996. A maximum refund of \$5,000 will be available.

More information will be available in the 1997-1998 *Employers' Guide to Payroll Deductions - Basic Information*.

**Establishing the number of insurable hours for record of earnings purposes**

Starting on January 1, 1997, hours of work will be used to determine if workers are entitled to benefits and for how long. Employers will have to keep records of and report total hours of insurable employment for the last 52 weeks.

Revenue Canada will be responsible for determining the number of insurable hours, which is done as follows:

**For an employee who is paid hourly**—The number of insurable hours will be the number of hours actually worked and paid.

**For an employee who is not paid hourly**—If the employer knows the number of hours that the employee actually worked and for which he or she was paid, we consider the employee to have that number of insurable hours. For example, an employee who is paid on an annual basis but whose employment contract specifies 32 hours as the usual hours of work per week would be credited with 32 insurable hours.

If the employer does not know the actual number of hours worked, the employer and the employee can agree on the number of insurable hours of work for which he or she is paid. Let's take piecework as an example. If the employer does not know the actual number of hours worked, the employee and the employer can agree on the value of the piecework in hours, and this would be the number of insurable hours.

If the employer does not know the actual number of hours worked and no contract or agreement on hours exists or can be reached, we determine the number of insurable hours by dividing the insurable earnings by the minimum wage. The result cannot be more than 7 hours per day or 35 hours per week.

**Hours limited by federal or provincial statutes**—We consider full-time employees limited by law to less than 35 hours per week to have 35 insurable hours per week. Part-time employees in these circumstances will be credited with a proportionate number of hours.

**Military and police**—We consider full-time members of the Armed Forces or a police force to have 35 insurable hours per week, unless the employer keeps and provides the actual number of hours worked on the *Record of Employment*.

**Overtime**—We consider one hour of work to be one hour of insurable employment, even if the rate of pay is higher.

**Statutory holiday**—We consider one hour of work during a statutory holiday to be one hour of insurable employment, even if the rate of pay is higher.

**Paid leave**—We consider one hour of vacation time taken, paid sick leave, or compensatory time off to be one insurable hour.

**Remuneration paid with no hours attached**—An employee who receives vacation pay without actually taking any leave does not generate any insurable hours. This also applies to such remuneration as bonuses, gratuities, lieu-of-notice payments, severance pay, and retiring allowances.

**EI and the Record of Employment**

You have to complete Form INS 2106, *Record of Employment (ROE)*, when an employee stops working for you (this is considered an **interruption of earnings**). This happens when the employment ends or an employee leaves because of pregnancy, injury, illness, adoption leave, layoff, leave without pay, or dismissal.

For full details on the ROE, see a copy of the guide *How to Complete the Record of Employment*, which is available from the nearest Human Resource Centre of Canada, or your tax services office or tax centre. The guide gives you

general information on the ROE, and step-by-step help on how to complete it.

## Chapter 4 – Deducting Income Tax

### Employer's responsibility

As an employer, you are responsible for deducting income tax from the remuneration you pay to your employees. Revenue Canada has four forms to help you determine how much income tax to deduct:

- most employees use Form TD1, *Personal Tax Credits Return*;
- employees who are paid commissions use Form TD1X, *Statement of Remuneration and Expenses*;
- individuals who receive income other than employment income, use Form TD3, *Request for Income Tax Deduction on Non-Employment Income*; and
- fishermen use Form TD3F, *Fisherman's Election to Have Tax Deducted at Source*.

### Form TD1, *Personal Tax Credits Return*

This form outlines the credits that employees can claim when filing their income tax returns. Individuals who receive employment income have to complete Form TD1 and give it to their employer.

Employees should complete new TD1 forms within seven days of any changes to a situation that will affect their T1 returns. Employees 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.

Employees do not have to complete new TD1 forms if there have not been any changes that will affect the T1 returns.

It is a serious offence to knowingly accept a Form TD1 that contains false or deceptive statements. If you think a Form TD1 contains incorrect information, contact your tax services office or tax centre.

Make sure you have a completed Form TD1 on file for each of your employees. We may ask to see it.

### Explanation of claim codes

Form TD1 has different claim codes. The code you should use depends on the credits an employee claims.

#### Claim code 0

This represents **no claim amount** allowed. Non-resident employees must use this when they include less than 90% of their total world income to calculate the amount of taxable income they earned in Canada.

#### Claim codes 1 to 10

The total tax credits an employee claims on Form TD1 will determine which code you should use. Match the total claim amount with the appropriate code and report it in box A.

#### Note

If an employee does not complete Form TD1, use claim code 1 (or claim code 0 for non-resident employees).

#### Claim code X

When a person's credits fall into category X, you have to calculate the amount of tax to deduct. To do this, see Part A of "Step-by-step calculation of tax deductions" in the *Payroll Deductions Tables* for the appropriate province.

#### Claim code E

If employees certify on Form TD1 that their total income for the year will be less than the total tax credits they claim, do not deduct any tax.

### Request for more tax deductions from employment income

Employees can choose to have more tax deducted from the remuneration they receive in a year. To do this, they have to file a new Form TD1 (we also accept Form TD3) that shows how much more tax they want deducted. This amount stays the same until they file a new TD1.

You should advise part-time employees that it could be beneficial to have more income tax deducted from the remuneration they receive by completing Form TD1. In this way, they can avoid having to pay a large amount of tax when they file their income tax returns, especially if they have worked part-time for different employers during the year.

### Deduction for living in a prescribed zone

A person who lives in a prescribed zone during a continuous period of at least six months (that begins or ends in the taxation year) may be entitled to claim this deduction when filing a tax return.

Individuals who are eligible to claim this deduction should claim it on Form TD1.

For more information, see the *Employers' Guide to Housing and Travel Assistance Benefits Paid in Prescribed Zones*, available at your tax services office or tax centre.

### Form TD1X, *Statement of Remuneration and Expenses*

Employees who are paid in whole or in part by commission can choose to complete this form. They can estimate their income and expenses by using one of the following two figures:

- their previous year's figures, if they were paid by commission in that year; or
- the current year's estimated figures.

Employees who elect to complete Form TD1X have to give it to you by one of the following dates:

- on or before January 31;
- within one month of the date their employment starts;
- within one month of the date their personal situation changes; or

- within one month of the date any change occurs that will substantially change the amounts previously reported.

## Form TD3, Request for Income Tax Deduction on Non-Employment Income

Individuals must use this form to increase the amount of tax deducted at source from income other than employment income. This income includes such amounts as pensions, lump-sum payments, and retiring allowances, **but does not include interest or dividends.**

### Note

An employee can also use Form TD3 to request more income tax be deducted at source from employment income.

The amount of tax deducted remains the same until the individual files a new Form TD3.

## Form TD3F, Fisherman's Election to Have Tax Deducted at Source

When a fisherman sells a catch, the fisherman can elect to have the buyer, also known as the **designated employer**, deduct tax from the proceeds of the sale. To do this, the fisherman should complete Form TD3F with the designated employer. The designated employer deducts 20% of the amount of sale. The designated employer has to follow the rules in this guide to deduct, remit, and report tax. In addition, the designated employer has to send one copy of Form TD3F to a tax centre.

## Reducing tax deductions at source

Employees can ask you to reduce the amount of tax you deduct from their employment earnings or pension income. To make this request, employees have to write to Client Services at their tax services office. They should explain the reasons why they want less tax deducted and provide supporting documentation. For example, if individuals make regular spousal support payments, they should provide a complete copy of the decree, order, or agreement under which they make payments. If individuals regularly contribute to an RRSP during the year, they should provide documents to show the amount they contribute.

Employees who reside in one province and who are employed in another province, may be subject to excessive tax deductions. If so, they can request a reduction in tax deductions.

As an employer, **you need a letter of authority** from the tax services office before you can deduct less tax. Keep this letter with your payroll records so our officers can examine it. This rule also applies if you pay an excess amount of retiring allowance, a lump-sum payment (other than a retiring allowance), and a bonus or retroactive payment to the extent that the payment exceeds \$10,000.

However, this letter of authority is not required when you deduct an RRSP contribution **at source** from the employee's salary.

### Note

#### Proposed tax changes announced on March 6, 1996

Under proposed changes, effective May 1, 1997, periodic **child support payments** made according to a written agreement or a court order dated (or amended to vary the amounts payable) May 1, 1997, or later, will no longer be taxable for the recipient or deductible by the payer.

However, the new tax rules will not apply to court orders or written agreements dated **before** May 1, 1997, unless:

- the order or agreement specifies that the child support payments made on or after a particular date (May 1, 1997, or later) will not be taxable or deductible; or
- the recipient and the payer jointly elect that the new tax rules will apply after a particular date (May 1, 1997, or later).

**Spousal support payments** continue to be taxable for the recipient and deductible by the payer.

For more information, contact your tax services office or tax centre.

## Amounts subject to tax deductions

You have to deduct income tax from the following amounts:

- salary, wages, and commissions;
- bonuses, vacation pay, and gratuities;
- pensions, retiring allowances, and death benefits;
- benefits under a supplementary unemployment benefit plan; and
- additional amounts that an employer pays while participating in a job creation project that Human Resources Development Canada has approved.

### Note

Salary or wages include an advance against future earnings, the value of free board and lodging, and any other taxable allowances or benefits that you should prorate to your pay period.

After you have determined the gross remuneration (including taxable benefits) for the pay period, **subtract** the following amounts **before** you determine the amount of tax to deduct:

- employees' contributions to a registered pension plan (RPP). For details on how to determine the exact amount of these contributions, see the next section called "Contributions to a registered pension plan (RPP);"
- union dues;
- a deduction for living in a prescribed zone (from Form TD1). Prorate this amount for the pay period – for more information, see "Deduction for living in a prescribed zone" discussed earlier in this chapter; and
- deductions that we authorize, such as an RRSP contribution deducted at source, or spousal support payments (see the previous section "Reducing tax deductions at source").

**Do not subtract** CPP contributions and EI premiums from the total salary to determine the amount subject to tax deductions.

**Example**

David is paid weekly (52 pay periods per year) and receives taxable benefits. He contributes to a registered pension plan (RPP), pays union dues, and lives in a prescribed zone. To determine how much income tax to deduct from the amounts David receives weekly, his employer has to calculate as follows:

Basic salary (weekly) .....	\$500
Plus taxable benefits .....	\$ 50
Total salary .....	\$550

Minus weekly deductions for:

- RPP contributions ..... \$25.00
- union dues ..... \$ 5.50
- living in a prescribed zone  
(\$7.50 per day × 7 days) ..... \$52.50 ..... **\$ 83**

Amount subject to tax deductions at source ..... **\$467**

**Contributions to a registered pension plan (RPP)**

You have to determine the amount of contributions to an RPP that employees can deduct on their income tax returns. You have to do this before you can calculate the amount of tax to withhold. In addition to contributions for current service, make sure you consider any contributions for past service.

**Contributions for current service**

Employees can deduct all their contributions to an RPP for current service, as long as they contributed them according to the provisions of the registered plan. You have to report these contributions on a T4 Supplementary slip.

For information on how to report RPP contributions on a T4 Supplementary slip, see "T4 - Box 20 - Registered pension plan contributions" under "T4 Supplementary slip" in Chapter 6 of this guide.

**Contributions for past service**

**1. For service after 1989**

An employee can deduct past-service contributions to an RPP for service after 1989, if the employee contributed them according to the provisions of the plan.

**2. For service in 1989 and previous years**

**a) If an employee did not contribute to a plan**

An employee can deduct past-service contributions for service rendered in 1989 and previous years while not a contributor, if the employee:

- did not contribute to an RPP in the year the employee is buying back;

- paid the contributions to an RPP **before** March 28, 1988, for service in a year when the employee contributed solely to a different RPP; or
- paid the contributions to an RPP **after** March 27, 1988, for service in a year when the employee contributed solely to a different RPP and signed an agreement before March 28, 1988, to make the contributions.

The **maximum deduction** available to the employee for a year is the **least** of the following three amounts:

- the total amount the employee contributed in the year and previous years for past-service contributions while not a contributor, **minus** all amounts the employee deducted for these contributions for previous years;
- the annual deduction limit (\$3,500); or
- \$3,500 multiplied by the number of years of service while not a contributor (includes partial years of service) to which the past-service contributions relate while not a contributor, **minus** the amounts the employee has already deducted for those contributions.

**b) If an employee contributes to a plan**

An employee can deduct past-service contributions for service in 1989 and previous years while the employee was a contributor if:

- the employee contributed for service in a year when he or she was a contributor to the **same** RPP to which he or she made the contributions; or
- the employee contributed **after** March 27, 1988, for service in a year when he or she contributed to a different RPP, but did not sign an agreement before March 28, 1988, to make the contributions.

The **maximum deduction** available to the employee for a year is the **lesser** of the following two amounts:

- the total amount the employee contributed in the year and previous years for past service while a contributor, **minus** all amounts the employee deducted for these contributions for previous years; or
- \$3,500 **minus** the total of the following two amounts:
  - the contributions the employee deducts in the year for current service and for past service performed in 1990 and later calendar years; and
  - the contributions the employee deducts in the year for past service performed in 1989 or earlier calendar years while not a contributor.

For more information, see Interpretation Bulletin IT-167, *Registered Pension Funds or Plans - Employee's Contributions*, and the *RRSPs and Other Registered Plans for Retirement* guide which is available at your tax services office or tax centre.

## How do you calculate tax deductions using the tables?

The tax deductions tables in the *Payroll Deductions Tables* (T4032) are for weekly, bi-weekly, semi-monthly, and monthly pay periods, and for commission earnings. If your pay periods are daily, or you have 10, 13, or 22 pay periods per year, use the *Payroll Deductions Supplementary Tables* (T4008) available at your tax services office or tax centre.

### Tax deductions from regular remuneration (Form TD1)

When you have determined the amount that is subject to tax deductions, do the following:

- Turn to the appropriate table for your pay period. For example, if you pay an employee once a month, go to the table "Tax Deductions Monthly" in Part D of the *Payroll Deductions Tables*.
- Look down the "Monthly pay" column on the left. Find the income bracket that includes the employee's remuneration from which you will deduct tax.
- Follow the line across to the "Employee's claim code" column on the employee's Form TD1 (e.g., code 0) to find the amount of tax you have to deduct from your employee's pay.

### Tax deductions from commission remuneration (Form TD1X)

If you pay an employee by commission or by salary plus commission, you can deduct tax in one of the following ways:

- **Employees who earn commission without expenses**  
If you pay commission to an employee at the same time you pay salary, add the amount of the commission to the salary, then use the regular tax table method.

If you pay commission periodically, you may want to use the **bonus** method to determine the tax to deduct from the commission payment. See the section "Bonuses and retroactive pay increases" in Chapter 7 of this guide to find out how to do this.

- **Employees who earn commission with expenses**  
Employees who incur expenses to earn commission income can choose to complete Form TD1X. To calculate the amount of tax to deduct, do the following:
  - Use the total remuneration amount (commissions and salary) and the total revised expense amount (on Form TD1X).
  - Go to the "Tax Deductions from Commission Pay" table in Part E of the *Payroll Deductions Tables* to get the decimal fraction (percentage figure) that you should use. If the employee receives straight commission, apply the decimal fraction to each **gross** amount of commission you pay the employee. If the employee receives a salary with a commission, apply the percentage to both.

- Apply the decimal fraction to any commission or salary that the employee is entitled to receive, including taxable benefits.

If an employee does not file Form TD1X, calculate the tax to deduct as if the employee had no expenses.

### Tax deductions on other types of income

For tax deductions on other types of income, such as bonuses, director's fees, lump-sum payments, and retiring allowances, see Chapter 7 of this guide.

### How do you calculate tax deductions when you cannot use the tables?

There are times when you cannot use the tax deductions tables to determine the amount of tax to deduct (e.g., an employee earns more than the maximum shown in the tables). In these cases, you have to calculate the tax to deduct. For instructions, see "Step-by-step calculation of tax deductions" in Part A of the *Payroll Deductions Tables*.

### Non-resident employees who perform services in Canada

Employees not resident in Canada who are in regular and continuous employment in Canada are subject to tax deductions in the same way as Canadian residents. This applies whether or not the employer is a resident of Canada.

## Chapter 5 – When and How to Remit Deductions

### Are you a new remitter?

If you have never before remitted income tax deductions, Canada Pension Plan (CPP) contributions, or Employment Insurance (EI) premiums, contact your tax services office or tax centre. We will give you a business number and tell you how to remit your deductions.

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

- 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.

After you make your first remittance, we will send you a remittance form in the mail each month. If you do not receive a form in time for your next payment, send in the payment as described above. In your letter, please make sure you indicate that you did not receive your remittance form.

## When do you remit deductions?

### Regular remitter

If you are a regular remitter, you 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. Remit your payment to a tax services office, tax centre, or Canadian financial institution.

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 you pay it when you file the previous year's T4 information return after January 15. As a result, we will apply a late-remitting penalty.

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

#### Note

If the 15th day of the month falls on a Saturday, Sunday, or holiday, your remittance is due on the next business day.

### Accelerated remitter

We determine if you are an accelerated remitter by adding up all the tax, CPP, and EI amounts you had to send us for your payroll accounts in the second preceding calendar year before the current calendar year. We divide the total by the number of months (maximum 12) that you had to make payments in that year. This will be your **average monthly withholding amount**. Each December, we will advise you in writing when we have to receive your deductions for the following year.

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

#### Threshold 1

- This group includes employers with an average monthly withholding amount of \$15,000 to \$49,999.99 in the second preceding calendar year (1995) before the current calendar year (1997).
- Amounts you deduct or withhold from remuneration you pay 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. If your remittance due date falls on a Saturday, Sunday, or holiday, your remittance is due on the next business day.
- Threshold 1 employers can make payments at a tax services office, tax centre, or Canadian financial institution.

#### Threshold 2

- This includes employers with an average monthly withholding amount of \$50,000 or more in the second preceding calendar year (1995) before the current calendar year (1997).
- Amounts you deduct or withhold from remuneration you pay any time during the month are due three days (not counting Saturdays, Sundays, or holidays) from the last day in the following periods: 1st to 7th, 8th to 14th, 15th to 21st, and the 22nd to the end of the month.

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

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 as 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 your tax services office or tax centre. They will review your account and let you know in writing when we have to receive your deductions.

## Which remittance form should you use?

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

- Form PD7A, *Statement of Account for Current Source Deductions*, for regular remitters; or
- Form PD7A(TM), *Statement of Account for Current Source Deductions*, or Form PD7A-RB, *Remittance Form for Current Source Deductions*, for accelerated remitters.

It is important that you complete your remittance voucher correctly so we can apply your remittance to your account.

The following information will help you determine which form to use.

### Form PD7A

See the back of this guide for a sample Form PD7A.

We will issue Form PD7A to each regular remitter to use to remit payments.

#### Form PD7A has three parts:

**Part 1** – This part is a statement of account from us. It shows:

- **amounts paid for**, which is the balance we received for your deductions for the year indicated; and
- **assessed amount owing**, which is your balance owing on assessments of deductions, including penalties and interest.

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

**Part 2** – This part is your remittance voucher for current remittances.

When you complete Part 2, ensure that the following information is correct:

- your account number (business number);

- the amount of your payment (employer and employee portions);
- the month and year for which you are remitting;
- the gross payroll for the month;
  - 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 before deductions,” on your employees’ T4 Supplementary slips.
- the number of employees in the last pay period.
  - Include any employee for whom you will prepare a T4 Supplementary 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 Supplementary slip, such as occasional employees who are not part of your payroll. Do not include those you did not pay in the last pay period in the month, such as employees on unpaid leave.

**Part 3** – If you will not be making a remittance during the month, complete Part 3. Be sure to indicate on the form when you expect your employees to be subject to deductions.

**Note**

If you make your payment at a financial institution, tax services office, or tax centre, complete Parts 1 and 2 of the remittance form and present them along with your payment. The recipient will date-stamp Part 2 and return Part 1 to you as a receipt.

If you mail your cheque or money order payable to the Receiver General, send Part 2 of this form to the tax centre listed in the upper right corner of Part 1. Keep Part 1 as a record of your payment.

Please do not send cash in the mail.

If you need more information about Form PD7A, contact your tax services office or tax centre.

**Form PD7A(TM)**

See the back of this guide for a sample Form PD7A(TM).

Each month, we send Form PD7A(TM), *Statement of Account for Current Source Deductions*, to all accelerated remitters, except monthly accelerated remitters. We send the form as soon as we receive the payment.

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

**Part 1** – This part is a statement of account from us. It shows:

- **amounts paid for**, which are payments we received for your deductions for the year indicated; and
- **assessed amount owing**, which is your balance owing on assessments of deductions, including penalties and interest.

**Part 2** – This part is your remittance voucher for current remittances. For information about accounting entries and remitting procedures, see the back of Form PD7A(TM).

When you complete Part 2, ensure that the following information is correct:

- your account number (business number);
- the amount of your payment (employer and employee portions);
- 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,” whichever applies.
- the gross payroll in the remitting period;
  - This means 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 before deductions,” on your employees’ T4 Supplementary slips.
- the number of employees in the last pay period.
  - Include any employee for whom you will prepare a T4 Supplementary 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 Supplementary slip, such as occasional employees who are not part of your payroll. 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 (e.g., executive, hourly, and salaried), include all employees paid in each group’s last pay period, but do not count any person twice.

When you make your payment at a financial institution, tax services office, or tax centre, complete Parts 1 and 2 of Form PD7A(TM) and present them with your payment. The recipient will date stamp Part 2 and return Part 1 to you as a receipt.

**Note**

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

Please do not send cash in the mail.

**Form PD7A-RB**

See the back of this guide for a sample Form PD7A-RB.

Accelerated remitters (except monthly accelerated remitters) have to use Form PD7A-RB, *Remittance Form for Current Source Deductions*, copies of which the Department provides in a booklet each December. If you do not receive your booklet or if you would like more booklets, contact your tax services office or tax centre.



### Form PD7A-RB has two parts:

- Use the right-hand part (remittance voucher) to make your payment. To complete this part, see "Part 2" under the heading "Form PD7A(TM)" earlier in this chapter.
- You will receive the left-hand part as a receipt.

#### Note

Please do not send cash in the mail.

### Missing or lost remittance forms

If you are a **regular remitter** and do not receive your remittance form for the month, or if you lose one, send your cheque or money order made payable to the Receiver General to your tax services office or tax centre. Include a short note that states your business number and the month 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 your tax services office or tax centre.

#### Note

Even if you do not have a remittance form, you still have to send us your remittance 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**. By doing this, we can credit the proper amounts to the correct account.

## 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 of income tax, CPP, and EI.

### 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, it is still your responsibility to make sure that the institution withholds your deductions and sends them to us on time.

## Chapter 6 – How to Report Income and Deductions

THIS CHAPTER IS FOR 1996.

### Which forms should you use?

Use the appropriate supplementary slip and its related summary form to report income amounts you paid and deductions you withheld during the year.

Type of supplementary slip	Use this slip to report:
T4 Supplementary	<ul style="list-style-type: none"> <li>■ salary, wages, and taxable benefits you paid to employees for services they rendered during the year</li> <li>■ deductions you withheld during the year</li> <li>■ pension adjustment (PA) amounts for employees who accrued a benefit for the year under your registered pension plan (RPP) or deferred profit sharing plan (DPSP)</li> </ul>
T4A Supplementary	<ul style="list-style-type: none"> <li>■ other amounts (e.g., pensions, annuities)</li> <li>■ PA amounts that pension plan administrators report</li> </ul>
T4A-NR Supplementary	<ul style="list-style-type: none"> <li>■ amounts you paid to non-residents for services performed in Canada, such as fees or commissions (report all amounts in Canadian funds)<sup>1</sup></li> </ul>
NR4 Supplementary	<ul style="list-style-type: none"> <li>■ income amounts you paid to non-residents other than amounts you paid for services performed in Canada (e.g., pensions, annuities, investment income, or retirement compensation arrangement payments – for more information, see the <i>Guide for Filing the NR4 Return</i>)</li> </ul>
T4F Supplementary	<ul style="list-style-type: none"> <li>■ the gross and insurable earnings of each self-employed fisherman and the EI premiums that a designated employer<sup>2</sup> has deducted</li> <li>■ remuneration and tax withheld when a self-employed fisherman has asked a payer to withhold these amounts (by providing the payer with a completed Form TD3F, <i>Fisherman's Election to Have Tax Deducted at Source</i>)</li> </ul>
Type of summary form	Use this form to report:
T4, T4A, T4A-NR, NR4, T4F	<ul style="list-style-type: none"> <li>■ the totals of all amounts you record on the related supplementary slips</li> </ul>

**Note**

The forms listed above, except for the T4F Supplementary slip and T4F Summary form, apply to resident and non-resident payers.

**Types of T4 and T4A Supplementary slips available**

Slip	Description	Type of filing
T4 Supplementary Statement of remuneration paid	4-part, carbon-loaded for impact printer	paper
	single-page style for laser printers (3 per sheet)	paper or magnetic media
	3-part, continuous self-mailer	magnetic media only
T4 Short Statement of remuneration paid	4-part, carbon-loaded for typewriter or for completion by hand	paper
T4A Supplementary Statement of pension, retirement, annuity, and other income	4-part, carbon-loaded for impact printer	paper
	single-page style for laser printers (3 per sheet)	paper or magnetic media
	3-part continuous	magnetic media only

<sup>1</sup> For instructions on how to complete the T4A-NR Return, see the instruction sheet provided with the T4A-NR Summary form.

<sup>2</sup> To find out if you are a designated employer, see the pamphlet *Fishermen and Unemployment Insurance*.

## T4 Short

See the back of this guide for a sample T4 Short.

The T4 Short is a joint effort between the business community and the federal government to reduce the paper burden for small employers.

You can use this shortened version of the T4 Supplementary slip if you pay your employee a basic salary, wage or commission, and the employee does not receive any taxable benefits or allowances, such as automobile benefits, gifts, and housing, board and lodging benefits.

This year we are sending the T4 Short and a copy of this guide to small employers with 6 or less employees. Employers who need more T4 Short slips can contact their tax services office.

## T4 Supplementary slips for laser printers

If you use the T4 Supplementary slips for laser printers, see the instructions on the back of the slip.

If you need additional copies, contact your tax services office or tax centre.

## How to order more blank T4 and T4A Supplementary slips

To order blank copies of T4 and T4A Supplementary slips, contact your tax services office or tax centre. You can find the addresses and telephone numbers listed under "Revenue Canada" in the Government of Canada section of the telephone book.

You can request other forms and publications by contacting your tax services office or tax centre.

## How to file information returns

You have to file T4, T4 Short, T4A, T4A-NR, and T4F information returns each year by the **last day of February**, and the NR4 information return no later than **March 31**. After you complete your returns, mail them to your tax centre at the address listed on the back of copy 3 of the summary forms. Each form tells you how to distribute the copies.

An information return consists of two things:

- supplementary slips; and
- the related summary forms.

We use the information return to compare the deductions you reported on each supplementary slip with the amounts you sent in throughout the year. **A summary form alone is not an information return.**

### Note

When you send us copies of the supplementary slips, keep them three to a page—**do not separate them**. This will allow us to process your information return faster.

## Custom forms

To reduce the workload of those who complete large numbers of forms, we will accept forms other than our own.

If you use your own computer-printed forms, you have to get written approval from us before you can issue them.

Send your proposed samples to:

Revenue Canada  
Publishing Directorate  
Forms Management Division  
17th floor  
Albion Tower  
25 Nicholas Street  
Ottawa ON K1A 0L8

You will receive either our written approval or a request to make changes to the forms before we approve them.

For more information about custom forms, see Information Circular 93-4, *Custom and Facsimile Tax Forms*.

## Do you file information returns on magnetic media?

Filing on magnetic media means filing your T4, T4A, and T4A-NR information returns on computer tape, diskette, or cartridge instead of paper.

Our magnetic-media program saves time, paper, and money. Also, we can process your return more quickly.

To encourage you to file information returns on magnetic media, we are offering employers free copies of self-mailing T4 Supplementary slips or three-part T4A Supplementary slips. By using self-mailing T4 Supplementary slips, you do not have to buy envelopes, and you can avoid the messy and time-consuming job of manually separating slips from carbons and distributing them.

To obtain copies of the self-mailing T4 Supplementary slips for 1997, you have to send your order to the following address before the end of August 1997:

Revenue Canada  
Publishing Directorate  
17th floor  
Albion Tower  
25 Nicholas Street  
Ottawa ON K1A 0L8

If you or your service bureau send us your information returns on tape or diskette, do not send us paper copies of your summary form or supplementary slips. Only attach paper copies of any supplementary slips and the corresponding summary form that are not included on the magnetic-media submission.

Simply attach the T619 transmittal sheet to the magnetic media, and drop off the package at your tax services office or tax centre, or mail it to:

Revenue Canada  
Ottawa Tax Centre  
Magnetic Media Processing Team  
875 Heron Road  
Ottawa ON K1A 1A2

You may need to correct original data submitted on magnetic media. If you do, make these corrections on paper. For information on correcting supplementary slips,

see the section later in this chapter called "How can you amend or replace supplementary slips?"

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 owing.

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

For more information, see the guide, *Computer Specifications for Data Filed on Magnetic Media*, available from your tax services office or tax centre, or call 1-800-665-5164.

## Branch offices filing information returns

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

## What should you do with large returns?

If you have a return that contains more than 300 supplementary slips, split the return into bundles of 300 slips or less. Make sure you attach a segment form to the top of each bundle. **The total of all amounts shown on each segment form has to agree with the corresponding totals on the summary form.**

If you would like to order segment forms, or if you need more instructions, contact your tax services office or tax centre.

## How can you amend or replace supplementary slips?

You may notice that you made an error when preparing the T4, T4 Short, T4A, T4A-NR, NR4, or T4F Supplementary slips, after you file your information return. If so, you will have to prepare amended supplementary slips to correct the information. Clearly identify the new slips as amended supplementary slips by writing "amended" at the top. When you amend a supplementary slip, make sure you complete all the necessary boxes, including the information that was correct on the original slip. Distribute the amended supplementary slips to your employees the same way as the originals. Send copy 1 of the supplementary slips to your tax services office or tax centre with a letter explaining the reason for the amendment.

### Note

You do not have to file an amended summary form when you send in amended supplementary slips.

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

If you notice errors on the supplementary 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 supplementary slip, initial any

changes you make on the slip. Ensure you also correct the summary form.

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

If you have to amend, replace, or cancel a T4F Supplementary slip, the same procedures apply. Write "amended," "cancelled," or "duplicate" in the area above box 24.

## Pension adjustment (PA) and past service pension adjustment (PSPA)

You have to report either a redetermined pension adjustment (PA) or a past service pension adjustment (PSPA) when:

- an employee returns from a leave of absence, or from a period of reduced services; and
- the employee will be credited with pensionable service for the completed leave period.

For information on whether a redetermined PA or PSPA applies for these situations, see the *Employers' Pension Adjustment Calculation Guide*.

If a redetermined PA applies, you have to report an amended PA for the employee for each year after 1989 which is affected by the leave. You have to file the amendment(s) within 60 days of the date the decision is made to credit the employee with the pensionable service for the leave of absence.

If you need to amend a T4, T4 Short, or T4A Supplementary slip to either correct a previously reported PA or to report a redetermined PA, you have to do two things:

- copy all the other data you reported on the original information slip on the amended slip; and
- change the previously reported PA to the amount that applies for the year.

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. This rule does not apply 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 a T4, T4 Short, or T4A Supplementary 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 an amended T4, T4 Short, or T4A Supplementary slip.

## What happens after you send in your completed information return?

When we receive your information return, we check it to see if anything is missing and if you have prepared it correctly. If anything is missing or incorrect, we will contact you and ask for the appropriate information. After this initial review, we will make any necessary corrections and send the return to our Information Declaration System (INFODEC).

INFODEC records the information found on both the supplementary slips and the summary form. It performs various validity and balancing checks. If there are any problems or discrepancies, we will contact you.

### Additional processing information

Other federal government departments use Revenue Canada's T4 information. Most importantly, Human Resources Development Canada (CPP Branch) uses the information on the T4 Supplementary slip to update a person's record of earnings file. The information on CPP contributions that we send to HRDC determines the CPP benefits that a person will receive.

### Reporting the correct social insurance number (SIN)

As mentioned in Chapter 1, you have to correctly report an employee's SIN on the T4, T4 Short, T4A, and T4F Supplementary slips. An incorrect SIN can affect an employee's future CPP benefits if the record of earnings file is not accurate. Also, if you report an incorrect SIN on a T4 that has a PA amount, the employee may receive an inaccurate annual RRSP deduction limit statement. In addition, the related information on the employee's *Notice of Assessment* will be inaccurate.

Even if you cannot obtain a SIN from your employee, file your information returns no later than the last day of February. If you do not, you may be subject to a penalty for late filing.

### Pensionable and insurable earnings review (PIER)

Each year, we review the T4 Supplementary slips that you send in with your T4 return to check your calculations. We do this to make sure that the CPP-pensionable and EI-insurable earnings you reported agree with the deductions you have sent in.

We check the calculations by matching the pensionable and insurable earnings you reported with the required CPP contributions or EI premiums indicated in the *Payroll Deductions Tables*. We then compare these required amounts with the CPP contributions and EI premiums on the T4 Supplementary slips.

If there is a difference between the contributions or premiums required and the ones you reported, we print the figures on a PIER listing. The listing shows the name of the affected employee and the figures we used in the calculations.

### Why is a review important?

We verify these calculations so that your employees or their beneficiaries will receive the proper:

- EI benefits if the employees become unemployed, or take maternity leave; and
- CPP benefits if the employees retire, become disabled, or die.

### Note

If you report incorrect amounts, it could reduce a person's benefits.

### CPP deficiency calculations

If your employee has 52 pensionable weeks during the year, you usually calculate the required CPP contributions as follows:

**Step 1:** Subtract the CPP basic exemption for the year (\$3,500 for 1996) from the CPP pensionable earnings, shown in box 26 on the employee's T4 Supplementary slip.

**Step 2:** Multiply the result of Step 1 by the current year's CPP contribution rate (2.8% for 1996).

The result is the employee's yearly CPP contributions, which you report in box 16 of the T4 Supplementary slip.

If you did not report pensionable earnings in box 26 of the T4 Supplementary slip, we base the calculation on the amount in box 14, "Employment earnings before deductions," up to the maximum allowable amount.

There may be cases when you have to prorate the CPP basic exemption for the year (see Chapter 2). In these cases, to verify the employee's CPP contributions before you file the T4 Supplementary slip, you can complete the *Year-end calculation of deductions for employee Canada Pension Plan contributions* provided on page 75 of this guide.

### EI deficiency calculations

Calculate the required EI premiums as follows:

Multiply the EI insurable earnings, shown in box 24 of the employee's T4 Supplementary slip, by the current year's EI premium rate (2.95% for 1996).

The result is the employee's yearly EI premiums, which you report in box 18 of the T4 Supplementary slip.

If you did not report insurable earnings in box 24 of the T4 Supplementary slip, we base the calculation on box 14, "Employment earnings before deductions," up to the maximum allowable amount.

To verify the employee's EI premiums before you file the T4 Supplementary slip, you can complete the *Year-end calculation of deductions for employee Employment Insurance premiums for 1996* provided on page 77 of this guide.

### Note

If there is an "X" in box 28 (CPP/QPP or EI exempt) of the T4 Supplementary slip and you reported amounts in boxes 16 or 17, and 26 for CPP/QPP, or in boxes 18 and 24 for EI, the system ignores the "X."

### Common reporting errors and how to avoid them

The most common reporting errors occur when you do not report amounts correctly in the following boxes on the T4 Supplementary slip:

- box 24, "EI insurable earnings;"
- box 26, "CPP/QPP pensionable earnings;" and

- box 28, “Exempt” (CPP/QPP or EI).

## Questions and answers

The following questions may help you avoid these reporting errors, and can serve as a checklist before you send in your information returns.

### CPP/QPP

**Question 1:** Was the employee exempt for the entire reporting period?

If *yes*, put an “X” in box 28. Leave boxes 16 or 17 and 26 blank.

If *no*, go to Question 2.

**Question 2:** Did the employee turn 18 or 70 years old during the reporting period?

If *yes*, make sure that you:

- started to calculate the contributions and pensionable earnings on the first of the month after the employee’s 18th birthday; or
- stopped calculating the contributions and pensionable earnings on the first of the month after the employee’s 70th birthday.

If *no*, go to Question 3.

**Question 3:** Did the employee receive CPP or QPP pension benefits during the reporting period?

If *yes*, make sure that you calculated the contributions and pensionable earnings based on the number of months before the pension became payable.

If *no*, leave box 26, “CPP/QPP pensionable earnings,” blank.

Make sure you did not interchange numbers or make addition errors.

**Question 4:** Did you deduct contributions from an employee’s vacation pay, bonuses, director’s fees, or other taxable benefits?

If *yes*, see Chapter 7 of this guide to verify the required contributions for vacation pay, bonuses and director’s fees. For taxable benefits, see the *Employers’ Guide to Payroll Deductions – Taxable Benefits*.

If *no*, make sure that you deducted contributions for each type of remuneration that is subject to CPP/QPP.

### EI

**Question 1:** Was the employee exempt for the entire reporting period?

If *yes*, put an “X” in box 28. Leave boxes 18 and 24 blank.

If *no*, go to Question 2.

**Question 2:** Was the employee’s income under the minimum or over the maximum earnings in any pay period?

If *yes*, make sure that you did not include:

- amounts under the minimum earnings in the insurable earnings (box 24); or

- amounts over the maximum earnings when you calculated insurable earnings for the year.

If *no*, make sure you did not interchange numbers or make addition errors.

### Note

To avoid an error like this, keep separate records for EI insurable earnings, and enter the total at the end of the year in box 24.

## General guidelines for completing supplementary slips

Before you start to enter information on the supplementary slips, please keep the following points in mind:

- Complete the slips clearly and in alphabetical order.
- Use a standard 10 or 12 characters per inch (CPI) font if typed or computer generated.
- If you had an employee who worked in more than one province during the year, prepare a separate T4 Supplementary slip for earnings and deductions that apply to each province or territory.
- Report, in **Canadian dollars**, all amounts you paid to employees during the year.
- Report all amounts in Canadian dollars and cents, even when the cents area is shaded in a box. However, report the pension adjustment (PA) in box 52 in Canadian dollars only.
- Do not show negative dollar amounts on supplementary slips. To make changes to previous years, send us an amended supplementary slip for the years in question.
- Do not change the headings of any of the boxes.
- If you give employees multiple supplementary slips, either because they were employed in more than one province or on different payrolls, you should report the PA proportionately on each T4 Supplementary slip. If you are unable to apportion the PA this way, you can report it on one slip.

## General guidelines for completing summary forms

Use summary forms to report the totals of the amounts that you reported on the related supplementary slips.

Before you start to enter information on the summary form, please keep the following points in mind:

- Make sure you use a separate summary for each type of supplementary slip.
- If you did not receive a personalized T4 or T4A Summary form, obtain a blank one from your tax services office or tax centre. Enter your business number, operating name, and address.
- Report amounts in Canadian dollars and cents on all T4 Summary forms.
- If you file a summary form for a taxation year other than the one printed on the form, cross out the year in the

upper left corner, and enter the correct year directly below it.

- Complete a separate summary form for each one of your payroll deductions accounts. Attach each form to the front of the related supplementary slips.
- **The totals you report on your summary form have to agree with the totals you report on your supplementary slips.** Errors or omissions can cause unnecessary processing delays.
- Copy 3 of the summary form is your working copy. When you complete the working copy, transfer the data to copy 1 of the summary form. Keep the working copy for your records. Send copies 1 and 2 of the summary form, and copy 1 of the supplementary slips, to your tax office. The addresses of the tax offices are on the back of the working copy of the summary form.

## T4 Supplementary slip

See the back of this guide for a sample T4 Supplementary slip.

### When to complete the T4 Supplementary slip

You have to complete T4 Supplementary slips for all individuals who received remuneration from you during the year if:

- you had to deduct income tax, CPP contributions, or EI premiums from the remuneration; or
- the remuneration was \$500 or more.

#### Note

If you provide employees with group term life insurance taxable benefits, you **always** have to prepare a T4 Supplementary slip, even if the total remuneration is less than \$500.

To know which type of income to report on a T4 Supplementary slip, see "T4 - Box 14 - Employment income before deductions" in the next section.

### How to complete the T4 Supplementary slip

#### Employee's name and address

In the area next to the arrow, print or type the employee's surname in capital letters, followed by the first name and initials. Directly below the name, enter the employee's address, including the province, territory or U.S. state, postal code or U.S. zip code, and country.

#### Note

Complete the T4 Supplementary slip using the employee's surname, not the company name. If you pay an amount to a proprietor or partner of an unincorporated business, do not issue a T4 Supplementary slip. Instead, issue a T4A Supplementary slip. For more information, see "T4A Supplementary slip" later in this chapter.

#### Employer's name

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

### T4 - Box 10 - Province of employment

Enter one of the following abbreviations to indicate where the employee reported to work:

NF - Newfoundland  
LB - Labrador  
PE - Prince Edward Island  
NS - Nova Scotia  
NB - New Brunswick  
QC - Quebec  
ON - Ontario  
MB - Manitoba  
SK - Saskatchewan  
AB - Alberta  
BC - British Columbia  
NT - Northwest Territories  
YT - Yukon Territory  
US - United States  
ZZ - Other

The province of employment you enter depends on whether or not an employee has to report for work at your place of business (see "Which provincial tax table should you use?" in Chapter 1 for more details).

If an employee worked in a country other than Canada or the USA, or worked in Canada beyond the limits of a province or territory (e.g., on an offshore oil rig), enter "ZZ."

#### Note

For any employee who worked in or whose employment was located in more than one province, territory, or country in the year, complete separate T4 Supplementary slips for each location.

### T4 - Box 12 - Social insurance number

Enter the employee's social insurance number (SIN) as it appears on the employee's SIN card. For more information on reporting this number, see "Social insurance number (SIN)" in Chapter 1 of this guide.

### T4 - Box 14 - Employment income before deductions

Report the total income before deductions. Include all salary, wages, bonuses, vacation pay, tips and gratuities, honorariums, director's fees, and executor's and administrator's fees received to administer an estate (as long as the administrator or executor does not act in this capacity in the regular course of business). Also include commissions, taxable allowances, the value of taxable benefits (including any GST), and any other payments for services the employee performed during the year. Include these in box 14, even if they appear separately in other boxes.

#### Note

In the following cases, see Chapter 8 for instructions on how to complete box 14 on the T4 Supplementary slip:

- if you are an employer paying salary or wages to a status Indian; and
- if you have an employee who is a Canadian resident and who works for you outside Canada for more than six months in a row (the employee may be entitled to an overseas employment tax credit).

#### **T4 - Boxes 16 and 17 – Employee's pension contributions (CPP/QPP)**

Enter the amount you deducted from the employee for contributions to the Canada Pension Plan (CPP) or Quebec Pension Plan (QPP). Make your entry under "CPP" (box 16) or "QPP" (box 17), depending on the province of employment.

If an employee contributed to both plans, the total contribution **should not be more than** the maximum contribution for the year. In such a case, you have to prepare **two** T4 Supplementary slips, as follows:

- one showing the QPP you deducted, and the remuneration the employee earned in the province of Quebec; and
- the other showing the CPP you deducted, and the remuneration the employee earned in the other province.

Leave both areas blank if the employee did not contribute to either plan. **Do not report** your share of CPP contributions on the T4 Supplementary slip.

If you overdeducted contributions from the employee, **do not adjust** the amounts you report on the T4 Supplementary slip. We will credit the excess CPP contributions to employees when they file an income tax return. Complete Form PD24, *Statement of Overpayment and Application for Refund – Employer's Contributions Under the Canada Pension Plan and/or Premiums Under the Employment Insurance Act*, to apply for a refund of your CPP overpayment. Send it to us with your T4 information return. You can obtain this form at your tax services office or tax centre.

#### **T4 - Box 18 – Employee's EI premiums**

Enter the amount of EI premiums you deducted from the employee's earnings. Leave this box blank if you did not deduct premiums. **Do not report** your share of EI premiums on the T4 Supplementary slip.

If you overdeducted premiums from an employee, **do not adjust** the amounts you report on the T4 Supplementary slip. We will credit excess EI premiums to employees when they file an income tax return. Complete Form PD24, *Statement of Overpayment and Application for Refund – Employer's Contributions Under the Canada Pension Plan and/or Premiums Under the Employment Insurance Act*, to apply for a refund of your overpayment. Send it with the T4 information return. You can obtain this form at your tax services office or tax centre.

#### **T4 - Box 20 – Registered pension plan contributions**

Enter the total amount the employee contributed to a registered pension plan. Leave this box blank if the employee did not contribute to a plan.

If the amount you report is a combination of contributions for current and past services, identify the amount that relates to pre-1990 past service in the footnotes area of the T4 Supplementary slip. Indicate whether the employee made past-service contributions while a contributor, while not a contributor, or both.

The phrase **while a contributor** applies to contributions the employee made during the year for past service performed before 1990, if:

- the contributions are for service during a year when the employee was a contributor to your plan; or
- the contributions are for service during a year when the employee was a contributor to a different plan, but they are not being paid under a written agreement entered into before March 28, 1988.

The phrase **while not a contributor** applies to contributions the employee made during the year for past service performed before 1990, if:

- the contributions are for service during a year when the employee was not a contributor to any plan; or
- the contributions are for service during a year when the employee was not a contributor to this plan, and was or is being paid under a written agreement entered into before March 28, 1988.

Include instalment interest in box 20. Instalment interest includes interest charged to buy back pensionable service.

#### **Note**

Do not use box 20 to show what you contributed to an employee's RRSP. The employer's contribution is a taxable benefit. Report it in boxes 14 and 40 on the employee's T4 Supplementary slip.

If you have a group RRSP for your employees, the trustee will send you official receipts for income tax purposes. The receipts show the employee and employer contribution amounts. Provide a copy of these receipts to the employee. Do not report these amounts in box 20.

Do not use box 20 to report lump-sum payments directly transferred from one registered pension plan to another. For more information, contact your tax services office or tax centre.

#### **T4 - Box 22 – Income tax deducted**

Enter the total income tax you deducted from the employee'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 any amount you withheld under the authority of a garnishee or a requirement to pay that applies to the employee's previously assessed tax arrears.

#### **T4 - Box 24 – EI insurable earnings**

Enter the **total** amount you used to calculate the employee's EI premiums. Leave the box blank if there are no insurable earnings, or if they are the same as in box 14. See box 28 later in this chapter for details.

There are maximum insurable earnings for various pay periods. Since these amounts change each year, see the *Payroll Deductions Tables* for the current amounts.

For details on the insurability of retiring allowances or severance pay, see "Special application for 1996" in Chapter 7 under the heading "Retiring allowances."

Do not include in box 24 of the T4 Supplementary slip any benefits for a clergy member's residence that were exempt



from insurable earnings. However, if the clergy member received a cash allowance for the value of the residence's use, the cash amount is part of the insurable earnings. Include this amount in box 24.

#### **T4 - Box 26 – CPP/QPP pensionable earnings**

In most cases, you will leave the box blank. However, you have to complete the box in the following situations:

**CPP** – Complete the box if you included any of the following types of remuneration in box 14, "Employment income before deductions:"

- a) remuneration paid to the employee:
  - before and during the month the employee turned 18;
  - after the month the employee turned 70;
  - during the months the employee received a disability pension under the CPP or QPP; or
  - after a retirement pension became payable under either the CPP or QPP.
- b) remuneration paid to the employee while the employee worked in excluded employment (see "Amounts not subject to CPP contributions" in Chapter 2);
- c) amounts for a clergy member's residence from which you did not deduct CPP contributions (if the clergy member gets a tax deduction for the residence, do not deduct CPP contributions);
- d) remuneration paid to a status Indian on a reserve before an election was made to cover the employee under the CPP (for more information, see "Status Indian employees" in Chapter 8).

Subtract any of the amounts noted above from the amount in box 14. Enter the difference in box 26. Do not change the amount in box 14.

If the situation described in a) applies, prorate the pensionable earnings for the period. For more information, see "Prorating the maximum contribution for the year" in Chapter 2 of this guide.

**QPP** – Regardless of the employee's province of residence, complete box 26 if the employee is subject to QPP and the pensionable earnings are more than the employment earnings in box 14 of the T4 Supplementary slip, "Employment income before deductions." The ministère du Revenu du Québec considers certain premiums (e.g., private health benefit plan premiums) that employers pay to be pensionable earnings for employees working in Quebec. These benefits are pensionable for QPP purposes, but not for CPP purposes.

#### **T4 - Box 28 – Exempt (CPP/QPP and EI)**

Do not complete the CPP/QPP part of this box if you entered an amount in boxes 16, 17, or 26. Enter an "X" under CPP/QPP only if the earnings were exempt for the entire period of employment.

Do not complete the EI part of this box if you entered an amount in boxes 18 or 24. Enter an "X" under EI only if the earnings were exempt, or if they were not eligible for the entire reporting period of employment.

#### **T4 - Boxes 30 to 40 – Taxable allowances and benefits**

The instructions for boxes 30 to 40 briefly outline what you should enter in each box. Since some of these calculations need long explanations, we explain these benefits in more detail in Chapters 1 and 2 of the *Employers' Guide to Payroll Deductions – Taxable Benefits*.

The amounts shown in these boxes include any goods and services tax (GST) that applies, which is calculated at the rate of 7% of the value of the benefit. The value of the benefit, used to calculate the GST, does not include provincial sales tax you paid to purchase or provide the benefit. In addition, if you pay sales tax on a benefit, we also treat the sales tax as a taxable benefit to the employee. The amount of taxable benefits you report may be affected if the employee is:

- at a special work site or remote work location; or
- living in a prescribed zone.

If you think one of these situations applies, see "T4 - Box 30 – Housing, board, and lodging" below, or "Housing and travel assistance benefits in a prescribed zone" in Chapter 7 of this guide.

#### **T4 - Box 30 – Housing, board, and lodging**

Enter an amount in box 30 if you provide an employee with free or subsidized housing, meals, or board and lodging. Also include this amount in box 14. As an employer, you have to estimate and report the fair market value of these benefits.

##### **Note**

Include any GST that applies to the benefit in the amount you report in this box.

In box 30, do not include board and lodging at a special work site in a prescribed zone. In the footnotes area, enter "Box 30, Special work site \$\_\_\_\_\_."

Under certain circumstances, the benefits and the value for board and lodging for remote work locations are exempt from income tax.

For more information, see "Employment at special work sites and remote work locations" in Chapter 8.

#### **T4 - Box 32 – Travel in a prescribed zone**

**Medical travel in a prescribed zone** – Enter the amount of medical travel assistance you provided to employees living in a prescribed zone. Include this amount in box 14. In the footnotes area, enter "Box 32, Medical travel \$\_\_\_\_\_."

**Other travel in a prescribed zone** – Enter the amount of other travel assistance you provided to employees living in a prescribed zone. Include this amount in box 14.

If you need more information, see "Housing and travel assistance benefits in a prescribed zone" in Chapter 7 of this guide.

##### **Note**

In this box, include any GST that applies to the benefit.

#### **T4 - Box 34 – Personal use of employer's auto**

Enter the benefit from an employer-provided automobile. Include this amount in box 14. Calculate the amount in two parts:

- operating costs; and
- standby charges.

For more information on standby charges and operating costs, and how to report them, see "Automobile benefits" in Chapter 1 of the *Employers' Guide to Payroll Deductions – Taxable Benefits*.

#### **T4 - Box 36 – Interest-free and low-interest loans**

Enter the benefit a person receives from this type of loan because of an office or employment (or intended employment). Include this amount in box 14. If the employee obtained a loan for a home, identify the amount the employee can deduct. In the footnotes area, enter "Box 36, Home loan \$\_\_\_\_\_." For more information, see Chapter 2 of the *Employers' Guide to Payroll Deductions – Taxable Benefits*.

##### **Note**

No GST applies to this benefit.

#### **T4 - Box 38 – Stock option benefits**

Enter the benefit that an employee receives under a corporation's agreement to issue its shares to the employee. Include this amount in box 14.

In the footnotes area, enter the amount that the employee is entitled to deduct under paragraph 110(1)(d) or paragraph 110(1)(d.1) of the *Income Tax Act* (employee stock options). This amount will be different from the amount in box 38, because the deduction for the employee is one-quarter of the benefit that you include in box 38. The footnotes should read as follows:

- "Box 38, Stock option 110(1)(d) \$\_\_\_\_\_;" or
- "Box 38, Stock option 110(1)(d.1) \$\_\_\_\_\_."

For more information about this benefit and how to calculate it for T4 reporting, see Chapter 2 of the *Employers' Guide to Payroll Deductions – Taxable Benefits*.

##### **Note**

No GST applies to this benefit.

#### **T4 - Box 40 – Other taxable allowances and benefits**

Enter the amount of any other taxable benefits you paid or gave to an employee which you did not include elsewhere on the T4 Supplementary slip. Include this amount in box 14.

See Chapters 1 and 2 of the *Employers' Guide to Payroll Deductions – Taxable Benefits* for details on how to calculate the following taxable benefits:

- group term life insurance;
- municipal officer's expense allowance; and
- flat rate, plus reasonable per-kilometre auto allowance.

##### **Note**

In this box, include any GST that applies to the related benefits.

#### **T4 - Box 42 – Employment commissions**

Enter the amount of the employee's commissions if the employee sold property or negotiated contracts for you. Include this amount in box 14. For more details, see Interpretation Bulletin IT-522, *Vehicles and Other Travelling Expenses – Employees*.

#### **T4 - Box 44 – Union dues (completed at employer's option)**

Use this box only if you and the union agree that the union will not issue receipts for union dues to employees. In this case, include a *Certificate of Agreement* with the T4 information return.

Enter the amount you deducted from employees for union dues. Include amounts you paid to a parity or advisory committee that qualify for a deduction.

Do not include in this box strike pay the union paid to union members.

For more information, see Interpretation Bulletin IT-103, *Dues Paid to a Union or to a Parity or Advisory Committee*.

#### **T4 - Box 46 – Charitable donations (completed at employer's option)**

Enter the amount you deducted from the employees' earnings for donations to registered charities in Canada. In the footnotes area, enter the registration number you obtained from us for the employees' charity trust. If you have more than three registration numbers, enter the three numbers with the largest total donations.

#### **T4 - Box 50 – Pension plan or DPSP registration number**

Enter the seven-digit registration number we issue for a registered pension plan (RPP), deferred profit sharing plan (DPSP), or an unregistered foreign pension plan when an election to report a pension adjustment (PA) is in effect. Do this even if your plan requires only employer contributions. However, if you make contributions to union pension funds, you have to indicate the union's plan number which the union has to give you. If you made contributions to more than one plan on behalf of the employee, insert 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 T4 Summary form.

#### **T4 - Box 52 – Pension adjustment**

If you have a registered pension plan (RPP) or a deferred profit sharing plan (DPSP), enter only the dollar amount of the employee's PA for the year. If you have to prepare more than one T4 Supplementary slip for the employee because the employee worked for you in more than one work location, you should report the PA proportionately on each slip. If you are unable to apportion the PA, report it on one slip.

Leave box 52 blank if the employee participated in your RPP or DPSP and one of the following applies:

- The calculated PA is a negative amount or zero.
- The employee died during the year.

- The employee is fully paid up. This happens when the employee no longer accrues benefits in the plan (e.g., when the employee has accrued the maximum number of years of service and no longer contributes to the plan).

### Special rules

Special calculation rules apply in some circumstances. These apply to employees who:

- left your employment during the year;
- are on, or return from, a leave of absence;
- participate in a salary-deferral arrangement; or
- work for you part-time.

For more information on how to calculate the PA, see the *Employers' Pension Adjustment Calculation Guide*. If you need more help calculating a PA, see your pension plan administrator, or call our Registered Plans Division at these toll-free numbers:

1-800-267-3100 (English)  
1-800-267-5565 (French)

In Ottawa:

(613) 954-5102 (English)  
(613) 954-5104 (French)

### Unregistered retirement plans or arrangements

On December 18, 1992, the Department of Finance released draft legislation on measures to ensure that the uniform limits on tax-deferred retirement savings also take into consideration savings under three types of unregistered retirement plans or arrangements:

- a specified retirement arrangement (SRA);
- a government-sponsored retirement arrangement (GSRA); and
- a foreign pension plan (FPP).

If you have any questions about PA for these types of plans or arrangements, please contact:

Revenue Canada  
Registered Plans Division  
700 Industrial Avenue  
Ottawa ON K1A 0L8

or call toll-free:

1-800-267-3100 (English)  
1-800-267-5565 (French)

### T4 - Box 54 – Business number

Enter your 15-digit business number that you use to send us your employees' deductions. This number appears in the top left corner of your statement of account, which we send to you each month.

Your business number is not listed on the two copies of the T4 Supplementary slip that you give to your employees.

### T4 - Box 56 – Employee number

If applicable, enter information, such as the employee number, department, unit or payroll number.

## T4 Summary form

See the back of this guide for a sample T4 Summary form.

### How to complete the T4 Summary form

In the boxes at the top of the form, enter your business number, name, and address.

#### T4 - Line 14 – Employment income before deductions

Add the amounts in box 14 on all T4 Supplementary slips. Enter the total on line 14.

#### T4 - Line 16 – Employees' CPP contributions

Add the amounts in box 16 on all T4 Supplementary slips. Enter the total on line 16.

#### T4 - Line 18 – Employees' EI premiums

Add the amounts in box 18 on all T4 Supplementary slips. Enter the total on line 18.

#### T4 - Line 19 – Employer's EI premiums

Enter your share of Employment Insurance premiums (multiply the employees' total premiums by the employer's premium rate).

#### T4 - Line 20 – Registered pension plan contributions

Add the amounts in box 20 on all T4 Supplementary slips. Enter the total on line 20.

#### T4 - Line 22 – Income tax deducted

Add the amounts in box 22 on all T4 Supplementary slips. Enter the total on line 22.

#### T4 - Line 24 – EI insurable earnings

Add the amounts in box 24 on all T4 Supplementary slips. If box 24 is blank, use the amount in box 14 only if the income is insurable. Enter the total on line 24.

#### T4 - Line 27 – Employer's CPP contributions

Enter your share of CPP contributions on line 27.

#### T4 - Line 52 – Pension adjustment

Add the amounts in box 52 on all T4 Supplementary slips. Enter the total on line 52, in dollars only.

#### T4 - Lines 71, 72, and 73 – Revenue Canada-issued registration number(s) for RPP or DPSP

Enter the seven-digit registration numbers that we gave you, up to a maximum of three.

#### Note

This also applies to numbers we issue for unregistered foreign pension plans, if you filed an election to report a PA.

#### T4 - Lines 74 and 75 – Canadian-controlled private corporations or unincorporated employers

Enter the social insurance numbers of any proprietors or principal owners.

#### **T4 - Lines 76 and 78 – Contact person and telephone number**

Enter the name and telephone number of a contact person that we can call to obtain or clarify information you reported on the summary form.

#### **T4 - Line 80 – Total deductions reported**

Add the amounts reported on lines 16, 18, 19, 22, and 27 of the summary form. Enter the total on line 80.

#### **T4 - Line 82 – Remittances**

Enter the amount you remitted for the year under your business number.

#### **Difference**

Subtract line 82 from line 80. 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 a difference of less than \$2.

#### **T4 - Line 84 – Overpayment**

If the amount on line 82 is more than the amount on line 80 (and you do not have to file another type of return for this account number), enter the difference on line 84. Attach a note indicating the reason for the overpayment and whether you want us to transfer this amount to another account or refund the overpayment to you.

#### **T4 - Line 86 – Balance due**

If the amount on line 80 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 T4 Summary form a cheque or money order payable to the Receiver General for the balance owing. If you remit your payment late, any balance owing may be subject to penalties and interest at the prescribed rate.

#### **T4 - Line 88 – Total number of T4 slips filed**

Enter the total number of T4 Supplementary slips that you are including with the T4 Summary form.

#### **T4 Supplementary slips with a United States address**

In the space to the right of line 88, enter the number of T4 Supplementary slips that you are including for employees with U.S. addresses. File these slips at the end of the return, after the T4 Supplementary slips for employees with Canadian addresses.

#### **Certification**

A current officer of the business has to sign the T4 information return to show that the information is correct and complete.

### **T4A Supplementary slip**

See the back of this guide for a sample T4A Supplementary slip.

### **When to complete the T4A Supplementary slip**

You may have to complete a T4A Supplementary slip if you made any of the following types of payments:

- pension or superannuation (box 16);
- lump-sum payments (box 18);
- self-employed commissions (box 20);
- annuities (box 24);
- retiring allowances (box 26);
- other income (box 28); or
- patronage allocations (box 30).

You have to complete a T4A Supplementary slip if:

- the payment was more than \$500; or
- you deducted tax from the payment.

#### **Note**

If you provide group term life insurance taxable benefits to former employees or employees of a multi-employer benefit plan, you have to prepare a T4A Supplementary slip **only** if the benefit is more than \$25. Enter the group term life insurance benefits in box 28, "Other income," of the T4A Supplementary slip.

### **How to complete the T4A Supplementary slip**

In many cases, we ask you to enter an explanation to describe payments or part payments in the "Footnotes codes and explanation" area, as well as a code in box 38. You can find a complete list of these codes later in this chapter, in the section "T4A - Box 38 – Footnote codes."

#### **Recipient's name and address**

In the area next to the arrow, print or type in capital letters the surname 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, postal code or zip code, and country.

#### **Employer's or payer's name**

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

#### **T4A - Box 12 – Social insurance number**

Enter the social insurance number (SIN) that shows on the SIN card of the person to whom you made the payment. For more information on reporting this number, see "Social insurance number (SIN)" in Chapter 1 of this guide.

#### **T4A - Box 14 – Recipient's number**

Using this number is an option.

#### **T4A - 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.

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 an 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 code “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 exempt. Include the exempt part in the footnotes area. Enter “Box 16, Status Indian (exempt income) \$\_\_\_\_\_.” In box 38, enter code “14.”

#### **T4A - 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.
- 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 code “10.”

Do not report direct transfers of RPP lump-sum payments to RRSPs, RRIFs, or other RPPs that are transferred according to subsection 147.3(1) to (8) of the *Income Tax Act*. Similarly, do not report direct transfers of DPSP lump-sum payments to RPPs, RRSPs, 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.

We consider amounts that are transferred, which are more than the amounts allowed under subsections 147.3(1) to (8) or 147(19) to be income in the year that the transfer takes place. Report such amounts in box 18. The receiving carrier should issue a receipt for these excess transfers.

When you pay a single amount out of an RPP to an individual or you transfer such an amount that we consider to be income, enter “Box 18, RPP—not eligible for transfer \$\_\_\_\_\_” in the footnotes area. In box 38, enter code “08.”

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 section 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 code “08.”

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 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 performed the services for which you made the payment. If you made such a transfer, in the footnotes area, enter “Box 18, Benefits for non-resident services transferred under paragraph 60(j) \$\_\_\_\_\_.” In box 38, enter code “02.”

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 code “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 exempt. Include the exempt part in the footnotes area. Enter “Box 18, Status Indian (exempt income) \$\_\_\_\_\_.” In box 38, enter code “14.”

#### **T4A - Box 20 – Self-employed commissions**

Enter the amount of commission you paid to an independent agent.

#### **T4A - Box 22 – Income tax deducted**

Enter the total income tax you deducted from the employee’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 which applies to the employee’s previously assessed tax arrears.

#### **T4A - Box 24 – Annuities**

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 code “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 code "15."

When you report annuity payments from other sources on the T4A Supplementary 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 more details, see Information Circular 77-1, *Deferred Profit Sharing Plans*.

#### Note

Report the following amounts on a **T5 Supplementary slip**:

- 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*; and
- other annuity payments to which paragraph 56(1)(d.1) of the *Income Tax Act* applies.

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

#### T4A - Box 26 - Retiring allowances

Enter the amount of retiring allowances, including severance pay.

If the allowance includes an amount not eligible for transfer to an RRSP or RPP, in the footnotes area, enter "Box 26, Retiring Allowance, non-eligible \$\_\_\_\_\_." In box 38, enter code "12." For more information, see Chapter 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 exempt. Include the exempt part in the footnotes area. Enter "Box 26, Status Indian (exempt income) \$\_\_\_\_\_." In box 38, enter code "14."

#### T4A - 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 the guide *RRSPs and Other Registered Plans for Retirement*).
2. Payments under a revoked DPSP (in the footnotes area, enter "Box 28, Payments from a revoked DPSP \$\_\_\_\_\_." and in box 38, enter code "13").
3. Any fees or other amounts paid to Canadian residents for services from which you deducted income tax (report any other amount from which you have deducted income tax, and which you do not have to report elsewhere on a T4A or other information return).
4. The proceeds of disposition or deemed proceeds of disposition of an income-averaging annuity contract (IAAC).

5. Research grants (in the footnotes area, enter "Box 28, Research grants \$\_\_\_\_\_," and in box 38, enter code "04"), and scholarships, fellowships, bursaries, and prizes (in the footnotes area, enter "Box 28, Scholarships, bursaries, or fellowships \$\_\_\_\_\_," and in box 38, enter code "05").

You can find more information in Interpretation Bulletin IT-75, *Scholarships, Fellowships, Bursaries, Prizes, and Research Grants*.

6. 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 Bulletins IT-54, *Wage-Loss Replacement Plans - Changes in Plans Established Before June 19, 1971*, and 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 \$\_\_\_\_\_," and in box 38, enter code "07").

Wage-loss replacement plan benefits for status Indians 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 exempt. Include the exempt part in the footnotes area. Enter "Box 28, Status Indian (exempt income) \$\_\_\_\_\_." In box 38, enter code "14."

7. A training allowance paid under the *National Training Act* (the part paid for personal living expenses while the employee is living away from home for training is not a taxable allowance).
8. Payments under the *Labour Adjustment Benefits Act*, or a benefit payable under an *Appropriation Act* to compensate for loss of office or employment, such as in the textile and leather-tanning industries.
9. The gross amount of any payment 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 \$\_\_\_\_\_," and in box 38, enter code "06").
10. Payments out of an employee benefit plan, not including:
  - the part of the payment that is a death benefit, or would be a death benefit except for the deduction provided in the definition of death benefit (see item 9 above);
  - a refund of amounts the employee contributed to the plan, or contributions returned to the heir or legal representative of a deceased employee; or
  - a superannuation or pension benefit for services that a person performed during a period when the person was not residing in Canada.

#### Note

If this type of superannuation or pension benefit from an employee benefit plan is **paid in a lump sum**, report it in box 18. You can transfer the payment to an RPP or RRSP under paragraph 60(j) if the recipient or the recipient's

spouse performed the services for which the payment was made. If you transfer such a payment to an RPP or RRSP, in the footnotes area, enter "Box 18, Benefit for non-resident services transferred under paragraph 60(j) \$\_\_\_\_\_." In box 38, enter code "02."

If you pay this type of superannuation or pension benefit from an employee benefit plan **periodically**, report it in box 16. You **cannot** transfer these payments to an RPP or an RRSP.

11. Amounts that a trustee allocates for the taxation year to a person under an **employee trust**. If the trustee allocates the income, but you do not pay it immediately, include it in the income of the employee. Do not report it when you make the payment (for more information, see Interpretation Bulletin IT-502, *Employee Benefit Plans and Employee Trusts*, and its Special Release).
12. Benefits from board and lodging, or transportation that a third party supplies (a prime contractor or another subcontractor) to employees of subcontractors (e.g., 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 Supplementary slip, unless the benefits are non-taxable allowances for working at a special work site or remote work location (see Chapter 8). For more information, see Interpretation Bulletin IT-91, *Employment at Special Work Sites or Remote Work Locations*.

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 non-business travel, and in the footnotes area, enter "Box 28, Medical travel \$\_\_\_\_\_." In box 38, enter code "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 (see Chapter 8), do not include in box 28 any board and lodging benefits the employee receives while working at the special work site (in the footnotes area, enter "Box 28, Board and lodging benefits \$\_\_\_\_\_." and in box 38, enter code "13").

#### Note

Include any GST that applies to the related benefits.

13. Premiums you pay as a contribution to a provincial health services insurance plan for a retired employee (see "Premiums under provincial hospitalization and medical care insurance plans and certain Government of Canada plans" in Chapter 2 of the *Employers' Guide to Payroll Deductions – Taxable Benefits* (in the footnotes area, enter "Box 28, Medical premium benefit \$\_\_\_\_\_." and in box 38, enter code "18").

For more details, see Interpretation Bulletin IT-247, *Employer's Contribution to Pensioners' Premiums under Provincial Medical and Hospital Services Plans*.

#### Note

For reporting requirements that concern payments from a retirement compensation arrangement (RCA), see

Revenue Canada's *Retirement Compensation Arrangement Guide*, or contact your tax services office or tax centre.

14. Payments under a supplementary unemployment benefit (SUB) plan.
15. 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)) \$\_\_\_\_\_." and in box 38, enter code "17").
16. Any benefit (regardless of the amount) 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.

#### T4A - 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.

#### T4A - 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 Supplementary slip when an employee-employer 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 code "13."

#### T4A - 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 (MEP). See the *Employers' Pension Adjustment Calculation Guide* for more information.

#### T4A - Box 36 – Pension plan registration number

Enter the registration number we issued for the registered plan 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.

#### Footnote codes and explanation

Use this area on the T4A Supplementary slip to record footnotes when you report certain kinds of income or identify transfers of funds under certain sections of the *Income Tax Act*.

#### **T4A - 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 code “13” in box 38. Also record all the relevant codes in the “Footnote codes and explanation” area at the bottom of the T4A Supplementary slip.

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

<b>Code</b>	<b>Explanation and use</b>
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, 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.
10	Amounts reported in footnotes for lump-sum payments accrued before December 31, 1971, and IAAC annuities—Use this code to describe the amount in box 18 or 24.
12	Non-eligible retiring allowances—Box 26 only.
13	Other footnotes or multiple footnotes—Use this code if you entered a written footnote that does not correspond to codes 02 to 12, 14 to 18, or if more than one code applies.
14	Status Indians with exempt income—Use this code to describe any amounts shown in boxes 16, 18, 26, and 28.
15	Instalment or annuity payments under a DPSP—Box 24 only.
16	Medical travel in a prescribed zone—Box 28 only.
17	Loan benefit (under subsection 80.4(2))—Box 28 only.
18	Medical premium benefit—Box 28 only.

#### **T4A - Box 46 – Charitable donations**

Enter the amount you deducted from the employees’ earnings for donations to registered charities in Canada. In the footnotes area, enter the registration number you obtained from us for the employees’ charity trust. If you have more than three registration numbers, enter the three numbers with the largest total donations. In box 38, enter code “13.”

#### **T4A - Box 61 – Business number**

Enter your 15-digit business number that you use to send us your employees’ deductions. This number appears in the top left corner of the statement of account that we send to you each month.

Your business number does not appear on copies 2 and 3 of the T4A Supplementary slip that you give to your employees.

#### **T4A Summary form**

See the back of this guide for a sample T4A Summary form.

#### **How to complete the T4A Summary**

In the boxes at the top of the summary, enter your business number, name, and address.

#### **T4A - Line 16 – Pension or superannuation**

Add the amounts in box 16 on all T4A Supplementary slips. Enter the total on line 16.

#### **T4A - Line 18 – Lump-sum payments**

Add the amounts in box 18 on all T4A Supplementary slips. Enter the total on line 18.

#### **T4A - Line 20 – Self-employed commissions**

Add the amounts in box 20 on all T4A Supplementary slips. Enter the total on line 20.

#### **T4A - Line 22 – Total tax deductions reported**

Add the amounts in box 22 on all T4A Supplementary slips. Enter the total on line 22.

#### **T4A - Line 24 – Annuities**

Add the amounts in box 24 on all T4A Supplementary slips. Enter the total on line 24.

#### **T4A - Line 26 – Retiring allowance**

Add the amounts in box 26 on all T4A Supplementary slips. Enter the total on line 26.

#### **T4A - Line 28 – Other income**

Add the amounts in box 28 on all T4A Supplementary slips. Enter the total on line 28.

#### **T4A - Line 30 – Patronage allocations**

Add the amounts in box 30 on all T4A Supplementary slips. Enter the total on line 30.

#### **T4A - Line 32 – Pension plan contributions (past service)**

Add the amounts in box 32 on all T4A Supplementary slips. Enter the total on line 32.

#### **T4A - Line 34 – Pension adjustment**

Add the amounts in box 34 on all T4A Supplementary slips. Enter the total on line 34.

#### **T4A - Lines 71, 72, and 73 – Revenue Canada-issued registration numbers for RPP**

Enter the seven-digit registration numbers that we gave you, up to a maximum of three.



**T4A - Lines 74 and 75 – Canadian-controlled private corporations or unincorporated employers**

Enter the social insurance numbers of any proprietors or principal owners.

**T4A - Lines 76 and 78 – Contact person and telephone number**

Enter the name and telephone number of a contact person that we can call to obtain or clarify information you reported on the summary form.

**T4A - Line 82 – Remittances**

Enter the amount you remitted for the year, under your business number.

**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 a difference of less than \$2.

**T4A - 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 refund the overpayment to you.

**T4A - 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 owing may be subject to penalties and interest at the prescribed rate.

**T4A - Line 88 – Number of T4A slips filed**

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

**T4A Supplementary slips with a United States address**

In the space to the right of line 88, enter the number of T4A Supplementary slips you are including for individuals with U.S. addresses. File these slips at the end of the return, after the T4A Supplementary slips for individuals with Canadian addresses.

**Certification**

A current officer of the business has to sign the T4A information return to show that the information is correct and complete.

**T4F Supplementary slip**

See the back of this guide for a sample T4F Supplementary slip.

**When to complete the T4F Supplementary slip**

If you are a self-employed fisherman's designated employer (for example, the buyer of the catch) or another buyer with whom a self-employed fisherman has filed Form TD3F, you have to complete a T4F Supplementary slip. On this slip you report the gross earnings, the insurable earnings, EI premiums, and any income tax you deducted. To find out if you are a designated employer, and how to calculate a self-employed fisherman's earnings, see the pamphlet called *Fishermen and Unemployment Insurance*. This pamphlet also contains information on how to complete a T4F return.

**Do not report** CPP contributions for self-employed fishermen on a T4F Supplementary slip. Self-employed fishermen report their CPP contributions on self-employed earnings on their income tax returns.

**How to complete the T4F Supplementary slip****Employee's name and address**

In the area next to the arrow, first print or type in capital letters the self-employed fisherman's surname, followed by the first name and initials. Directly below the name, enter the self-employed fisherman's address, including the province, territory, postal code, and country.

**Designated employer's name**

Enter the name of the designated employer.

**T4F - Box 12 – Social insurance number**

Enter the social insurance number (SIN) that appears on the self-employed fisherman's SIN card. For more information on reporting a SIN, see "Social insurance number (SIN)" in Chapter 1 of this guide.

**Year**

Enter the calendar year in which the self-employed fisherman earned the income.

**T4F - Box 14 – Gross earnings**

Enter the gross earnings of the self-employed fisherman who is **not** the owner or lessee of the boat or gear. To calculate this amount, use the information under "Determining earnings" in the pamphlet called *Fishermen and Unemployment Insurance*.

If the self-employed fisherman is the owner or lessee of the boat or gear, the amount of gross earnings is the value of all the catches delivered.

When a partnership is involved, the gross earnings of each partner (self-employed fisherman) is the value of all the catches delivered.

**T4F - Box 16 – Employment insurance insurable earnings**

Enter the amount of the self-employed fisherman's insurable earnings. For instructions on how to calculate insurable earnings, see the pamphlet called *Fishermen and Unemployment Insurance*. Leave this box blank if there are no insurable earnings.

**T4F - Box 18 – EI premiums**

Enter the amount of EI premiums you deducted from the self-employed fisherman's earnings. Leave this box blank if you did not deduct any premiums.

**T4F - Box 20 – EI exempt**

Do not complete this box if you have completed box 18 or box 16. Enter an "X" in this box if an exemption applies for the total period of employment or deemed employment. To find out if an exemption applies, see the pamphlet *Fishermen and Unemployment Insurance*.

**T4F - Box 22 – Income tax deducted**

Enter the amount of income tax you deducted during the year. Leave this box blank if you did not deduct any tax.

Do not include instalment payments you remitted for a self-employed fisherman, or any amount you withheld under the authority of a garnishment order or a requirement to pay which applies to the fisherman's previously assessed tax arrears.

**T4F - Box 24 – Fisherman's number**

Use of the fisherman's number is optional if you prepare the T4F Supplementary slips in alphabetical order. If you do not put the T4F Supplementary slips in alphabetical order, enter all relevant information such as department, unit, payroll, and fisherman's number.

**T4F - Box 28 – Business number**

Enter the 15-digit business number of the designated employer.

**T4F Summary form**

See the back of this guide for a sample T4F Summary form.

**How to complete the T4F Summary form**

In the boxes at the top of the form, enter your business number, name, and address.

**T4F - Line 14 – Gross earnings**

Add the amounts in box 14 on all T4F Supplementary slips. Enter the total on line 14.

**T4F - Line 16 – Employment Insurance insurable earnings**

Add the amounts in box 16 on all T4F Supplementary slips. Enter the total on line 16.

**T4F - Line 18 – Fishermen's Employment Insurance premiums**

Add the amounts in box 18 on all T4F Supplementary slips. Enter the total on line 18.

**T4F - Line 22 – Income tax deducted**

Add the amounts in box 22 on all T4F Supplementary slips. Enter the total on line 22.

**T4F - Line 26 – Designated employer's Employment Insurance premiums**

Enter the total amount of your share of EI premiums (multiply the total employees' premiums by the employer's premium rate).

**T4F - Lines 76 and 78 – Contact person and telephone number**

Enter the name and telephone number of a person we can contact to obtain or clarify information reported on the T4F Summary form.

**T4F - Line 80 – Total deductions reported**

Add the amounts reported on lines 18, 26, and 22 of the summary form. Enter the total on line 80.

**T4F - Line 82 – Remittances**

Enter the amount that you remitted for the year under your business number.

**Difference**

Subtract line 82 from line 80. 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 a difference of less than \$2.

**T4F - Line 84 – Overpayment**

If the amount on line 82 is more than the amount on line 80 (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 refund the overpayment to you.

**T4F - Line 86 – Balance due**

If the amount on line 80 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 T4F Summary form a cheque or money order payable to the Receiver General for the balance owing. If you remit your payment late, any balance owing may be subject to penalty and interest at the prescribed rate.

**T4F - Line 88 – Total number of T4F slips filed**

Enter the total number of T4F Supplementary slips that you are including with the T4F Summary form.

**Certification**

A current officer of the business has to sign the T4F information return to show that the information is correct and complete.

## Chapter 7 – Special Payments

### Bonuses and retroactive pay increases

If you paid bonuses and retroactive pay increases to your employees, you have to deduct the following amounts:

- Canada Pension Plan (CPP) contributions;
- Employment Insurance (EI) premiums; and
- income tax.

#### CPP contributions

If you have already deducted the yearly maximum CPP contribution from an employee's income, do not deduct more contributions. In addition, do not take into account any contributions that a previous employer deducted in the same year.

#### Example

Joseph receives a retroactive pay increase of \$450 on June 28, 1996. His wage record for the year indicates that, to date, you have deducted \$300 in CPP contributions.

Maximum CPP contribution for 1996 .....	\$893.20
Contributions to date for the year .....	<u>\$300.00</u>
Balance that you can deduct for Joseph for the rest of the year .....	<u>\$593.20</u>
Multiply the retroactive pay increase of \$450 × the CPP rate of 2.8% .....	\$ 12.60

The employer can deduct CPP contributions of \$12.60 from Joseph's retroactive pay increase. This is the lesser of \$593.20 and \$12.60.

#### EI premiums for 1996

You have to allocate bonuses and retroactive pay increases to the pay period in which you pay them. For more details, see "How to allocate insurable earnings to the proper pay period" in Chapter 3A of this guide.

#### EI premiums for 1997

You have to deduct EI premiums from bonuses and retroactive pay increases. Make sure that you do not deduct more than the maximum for the year.

#### Income tax

To determine how much income tax to deduct from bonuses or retroactive pay increases, take the total remuneration for the year (including the bonus or increase) and subtract the following amounts:

- registered pension plan contributions;
- union dues;
- a deduction for living in a prescribed zone; and
- an amount that a tax services office or court order has authorized.

If the result is \$5,000 or less, deduct 15% tax (10% in Quebec) from the bonus or retroactive pay increase.

If the result is **more than \$5,000**, the amount you deduct depends on whether the bonus is paid once a year or more than once a year. Examples 1 and 2 show you how to determine the amount to deduct in the case of a bonus. Example 3 shows you how to determine this amount in the case of a retroactive pay increase.

#### Example 1

**Once-a-year bonus payment**—Donna earns a salary of \$400 per week. In September, you gave her a bonus of \$300. The claim code on her TD1 form is "1."

**Step 1**—Divide the bonus by the number of pay periods in the year ( $\$300 \div 52 = \$5.77$ ).

**Step 2**—Add the \$5.77 to the current pay rate of \$400. As a result, the adjusted pay rate for the year is \$405.77 per week.

**Step 3**—Use claim code "1" and the "Weekly Tax Deductions" table in Part D of the *Payroll Deductions Tables* to find the increased weekly tax you should deduct on the additional \$5.77 per week. Calculate as follows:

- Find the tax you deduct on \$405.77 per week.
- Subtract the tax you deduct on \$400 per week.
- The result is the tax you have to deduct on the additional \$5.77 per week.

**Step 4**—Multiply the additional tax you deduct per week by 52 (the number of weeks in the year). This gives you the amount of income tax to deduct from the bonus of \$300.

#### Example 2

**More than one bonus payment a year** – Mario earns a salary of \$400 per week (**amount 1**). You paid him bonuses of \$300 in January and \$780 in February. The claim code on his TD1 form is "1."

The calculation must take into account **all** bonuses you paid during the year. You have to calculate for the entire year the amount of tax to deduct for the entire year, regardless of when you paid the bonus.

**Step 1**—Divide the bonus you paid in January by the number of pay periods in the year ( $\$300 \div 52 = \$5.77$ ) (**amount 2**). Add the \$5.77 to the weekly salary of \$400 to determine the adjusted weekly pay before the February bonus ( $\$400 + \$5.77 = \$405.77$ ).

**Step 2**—Divide the last bonus you paid to Mario by the number of pay periods in the year ( $\$780 \div 52 = \$15$ ) (**amount 3**). Add amounts 1, 2, and 3 to determine the adjusted weekly pay for the year of \$420.77 ( $\$400 + \$5.77 + \$15$ ).

**Step 3**—Use the "Weekly Tax Deductions" table in Part D of the *Payroll Deductions Tables* to determine the increased weekly tax you should deduct on the additional \$15 per week. Calculate as follows:

- Find the tax you deduct on \$420.77 per week.
- Subtract the tax you deduct on \$405.77 per week.

- The result is the tax you have to deduct on the additional \$15.

**Step 4**—Multiply the additional tax you deduct per week by 52 to determine the amount to deduct on the bonus of \$780.

To calculate tax on additional bonuses, **repeat Steps 1 to 4.**

### Example 3

**Retroactive pay increase**—Irene’s pay increased from \$440 to \$460 per week. The increase was retroactive to 12 weeks, which gives her a total retroactive payment of \$240 (12 × \$20). The claim code on her TD1 form is “6.”

**Step 1** – Use the weekly tax deductions table in Part D of the *Payroll Deductions Tables* to determine the increase in the weekly tax that you should deduct because of the increased pay rate. Calculate as follows:

- Find the tax you deduct on \$460 per week.
- Subtract the tax you deduct on \$440 per week.
- The result is the tax you have to deduct on the additional \$20 per week.

**Step 2** – Multiply the increase in the weekly tax you deduct by the number of weeks that the pay increase is retroactive. This amount represents the tax you should deduct on the retroactive payment.

## Overtime pay

### CPP contributions and EI premiums

When you deduct CPP contributions and EI premiums from overtime pay, use the method outlined in the previous section, “Bonuses and retroactive pay increases.”

### Income tax

To determine the amount of income tax to deduct, add the overtime pay to the regular pay in the period in which you are paying the overtime. Deduct income tax from the total amount in the usual way.

## Vacation pay and statutory holidays

When you pay vacation pay and your employee **takes holidays**, you have to deduct CPP contributions, EI premiums, and income tax in the following way:

#### CPP contributions

Deduct CPP contributions from vacation pay in the same way as you would from regular pay. See Chapter 2 of this guide for more information.

#### EI premiums for 1996

Allocate vacation pay or statutory holidays to the pay period for which it is paid. We explain this in Chapter 3A of this guide.

#### EI premiums for 1997

Deduct EI premiums from vacation pay or statutory holidays. Make sure that you do not deduct more than the maximum for the year.

### Income tax

When you calculate the amount of income tax to deduct, the rate you use to calculate vacation pay determines which tax table you will use. If you use a rate of:

- 2%, use the weekly table;
- 4%, use the bi-weekly table; or
- 6% or 8%, divide the vacation pay by three (6%) or four (8%) and use the weekly table. Multiply the result by three (6%) or four (8%). For other percentages, apply the same principle.

When you pay vacation pay and your employee **does not take holidays**, deduct CPP contributions, EI premiums, and income tax in the following way:

#### CPP contributions

To deduct CPP contributions, use the method we explained earlier in this chapter under the heading “Bonuses and retroactive pay increases.”

#### EI premiums for 1996

When determining the amount of EI premiums, allocate the vacation pay to the pay period in which you pay it to the employee. For more information, see Chapter 3A of this guide.

#### EI premiums for 1997

Deduct EI premiums from vacation pay. Make sure that you do not deduct more than the maximum for the year.

#### Income tax

Use the method we explained earlier in this chapter under the heading “Bonuses and retroactive pay increases.”

#### Note

Include contributions you make to a trust for vacation credits that an employee earns in the employee’s income for the same year that you make the contributions. Deduct income tax from this amount as if you had paid the amount directly to the employee. For more information, see Interpretation Bulletin IT-389, *Vacation Pay Trusts Established under Collective Agreements*.

## Death benefits

When you pay a death benefit, you do not have to deduct CPP contributions or EI premiums. However, you do have to withhold income tax.

### Income tax

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

Use the withholding rates for lump-sum payments shown later in this chapter under the heading “Withholding rates for lump-sum payments” to deduct income tax from the rest of the death benefit. Report the total amount of the payment on the T4A Supplementary slip.

## Director's fees

You have to report director's fees on a T4 Supplementary slip, not a T4A Supplementary slip.

## CPP contributions

When you pay director's fees to a corporation director, prorate the basic CPP exemption over the number of times you pay the fees during the year.

### Example

Alan is the director of your corporation. He does not receive remuneration as an employee. You pay him a director's fee of \$1,050 every three months. Calculate the contribution in the following way:

- Prorate the basic exemption to get the quarterly amount:  
 $\$3,500 \div 4 = \$875$ .
- The amount from which you deduct contributions is \$175  
( $\$1,050 - \$875$ ).
- The amount of CPP contributions you send in for this payment is:

Director's contribution ( $\$175 \times 2.8\%$ ) .....	<u>\$4.90</u>
Employer's contribution .....	<u>\$4.90</u>
<b>Total</b> .....	<b><u>\$9.80</u></b>

## EI premiums

Do not deduct EI premiums from the director's fee.

## Income tax

If you pay both a salary and a director's fee, add the fee to the salary for that pay period to calculate the amount of tax to deduct.

If you only pay a director's fee and you estimate that the total of these fees will not be more than the claim amount on the TD1 form (or the basic personal amount if a person does not file Form TD1), do not deduct income tax.

If you estimate that a director's fee will be more than the claim amount on the TD1 form, you have to deduct income tax. To calculate the amount, use the "Monthly Tax Deductions" table in Part D of the *Payroll Deductions Tables* and calculate as follows:

- Divide the fee by the number of months that have passed since the last payment or since the first day of the year, whichever is later.
- Find the monthly deduction, and multiply it by the number of months that have passed since the last payment or since the first day of the year, whichever is later.

The result will give you the income tax to deduct from the fee.

For more information, see Interpretation Bulletin IT-377, *Director's, Executor's, or Juror's Fees*.

## Housing and travel assistance benefits in a prescribed zone

### Reporting

If you have employees who live in prescribed zones and you pay them housing and travel assistance benefits, you have to include these amounts on their T4 Supplementary slips as taxable benefits. There are four benefits that employers usually pay or give to employees in these zones.

- A. **Medical travel assistance:** Employees and members of their household use this benefit to travel to other areas to take advantage of medical services that are not available in their area of residence. Include this amount in boxes 32 and 14 of the T4 Supplementary slip. Show the total amount of Medical travel assistance benefits as a separate footnote. In the footnotes area, enter "Box 32, Medical travel \$\_\_\_\_\_."

### Note

You have to separate medical travel assistance from other types of travel. If you do not do this, we will consider all travel assistance as vacation travel, and the employee will not be entitled to claim a deduction for medical travel. In addition, we will limit the employee's deduction, as well as that of the members of the household, to two trips each.

- B. **Other travel assistance:** This benefit is for travel for any purpose other than business or medical reasons. It includes travel for vacation, bereavement, and compassionate reasons. Include this amount in boxes 32 and 14 of the T4 Supplementary slip.
- C. **The valuation of the housing benefit:** You have to put a value on and report all housing benefits you provide to your employee. This includes any utilities you subsidize or provide. Include this amount in boxes 30 and 14 of the T4 Supplementary slip.
- D. **Board and lodging at a special work site that we also consider as a prescribed zone:** Do not include in boxes 30 and 14 of the T4 Supplementary slip any board and lodging benefits an employee receives while working at a special work site. Show this amount as a footnote only. In the footnotes area, enter "Box 30, Special work site \$\_\_\_\_\_."

### Note

Be sure to include any GST that applies to related benefits.

## Benefits supplied by a third party

If you are a **third party** (a prime contractor or another subcontractor) and you supply benefits for board and lodging, or transportation to employees of another subcontractor, there are special instructions for reporting on the T4A Supplementary slip. See "How to complete the T4A Supplementary slip," box 28 – item 13, in Chapter 6 of this guide for details.

For more information, see the *Employers' Guide to Housing and Travel Assistance Benefits Paid in Prescribed Zones*.

## Lump-sum payments

For instructions on how to report lump-sum payments, see "T4A Supplementary slip," box 18, in Chapter 6 of this guide.

### Income tax

You have to deduct income tax from a lump-sum payment you pay to an employee:

- on retirement;
- as compensation for loss of office;
- in recognition of long service, but not out of or under a superannuation fund or plan; or
- as a retiring allowance.

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

- the proceeds from the surrender, cancellation, or redemption of an income-averaging annuity contract;
- 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 retirement plan (RPP) (the pension income credit does not apply on these payments); and
- more than the minimum amount you have to pay to the original annuitant under a registered retirement income fund (RRIF).

#### Note

If you pay a lump-sum payment (e.g., a refund of premiums) to a deceased annuitant's spouse, you do not have to deduct income tax.

### Withholding rates for lump-sum payments

Use these federal and provincial composite rates:

10% (5% for Quebec), if the payment is not more than \$5,000;

20% (10% for Quebec), if the payment is more than \$5,000 but not more than \$15,000; and

30% (15% for Quebec), if the payment is more than \$15,000.

Since the above rates are **only estimates**, employees may have to pay additional tax on these amounts when they file their tax returns. To avoid this situation, if an employee requests it, you can:

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

The result is the amount you should deduct from the lump-sum payment.

If you make payments out of deferred profit sharing plans (DPSP) or employee profit sharing plans (EPSP), contact your tax services office or tax centre to learn how to deduct income tax. For information on how to report these payments, see the instructions for boxes 18, 24, and 28 under "T4A Supplementary slip," in Chapter 6 of this guide.

Do not deduct income tax from a lump-sum payment if an employee's total earnings received and receivable during the calendar year, including the lump-sum payment, are less than the "claim amount" on the employee's TD1 form. This does not apply to non-residents.

### Transfer of funds

An employee can transfer a lump-sum payment out of an RPP or DPSP to an RPP or DPSP, or to an RRSP. If you transfer the full amount **directly** (not paid to the employee) to another RPP, RRSP, or DPSP, do not deduct income tax.

We use Form T2151, *Direct Transfer of a Single Amount under Subsection 147(19) or Section 147.3*, to instruct administrators to directly transfer the lump-sum payment on an employee'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 an amount you transfer is more than these limits, the employee 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.

Report the amount in box 18 of a T4A Supplementary slip. You cannot transfer this amount to another RPP, RRSP, or DPSP. In the footnotes area, enter "Box 18, no transfer of funds \$\_\_\_\_\_." In box 38, enter "13."

Report transfers of qualifying portions of retiring allowances to an RPP or RRSP on a T4A Supplementary slip. You can make these transfers without withholding payroll deductions if an individual completes Form TD2, *Tax Deduction Waiver for a Direct Transfer of an Eligible Retiring Allowance*.

#### Note

The requirement to report excess transfers (amounts not directly transferred) from defined-benefit provisions of registered pension plans to an RRSP, RRIF, or the money-purchase provision of an RPP applies equally in all provinces. However, the requirement for withholding taxes from the excess amounts you pay or transfer is different in Ontario, New Brunswick, and Newfoundland.

In all provinces except Ontario, New Brunswick, and Newfoundland, provincial legislation allows you to pay the excess amounts to the beneficiaries in cash. In such instances, you have to withhold tax from the total to be paid, and you also have to report such withholdings on the T4A Supplementary slip to report the excess transfer amount.

In Ontario, New Brunswick, and Newfoundland, provincial legislation requires you to transfer the entire excess payments into an RRSP (in the case of

New Brunswick, into a **locked-in RRSP**). In these three provinces, we will permit such transfers to RRSPs without withholdings. You have to issue T4A Supplementary slips for the excess amount you transferred, and inform the recipient that this amount constitutes income in the year you made the transfer, and that he or she must pay any tax owing on assessment. In the footnotes area, you should enter "Box 18, not eligible for transfer \$ \_\_\_\_." In box 38, enter code "08."

For more information on reporting excess amounts or withholdings on these amounts, contact the Employer Services Section of your tax services office.

An annuitant of an RRSP can ask for a transfer of funds (before the plan matures) to another RRSP or RRIF, or to an RPP of which the annuitant is a member. To do this, the annuitant has to complete Form T2033, *Direct Transfer under Paragraph 146(16)(a) or 146.3(2)(e)*. These transfers are made without income tax deductions.

For more details on these transfers, see Information Circular 72-22, *Registered Retirement Savings Plans*.

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*.

For more information about transferring funds between plans, see the guide called *RRSPs and Other Registered Plans for Retirement*, which is available at your tax services office or tax centre.

## Employee profit-sharing plan (EPSP)

Report payments from EPSPs on a T4PS Supplementary slip instead of a T4 Supplementary slip. For more information, see Interpretation Bulletin IT-379, *Employees Profit Sharing Plans – Allocations to Beneficiaries*.

## 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 you made during the year that are more than \$100. 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. Enter all payments in box 30 of the T4A Supplementary slip. Enter the income tax you deducted in box 22. The withholding tax does not apply to Canadian residents who are exempt under section 149 of the *Income Tax Act*.

### 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%). Her T4A Supplementary slip will show the \$250 patronage payment in box 30, and the \$22.50 in tax you deducted in box 22.

If you need more details, see Interpretation Bulletins IT-362, *Patronage Dividends*, and IT-493, *Agency Cooperative Corporations*.

## 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; 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;
- a benefit derived from certain counselling services;
- pay in lieu of notice; and
- damages for violations or alleged violations of an employee's human rights awarded under human rights legislation (these damages are not taxable).

There are situations when a person can transfer all or part of a retiring allowance to an RPP or RRSP.

### Note

We publish a pamphlet called *When You Retire*, which provides information about the tax measures that affect people planning to retire. To obtain copies of this pamphlet for your employees, contact your tax services office or tax centre.

## CPP contributions

Do not deduct CPP contributions from retiring allowances.

## EI premiums for 1996

We consider retiring allowances (except for damages) as insurable earnings for EI purposes. You have to include these payments when you determine the insurable earnings for the last pay period of insurable employment.

If you paid the retiring allowance:

- **at termination**, allocate the allowance to the pay period in which you paid it, and withhold EI premiums accordingly;

- **after termination (but in the calendar week of termination)**, the retiring allowance is part of the employee's earnings for the week in which you pay it;
- **after the week of termination**, allocate the earnings to the last pay period in which the employee received regular wages or salary (however, if the last pay period was not insurable, then you do not have to allocate the earnings, since the payment is not insurable); or
- **after the year of termination**, allocate the earnings to the last pay period in which the employee received regular wages or salary, if that period was insurable (however, you have to use the EI rate and the minimum/maximum insurable earnings in force when you paid the retiring allowance).

### Special application for 1996

You have to report retiring allowances or severance pay on a T4A Supplementary slip. You may also have to report part of these payments in box 24 of a T4 Supplementary slip. We consider these payments as insurable earnings for EI purposes. You have to consider them when you determine the insurable earnings for the last pay period of insurable employment. When you do this, follow these guidelines:

- If a person receives this type of payment, and the last pay period is insurable to the maximum, you do not have to make adjustments. Report the payment on a T4A Supplementary slip (for instructions on how to complete the T4A, see "How to complete the T4A Supplementary slip" in Chapter 6).
- If a person receives this type of payment in 1996, and the last pay period is insurable (but only to an amount less than the maximum for that pay period), you have to use part of this payment to increase insurable earnings so that this pay period is insured to the maximum. In this situation:
  - include in box 24 the part of the payment that is insurable earnings, and include any EI premium in box 18 of the T4 Supplementary slip; and
  - report the gross retiring allowance or severance payment on the T4A Supplementary slip. **Do not report** any part of the gross payment on the T4 Supplementary slip.

#### EI premiums for 1997

(The information in this section could change by January 1, 1997. We will contact you.)

**A retiring allowance is not insurable.** Do not deduct EI premiums from this amount. Report the amount on a T4A Supplementary slip.

### Income tax

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 to deduct income tax. We discussed these rates earlier in this chapter under the heading "Lump-sum payments."

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*.

### Transferring a retiring allowance to an RPP or RRSP

An individual can transfer all or part of a retiring allowance payment to an RPP or RRSP. The amount that is eligible for transfer 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 employment in which none of your contributions to the RPP or DPSP had 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.

#### Example

Bruno is your employee. In November 1996, you pay him a retiring allowance of \$42,000. Bruno worked for you from 1979 to 1996 (18 years, including any part-years of service). According to the terms of the pension plan, you can only reimburse the employee's contribution to Bruno. Calculate the amount of retiring allowance eligible for transfer, as follows:

- \$2,000 × 17 years, including any part-years of service before 1996\* (from 1979 to 1995) ..... \$34,000
  - plus
  - \$1,500 × 10 years, including any part-years of service before 1989 (from 1979 to 1988)..... \$15,000
- Total eligible for transfer** ..... **\$49,000**

Bruno is allowed to transfer \$42,000, the total amount of retiring allowance you paid to him, to an RPP or RRSP.

#### \*Note

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

If an employee wants to transfer an eligible amount to an RPP or RRSP, you do not have to deduct income tax if the employee completes Form TD2, *Tax Deduction Waiver for a Direct Transfer of an Eligible Retiring Allowance*. You can obtain this form from your tax services office or tax centre.

#### Note

As we explain in the *General Income Tax Guide* and in the pamphlet *When You Retire*, employees should be aware that **they may have to pay minimum tax**.

For information on how to report retiring allowances, see "T4A - Box 26 - Retiring allowances," in Chapter 6 and Interpretation Bulletin IT-337, *Retiring Allowances*.



## Retirement compensation arrangements

If you set up certain unregistered pension or retirement arrangements, you have to deduct a 50% tax on any contributions you make to a custodian of the arrangement. Send the amount of tax you collect to the Receiver General.

You have to report retirement compensation arrangements on a T4A-RCA Supplementary slip and T4A-RCA Summary form.

For more information on this type of plan, contact your tax services office or tax centre, or see the *Retirement Compensation Arrangement Guide*.

## Salary deferral arrangements

A salary deferral arrangement is a plan or arrangement made between an employee and an employer. Under such an arrangement, an employee postpones receiving salary and wages to a later year. Treat the deferred salary and wages as employment income in the year the employee earns the amount. Report it on the employee's T4 Supplementary slip for that year.

However, prescribed plans or arrangements are not covered by the above salary-deferral rules. Treat the deferred amounts in these cases as income in the year the employee receives them.

To find out how to report pension adjustments under these circumstances, see the *Employers' Pension Adjustment Calculation Guide*, which is available at your tax services office or tax centre.

If you have employees participating in a prescribed plan, deduct CPP contributions and EI premiums in the following way.

### CPP contributions

Deduct CPP contributions from:

- the participant's net salary (the salary minus the deferred amounts) while the person is working; and
- the deferred amounts when you pay them to the participant during the leave period.

### EI premiums for 1996

- Deduct EI premiums from the participant's gross salary (including deferred amounts) while the person is working.
- Do not deduct EI premiums from the deferred amounts when you pay these to the participant during the leave period.

### EI premiums for 1997

- Deduct EI premiums from the participant's gross salary (including deferred amounts) while the person is working. Make sure you do not deduct more than the yearly maximum.
- Do not deduct EI premiums when you pay these to the participant during the leave period.

For more information on prescribed plans or arrangements, see ATR-39, *Deferred Salary Leave Plan*, or contact Client Services at your tax services office or tax centre.

## Wage-loss replacement plans

Wage-loss benefits are subject to CPP contributions and EI premiums when:

- you pay benefits directly to an employee from a wage-loss replacement plan where you fund any part of the plan; or
- an employee receives benefits from a trustee or an insurance company from a wage-loss replacement plan where you:
  - fund any part of the plan;
  - exercise a degree of control over the terms of the wage-loss replacement plan; and
  - determine the eligibility to benefits.

Wage-loss benefits are not subject to CPP contributions and EI premiums when:

- an employee receives benefits from a trustee or insurance company where you:
  - do not exercise a degree of control over the terms of the wage-loss replacement plan; and
  - do not determine the eligibility to benefits.

Although the payments are subject to income tax, no withholding is required. The trustee or insurance company has to report these payments on a T4A Supplementary slip. For more information about wage-loss replacement plans, see Interpretation Bulletin IT-428, *Wage-Loss Replacement Plans*.

## Workers' Compensation Board (WCB) awards

When an employee cannot work because of an employment-related injury, the WCB may award benefits as compensation for lost wages.

For WCB purposes, there are two types of employers:

- the self-insured employer, who is directly liable for the cost of amounts that the WCB awards to employees; and
- the regular employer, who is not directly liable for the cost of amounts that the WCB awards to employees. There are three categories of regular employers:
  - Category A, those who stop paying the employee's salary or wages;
  - Category B, those who advance the employee's salary and wages; and
  - Category C, those who continue to pay the employee's salary or wages because of a collective agreement, and the employee does not have to repay the amount.

### Note

If your insurance company pays the employee's salary, see example 4 in the section "How to treat WCB payments under a variety of circumstances" at the end of this chapter.

## The T4 Supplementary slip and Form T5007, Statement of Benefits

Before you prepare your employee's T4 Supplementary slip, you have to know the exact amount of the WCB award the employee received. If you do not know this amount, contact your WCB office.

The WCB will issue a T5007 slip, *Statement of Benefits*, to your employee. You should not use the amount shown on the T5007 slip to prepare the employee's T4 Supplementary slip. In certain cases, the amount shown on the T5007 may not be the same as the WCB award the employee received.

## WCB advances

You can pay the expected amount of a WCB award to an employee while a claim is pending.

### Deducting and reporting

#### Self-insured employers

- Do not deduct income tax or CPP from an advance. However, deduct EI premiums and report the amount as insurable earnings.
- Do not include the amount in box 14, "Employment income before deductions," of the T4 Supplementary slip.
- Include the amount of the advance in box 24, "Insurable earnings," of the T4 Supplementary slip.
- Indicate the EI premiums you deducted from the advance in box 18, "EI premiums," of the T4 Supplementary slip.

#### Regular employers (Categories B and C)

##### Category B

- Do not deduct income tax, CPP, or EI from the advance.
- Do not report the advance on the T4 Supplementary slip.
- Give your employee a letter that shows the amount of the WCB award that you paid in advance.

##### Category C

Follow the instructions for self-insured employers.

## Top-up amount

The top-up amount is the amount you pay your employee in addition to the amount the WCB awards.

### Deducting and reporting for 1996

If you are a self-insured or regular employer (Categories B and C), you should deduct income tax, CPP contributions, and EI premiums from a top-up amount.

To be insurable, the top-up amount should equal or be more than the minimum insurable earnings for the pay period (\$150 for 1996).

### Deducting and reporting for 1997

Self-insured and regular employers (Category C) should deduct income tax and CPP contributions from the top-up amount and EI premiums from the total amount paid to the employee including the top-up amount.

Regular employers (Categories A and B) do not deduct EI premiums from the top-up amount.

When you file the T4 Supplementary slip, include the top-up amount in box 14, "Employment income before deductions," and show the related CPP, EI, and income tax you deducted.

### Note

The workers' compensation legislation that applies to the provinces of New Brunswick, Nova Scotia, Prince Edward Island, Newfoundland and to Labrador has recently undergone a number of changes.

These legislative changes primarily affect certain payments that self-insured employers make, and in some cases regular employers make, to injured workers.

For example, when you pay a top-up amount to an injured worker or continue to pay the injured worker for at least three consecutive working days after the accident, the worker is not entitled to workers' compensation benefits. We consider the remuneration the worker receives to be regular employment income.

In such cases, you have to enter any remuneration on the employee's T4 Supplementary slip. You do not have to give the employee a letter showing the amount of WCB benefits advanced to the employee.

For more information, contact the WCB in the affected provinces.

## Denial of a WCB award

If you pay an advance to your employee and the WCB denies the claim, any amounts related to the advance become regular salary or wages.

### Deducting and reporting

You have to deduct income tax, CPP contributions, and EI premiums from the advance. Send in the deductions on or before the due date of your next remittance.

### Note

There may be an agreement between you and an employee which requires the employee to repay salary to you if the WCB denies an award. In this case, the income is not subject to EI premiums (even if the employee does not repay it or if you cannot collect it).

Report the payments you made (including the award) and the revised deductions on an amended T4 Supplementary slip.

When a claim is settled after the tax year of the injury or accident, you have to issue an amended T4 Supplementary slip for any previous years.

## WCB adjustments

Make an adjustment in the following situations:

- your employee received an award for less or more than expected; or
- you provided an advance to your employee against a WCB award, and the award was later denied.

## Advance by a third party

If a third party paid advances against a WCB award through short- or long-term disability or another insurance plan, you do not have to make an adjustment.

## How to treat WCB payments under a variety of circumstances

### Example 1 – Employer continued to pay regular wages

Annie was injured at work on July 10, 1996, and was away from work for the rest of the year. Her employer continued to pay her regular wages. The WCB accepted her claim and reimbursed the employer for the amount of the WCB award. We consider Annie's wages over the WCB award as a top-up amount.

The **regular employer (Category B)** has to report on a T4 Supplementary slip:

- the amounts paid to Annie up to the date of injury (and the related deductions), in box 14; and
- the top-up amount paid to Annie (and the related deductions) **while** she was off work because of the work-related injury, in box 14.

The **self-insured employer** and the **regular employer (Category C)** have to report on a T4 Supplementary slip:

- the amounts paid to Annie up to the date of the injury (and related deductions), in box 14;
- the top-up amount paid to Annie (and the related deductions) **while** she was off work because of the work-related injury, in box 14; and
- include the salary paid while Annie was off due to the work-related injury in box 24, "Insurable earnings." Also, report the premiums that you deducted on this amount in box 18.

### Example 2 – Employer did not continue to pay regular wages

Kevin was injured on April 1, 1996, and was away from work for three months. His employer did not continue to pay his wages. The WCB accepted the claim and paid Kevin. He returned to work on July 2, 1996.

The **regular employer (Category A)** has to report on a T4 Supplementary slip:

- the amounts paid to Kevin up to the date of injury (and the related deductions), in box 14; and
- the amounts paid **after** Kevin returned to work on July 2, 1996 (and the related deductions), in box 14.

This example does not apply to a **self-insured employer**, since the WCB pays the award to the employee.

### Example 3 – Employer paid top-up amount

Louise was injured at work on November 13, 1996, and was away from work for the rest of the year. The WCB accepted her claim and paid Louise directly. Her employer paid the difference between the WCB award and her regular wages (a top-up amount).

The **regular employer (Category B)** has to report on a T4 Supplementary slip:

- the amounts paid to Louise up to the date of injury (and the related deductions), in box 14; and
- the top-up amount paid to Louise while she was off work because of the work-related injury (and the related deductions), in box 14.

The **regular employer (Category C)** has to report on a T4 Supplementary slip:

- the amounts paid to Louise up to the date of the injury (and related deductions), in box 14;
- the top-up amount paid to Louise (and the related deductions) **while** she was off work, because of the work-related injury (box 14); and
- the salary paid while Louise was off because of the work related injury (box 24 "EI insurable earnings") and the premiums that were deducted (box 18).

This example does not apply to the **self-insured employer**, since the WCB paid the award directly to the employee.

### Example 4 – Insurance company pays employee's salary

Gloria was injured in May 1995, and was paid by the employer's insurance company until May 1996. The WCB accepted the claim in June 1996, and reimbursed the employer. The employer has to report the income amounts as follows:

- the **regular employer** has to report in box 14 of the T4 Supplementary slip the remuneration paid to Gloria up to the date of injury (and the related deductions); and
- the insurance company has to report in box 28 of the T4A Supplementary slip the amounts paid to Gloria from the date of injury to the end of 1995 (and the related deductions).

The WCB accepts the claim in 1996, and reimburses the employer at that time. The WCB has to issue Gloria two copies of Form T5007 showing the amount of the WCB award for 1995 and 1996. If the employer has reimbursed the insurance company, the insurance company will give a receipt (a letter) to Gloria. This will allow her to claim a deduction on her income tax return for 1996.

This example does not affect the **self-insured employer**, since the WCB is making the payment.

### Note

In Quebec, WCB is called Commission de la santé et de la sécurité au travail (CSST). CSST legislation is different from WCB legislation. For more information on CSST, obtain the *Guide for Employers* from your ministère du Revenu du Québec office.

## Special payments chart

The following chart will help you determine whether or not to withhold CPP, EI, or income tax on the following special payments you make to your employees.

Special payments	CPP contributions <sup>1</sup>	EI premiums <sup>1</sup>		Tax deductions
	1996 and 1997	1996	1997	1996 and 1997
1. Bonuses and retroactive pay increases	Yes	Yes	Yes	Yes
2. Overtime pay	Yes	Yes	Yes	Yes
3. Vacation pay and statutory holidays	Yes	Yes	Yes	Yes
4. Death benefits	No	No	No	Yes
5. Director's fees	Yes	No	No	Yes <sup>2</sup>
6. Housing and travel assistance benefits in a prescribed zone:				
a) Medical travel assistance <sup>3</sup>	Yes	Yes	No <sup>9</sup>	Yes
b) Other travel assistance <sup>3</sup>	Yes	Yes	No <sup>9</sup>	Yes
c) The valuation of the housing benefit	Yes	Yes	No <sup>9</sup>	Yes
d) Board and lodging at special work sites that are in a prescribed zone	No	No	No <sup>9</sup>	No
7. Lump-sum payments	No	No <sup>4</sup>	No	Yes <sup>5</sup>
8. Patronage payments	No	No	No	Yes
9. Retiring allowances	No	Yes	No <sup>10</sup>	Yes <sup>5</sup>
10. Retirement compensation arrangements	No	No	No	Yes <sup>6</sup>
11. Salary deferral arrangements	Yes	Yes/No <sup>7</sup>	Yes/No <sup>7</sup>	Yes
12. Worker's Compensation Board (WCB) awards	No	No <sup>8</sup>	No <sup>8</sup>	No
■ Top-up	Yes	Yes	No <sup>8</sup>	Yes
■ Denial of award	Yes	Yes	Yes	Yes

### Notes

- If you have deducted the total yearly maximum contributions from the employee's income, do not deduct more contributions. Do not consider amounts deducted by previous employers during the same year.
  - Do not deduct income tax if you pay only a director's fee, and you estimate that the total fee will not be more than the claim amount reported on Form TD1.
  - Special rules apply to employees who worked at a remote work location. For more information, see Interpretation Bulletin IT-91, *Employment at Special Work Sites or Remote Work Locations*.
  - If a lump-sum payment constitutes a retiring allowance, see item 9 of this chart.
  - Do not deduct income tax in situations that involve direct transfers.
  - See the instructions in the *Retirement Compensation Arrangement Guide*.
  - To know if you have to deduct EI, see "Salary deferral arrangement" in this chapter.
  - Deduct premiums if you are a self-insured employer who pays a WCB benefit directly to your employee, or if you are a regular employer (Category C). See "Workers' Compensation Board (WCB) awards" in this chapter.
- In 1997, deduct EI premiums only if you pay a taxable cash allowance to your employee.
  - (This information could change by January 1, 1997. We will contact you.)

## Chapter 8 – Special Situations

### Barbers, hairdressers, taxi drivers, and drivers of other passenger-carrying vehicles

If these workers are your employees, you have to deduct Canada Pension Plan (CPP) contributions,

Employment Insurance (EI) premiums, and income tax as you would for regular employees. We explain this in Chapters 2, 3, and 4 of this guide.

If these workers are not your employees, special rules apply. See the explanations below under the heading "Special rules for EI premiums, CPP contributions, and income tax deductions."

## Barbers and hairdressers

This class of workers includes barbers, hairdressers, manicurists, and other people who provide services in a barbershop or hairdressing business.

We consider the owner, proprietor, or operator of the barbershop or hairdressing business to be the employer for EI purposes of the individuals who perform services in connection with the establishment, even if the individuals are not employed under a contract of service.

## Drivers of taxis and other passenger-carrying vehicles

In the case of a taxi business, we consider you to be operating a business if you supply one or more vehicles to others, and if you provide facilities like taxi stands and dispatch services.

At the taxi industry's request, a special EI regulation was created to protect taxi and passenger-vehicle drivers who are not employees. The regulation was created because these independent workers often go through periods without work. It applies to drivers of taxis and other passenger vehicles who:

- do not own or operate the business or public authority; or
- are not the registered or beneficial owner of the vehicle (a beneficial owner has entered into a legitimate sales contract with the intention to buy a vehicle – we do not consider drivers to be the owners of vehicles they lease or rent).

The earnings of these workers are insurable even though they are self-employed.

If you are the operator of a taxi or passenger-vehicle business, we consider you to be the employer of your drivers for EI purposes.

Starting on January 1, 1997, the regulation will apply to drivers of taxis and other passenger vehicles who:

- do not own or operate the business or public authority; or
- do not own more than 50% of the vehicle.

## Special rules for EI premiums, CPP contributions, and income tax deductions

The following rules apply to barbers and hairdressers, and to drivers of taxis and other passenger-carrying vehicles, whom we do not consider to be employees.

### EI premiums for 1996

If you are the owner or operator of the business, you have to pay **both** the workers' share and your share of EI premiums if the workers:

- work a minimum of 15 hours per week; or
- earn more than the weekly minimum insurable earnings.

There are two ways to determine the insurable earnings for a week, depending on whether or not you know the worker's weekly earnings:

- A. If you **do not know** how much the worker earned in a week, the amount of weekly insurable earnings is the lesser of these two amounts:
- the number of days worked in that week multiplied by 2/15 of the maximum insurable earnings; or
  - 2/3 of the maximum weekly insurable earnings.

Chart illustrating the required calculations for 1996

Determining Weekly Insurable Earnings (1996)			
Number of days worked	Calculation (lesser of the two amounts)	Deemed earnings for the week	Weekly insurable earnings
1	$2/15 \times \$750^* = \$100$ $2/3 \times \$750 = \$500$	\$100	Nil**
2	$4/15 \times \$750 = \$200$ $2/3 \times \$750 = \$500$	\$200	\$200
3	$6/15 \times \$750 = \$300$ $2/3 \times \$750 = \$500$	\$300	\$300
4	$8/15 \times \$750 = \$400$ $2/3 \times \$750 = \$500$	\$400	\$400
5 or more	$10/15 \times \$750 = \$500$ $2/3 \times \$750 = \$500$	\$500	\$500

\* This amount represents the maximum weekly insurable earnings of \$750 for 1996.

\*\* If the earnings are less than \$150, the employment and earnings are not insurable unless you can establish that they were earned for a period of 15 hours or more during that work week.

- B. If you **know** how much the worker earned in a week, the amount of the individual's weekly insurable earnings is the lesser of these two amounts:
- the total earnings from the individual's employment for the week; or
  - the maximum insurable earnings for that week.

As the employer, you have to send in the EI premiums that you paid for your workers.

When the workers have an interruption of earnings, you have to complete Form INS 2106, *Record of Employment*, within five days of the last day worked. For more information, see Chapter 3A of this guide.

#### **EI premiums for 1997**

If you are the owner or operator of the business, you have to pay both the worker's share and your share of EI premiums.

There are two ways to determine the insurable earnings for a week, depending on whether or not you know the worker's weekly earnings:

- A. If you **know** how much the worker earned in a pay period, the amount of the individual's insurable earnings is the total actual earnings from the individual's employment for the pay period up to the yearly maximum of \$39,000 for 1997.
- B. If you **do not know** how much the worker earned in a pay period, the amount of insurable earnings is the lesser of the following two amounts:
- the number of days worked in the week multiplied by \$100 (1 × \$100); or
  - \$500.

As the employer, you have to send in the EI premiums that you paid for your workers.

When the workers have an interruption in earnings, you have to complete Form INS 2106, *Record of Employment*, within five days of the last day worked. For more information, see Chapter 3B of this guide.

#### **CPP contributions and income tax**

For CPP and income tax purposes, we consider individuals who are not employed under a contract of service to be self-employed. They are responsible for paying their CPP contributions and income tax. Do not deduct CPP or income tax from these workers.

#### **How to complete the T4 Supplementary slip for 1996**

For EI purposes, you have to complete a T4 Supplementary slip for each worker whom we do not consider as an employee. Complete the following entries on the slip.

##### **Employee's name and address**

Enter the worker's name and address, including the province and postal code.

##### **Employer's name**

Enter your operating or trade name.

#### **Box 12 – Social insurance number**

Enter the social insurance number (SIN) shown on the worker's SIN card.

#### **Box 18 – EI premiums**

Enter the EI premiums remitted on behalf of the worker (worker's portion only).

#### **Box 24 – EI insurable earnings**

Enter the amount of the worker's insurable earnings on which you calculated the EI premium.

#### **Box 54 – Business number**

Enter your 15-digit business number.

#### **Footnotes**

Identify the occupation of the worker, in the footnotes area.

Leave all remaining boxes blank.

## **Fishermen and Unemployment Insurance**

Special rules apply to fishermen. If you are a designated employer of fishermen who have insurable earnings, see "T4F Supplementary slip" in Chapter 6 of this guide.

For more information, obtain these two publications from your tax services office or tax centre:

- the pamphlet called *Fishermen and Unemployment Insurance*; and
- the *Payroll Deductions Tables*.

## **Placement and employment agency workers**

The following guidelines apply to workers engaged by placement or employment agencies.

- A. An agency that has employees (even if they are located at a client's premises) has to deduct CPP contributions, EI premiums, and income tax from amounts paid to these employees. The agency also has to report these amounts on a T4 Supplementary slip.
- B. A self-employed worker who is engaged by an agency is still considered to be in insurable and pensionable employment when working under the following conditions:
- the agency pays the worker; and
  - the client directs and controls the worker.
- The agency has to deduct CPP contributions and EI premiums for the worker, but not income tax. The agency has to prepare a T4 Supplementary slip for the worker, and enter in the footnotes area "Placement agency—Self-employed."
- C. **We do not consider** a self-employed worker to be an insurable and pensionable employee when working for a client under the following conditions:
- the client pays the worker; and
  - the client does not direct or control the worker.

In such cases, neither the agency nor the client have to deduct CPP contributions, EI premiums, or income tax. Nor do they have to report the amounts paid to the worker on an information slip, because the worker is considered to be an independent worker.

## Employees of a temporary-help service firm

You may be the proprietor of a temporary-help service firm. Temporary-help service firms are service contractors who provide their employees to clients for assignments. The assignments may be temporary, depending on the clients' needs.

Workers of these firms are usually employees of the firms. As a result, you have to deduct income tax, CPP contributions, and EI premiums. You also have to remit these amounts and report them on a T4 Supplementary slip.

If you have any doubts about whether an employee-employer relationship exists for CPP and EI purposes, you can obtain a ruling from Revenue Collections at your tax services office or tax centre. To get a ruling, complete Form CPT1, *Request for a Ruling as to the Status of a Worker under the Canada Pension Plan or Employment Insurance Act*, and send it to your tax services office or tax centre. A worker can get a ruling by completing Form CPT2, *Request for a Ruling as to the Status of a Worker under the Canada Pension Plan or Employment Insurance Act*, and sending it to his or her tax services office.

## Employees with power saws

If you are an employer in the forestry business, you probably have employees who, according to their contract, have to use their own power saw at their own expense.

In box 14 of the T4 Supplementary slip, "Employment income before deductions," include rental payments you paid to employees for the use of their own power saws. You should not reduce the amount in box 14 by the cost or value of saws, parts, gasoline, or any other materials the employee supplies. In the footnotes area of the T4 Supplementary slip, enter "Power-saw employee."

## Status Indian employees

The following information will help you determine which deductions you have to make for status Indians.

### Definitions

#### Indian

A status Indian is a person who, under the *Indian Act*, is registered as an Indian or is entitled to be registered as an Indian.

#### On a reserve

On a reserve is defined under the *Indian Act*, and includes all settlements we consider to be reserves for purposes of the *Indian Settlements Remission Order* and any other areas similarly treated under federal legislation [for example, Category 1-A lands under the *Cree-Naskapi (of Quebec) Act*].

## Indian living on a reserve

This means an Indian lives on a reserve in a domestic establishment that is his or her principal place of residence, and that is the centre of his or her daily routine.

## Employer resident on a reserve

When an employer is resident on a reserve, the reserve is the place where the central management and control over the employer organization is actually located.

### Note

We usually consider a group that performs the function of board of directors of an organization as exercising the central management and control of an organization. However, it may be that some other person or group manages and controls the organization. Generally, a person or group manages and controls an organization at the principal place of business. However, this activity can occur in a place other than the principal administrative office of the organization. It is a question of fact as to where the central management and control is exercised.

## New guidelines

Following the Supreme Court of Canada decision in the Glenn Williams case, we developed new guidelines to help you determine tax exemption for status Indians. These guidelines do not reflect a change in tax policy. They deal only with determining tax exemption under the *Indian Act* following the Supreme Court decision. As a result of the Williams decision, you have to examine all factors connecting income to a reserve to determine if income was located on a reserve and is tax-exempt.

An Indian's employment income from a particular employment is not exempt from income tax if one of the main reasons for the existence of that employment relationship is to establish a connecting factor to a reserve.

When you apply all the connecting factors, be aware of unusual or exceptional circumstances where:

- the income may not be taxable even though it does not fall within one of the guidelines; or
- the income may be taxable even though it appears to fall within one of the guidelines.

If you have any questions about a particular situation, contact your tax services office or tax centre.

Form TD1-IN, *Determination of Exemption of an Indian's Employment Income*, will help you determine the type of exemption that applies to an Indian's employment income according to the *Indian Act Exemption for Employment Income Guidelines*. This form is available at your tax services office or tax centre. Keep a completed form on file for each employee, as we may ask to review it.

## Taxable salary or wages paid to status Indians

### Income tax, Canada Pension Plan contributions, and Employment Insurance premiums

If you are an employer paying taxable salary or wages to a status Indian, you have to deduct income tax, CPP contributions, and EI premiums.

**How to complete the T4 and T4A Supplementary slips**  
Complete all T4 Supplementary slips in the usual way. You do not need to enter footnotes.

Complete all T4A Supplementary slips in the usual way. You may need to enter footnotes. See "T4A Supplementary slip" in Chapter 6 of this guide for information on completing these slips.

## Non-taxable salary or wages paid to status Indians

### Canada Pension Plan (CPP)

The employment of a status Indian whose income is exempt from tax is excluded from pensionable employment. Therefore, if you are an employer paying non-taxable salary or wages to a status Indian, you do not have to deduct CPP contributions.

However, under the CPP you can elect to include in pensionable earnings any non-taxable salary or wages you paid to status Indians. Although you do not have to deduct CPP from non-taxable income paid to a status Indian, you can choose to provide your status Indian employee with optional CPP coverage. You can elect to do this by completing and filing Form CPT 124, *Application for Coverage of Employment of an Indian in Canada under the Canada Pension Plan Whose Income is Exempt under the Income Tax Act*, which is available at your tax services office or tax centre. However, you cannot revoke this election, and you have to cover all employees.

CPP coverage starts on either the date you sign the application, or on a later date that you specify. Coverage cannot be retroactive to a date preceding the date you signed the application.

### Employment Insurance (EI)

The non-taxable salary or wages paid to a status Indian are subject to EI premiums.

### How to complete the T4 Supplementary slip

If you elect to provide CPP coverage, prepare the T4 Supplementary slip in the following way.

#### Box 14 – Employment income before deductions

Enter the total income before any deductions. In the footnotes area, enter "Non-taxable earnings \$ \_\_\_\_\_ – Status Indian employee, election under 29.1(1) - CPPR" (Canada Pension Plan Regulations).

#### Boxes 16 and 17 – Employee's CPP/QPP contributions

Enter the CPP/QPP contributions you deducted from the employee's earnings.

#### Box 18 – Employee's EI premiums

Enter the EI premiums you deducted from the employee's earnings.

#### Box 24 – EI insurable earnings

Enter the amount of insurable earnings on which you calculated the EI premiums.

If you do not elect to provide CPP coverage, prepare the T4 Supplementary slip in the following way:

#### Box 14 – Employment income before deductions

Leave this box blank. In the footnotes area, enter "Non-taxable earnings \$ \_\_\_\_\_ – Status Indian employee."

#### Boxes 16 and 17 – Employee's CPP/QPP contributions

Leave these boxes blank.

#### Box 18 – Employee's EI premiums

Enter the EI premiums you deducted from the employee's earnings.

#### Box 24 – EI insurable earnings

Enter the amount of EI insurable earnings on which you calculated the EI premiums.

#### Note

EI benefits, retiring allowances, CPP payments, QPP payments, registered pension plan benefits or wage-loss replacement plan benefits will usually be exempt from income tax when they are received as a result of employment income that was exempt from tax. If a part of the employment income was exempt, then a similar part of these amounts will be exempt.

## Employment at special work sites and remote work locations

Generally, you include in an employee's income an allowance you paid to the employee, and the value of employer-provided board, lodging, and transportation. However, there are exceptions to these rules in specific circumstances. When an employee meets the conditions outlined in subsection 6(6) of the *Income Tax Act*, the employee is eligible to exclude from income the value of the following items:

- the value of employer-provided board and lodging, or a reasonable allowance received for expenses the employee incurred for board and lodging at a special work site or remote work location; and
- the value of certain employer-provided transportation or a reasonable allowance the employee received for certain transportation expenses.

#### Note

An individual can meet the requirements of both a remote work location and a special work site. However, this benefit can be excluded from income only once.

## Special work sites

You may not have to include in the income of the employee allowances or the value of board and lodging or transportation that you provide employees who work at special work sites.

### Board and lodging

You can exclude the allowance or value of board and lodging that you provide an employee who works at a



special work site from income if the employee works away from home under all these conditions:

- a) the employee must have worked at a special work site where the duties the employee performed were of a temporary nature; and
- b) the employee maintained at another location a self-contained domestic establishment as the employee's principal place of residence:
  - that throughout the period, was available for the employee's occupancy and the employee did not rent it to any other person; and
  - to which, by reason of distance, we could not reasonably expect the employee to have returned daily from the special work site; and
- c) the board and lodging you provided or the allowance the employee received must be for a period of at least 36 hours. Also, the employee's duties required him or her to be away from the employee's principal place of residence or to be at the special work site. The period referred to above can include time spent travelling between the employee's principal place of residence and a special work site.

#### Transportation benefits or allowances

An employee can exclude from income the value of free or subsidized transportation, or a reasonable allowance received for the employee's transportation expenses, for a period described in c) above. This is only the case if the employee received board and lodging, or a reasonable allowance for board and lodging, from you for that period.

#### Form TD4, Declaration of Exemption – Employment at Special Work Site

If an employee meets all of the above conditions, you and the employee should complete Form TD4, *Declaration of Exemption – Employment at Special Work Site*. This allows you to exclude the benefit or allowance from the employee's income. As long as you complete Form TD4, do not report the amounts on the employee's T4 Supplementary slip. After you complete Form TD4 with the employee, keep it with your payroll records.

You can obtain TD4 forms from your tax services office or tax centre.

If you do not complete Form TD4, or if the employee does not meet all the conditions, treat the amounts as the employee's income. Make the necessary deductions and report the amounts on the employee's T4 Supplementary slip. This also applies to any part of an allowance for board, lodging, and transportation that is more than a reasonable amount.

#### Note

If the special work site is in a prescribed zone, enter in the footnotes area of the T4 Supplementary slip "Special work site \$\_\_\_\_\_." For more information, see the *Employers' Guide to Housing and Travel Assistance Benefits in Prescribed Zones*, which is available from your tax services office or tax centre.

#### Fishermen

If you provide board, lodging, or transportation allowances to fishermen, obtain Interpretation Bulletin IT-254, *Fishermen – Employees and Seafarers – Value of Rations and Quarters*, from your tax services office or tax centre.

#### Remote work locations

We usually consider a work location to be remote when the location:

- is 80 kilometres or more from the nearest established community with a population of at least 1,000 people; and
- lacks essential services at the location or within a reasonable commuting distance (e.g., basic food store, basic clothing store with merchandise in stock (not mail-order outlet), access to housing, certain medical assistance, and certain educational facilities).

You may not have to include in the income of an employee certain allowances that you give to employees who work in remote work locations. There are two types of allowances that may be exempt from income tax:

- board and lodging allowances; and
- transportation allowances.

#### Board and lodging

You can exclude from income an allowance or the value of board and lodging that you provide an employee who works at a remote work location if the employee meets the following conditions:

- the employee has to be located where we could not reasonably expect him or her to set up and maintain a self-contained domestic establishment because of the remoteness of the location and the distance from any established community; and
- the allowances have to be for a period of at least 36 hours when:
  - the employee's duties require the employee to be away from the principal place of residence; or
  - the employee has to be at the remote work location.

#### Transportation

An employee can exclude from income the value of free or subsidized transportation, or a reasonable allowance received for the employee's transportation expenses when he or she received an allowance or the value of board and lodging during that period.

To qualify, however, the transportation allowances you pay to an employee must be for a period of at least 36 hours when:

- the employee had to be away from his or her principal place of residence; or
- the employee had to be at the remote work location.

You must have paid the allowance for transportation between the remote work location and any location in Canada. If the remote work location is outside Canada, the

allowance for transportation between that location and any location in Canada also qualifies for exemption.

When you provide board, lodging, or transportation under the above conditions, you do not have to report the equivalent value or any GST that applies as remuneration to the employee on the T4 Supplementary slip.

**Note**

We do not need Form TD4 when there is an exemption for allowances you pay to employees who work at a remote work location. If you need help determining whether a location qualifies as remote, please contact your tax services office or tax centre.

**Benefits that a third party supplies**

It is possible that a third party may supply benefits for board, lodging, or transportation to the employees of another employer.

If this happens, and the allowance is **taxable**, the third party has to report the benefits on a T4A Supplementary slip.

If the allowance is **not taxable**, a T4A Supplementary slip is not required.

For more information, see Interpretation Bulletin IT-91, *Employment at Special Work Sites or Remote Work Locations*.

**Employment outside or partly outside Canada**

**CPP contributions**—If you are a Canadian employer and you employ someone to work for you outside Canada, you should deduct CPP contributions if:

- the employee usually reports for work at your place of business in Canada; or
- the employee is a Canadian resident and is paid from your place of business in Canada.

If the employment does not meet either of these conditions, the employment outside Canada is not pensionable. As a result, do not deduct CPP from the employee's remuneration.

Under certain conditions, you have the option of extending CPP coverage and deducting contributions from employment outside Canada that is not usually pensionable employment. To do this, complete Form CPT8, *Application and Undertaking for Coverage of Employment in a Country Other Than Canada under the Canada Pension Plan*, which is available at your tax services office or tax centre. Special rules apply to employment on ships, trains, trucks, and aircraft. To find out more about these rules, contact a CPP/EI rulings officer at your tax services office.

Please note that Form CPT8 does not apply if Canada has a social security agreement with the country in which the employment will take place. We list the countries with

whom Canada has reciprocal social security agreements under the heading "International agreements with foreign governments" in Chapter 2 of this guide.

**EI premiums**—You have to deduct EI premiums from employment income an employee earns outside or partly outside Canada, if all of these conditions apply:

- you, as the employer, reside in Canada, or have a place of business in Canada;
- the employee usually resides in Canada;
- the employment is not insurable in the country where the employment is performed; and
- the employment is not excluded from insurable employment for any other reason.

Special rules apply to employment on ships outside or partly outside Canada. Contact your tax services office or tax centre for more information.

**Income tax deductions**—If an employee performs services for you outside Canada, you may have to deduct income tax from that employee's remuneration. If you are not sure if you should withhold income tax, contact your tax services office or tax centre.

**Overseas employment tax credit**

If you employ a resident of Canada to work outside Canada for more than six consecutive months, the employee may be entitled to an overseas employment tax credit. The six consecutive months of employment may start in the current year or a previous year. The employment duties performed outside Canada must either be to obtain a contract for the employer, or relating to a contract under which the employer carried on business outside Canada. The contract or business must relate to:

- the exploration for or exploitation of petroleum, natural gas, minerals, or other similar resources;
- any construction, installation, agricultural, or engineering activity; or
- any prescribed activity.

An employee who is eligible for the credit may ask you to reduce the amount of tax you deduct. The employee has to make this request through a tax services office or tax center. If we approve the reduction in tax deductions, the employee will receive a letter of authorization stating that you can reduce the amount of tax deductions. Keep this letter for our officers to examine. If you would like more information on this subject, see Interpretation Bulletin IT-497, *Overseas Employment Tax Credit*.

**Proposed tax changes announced on March 6, 1996**

For 1997 and later tax years, certain Canadian individuals cannot claim the overseas employment tax credit when they are employed by a Canadian firm that contracts with a foreign firm to provide the individual's services. The credit will no longer be available in such situations if the Canadian firm employs less than six full-time employees and is either:

- a corporation that the individual owns, or the individual is related to a shareholder of the corporation who owns, 10% or more of any class of shares of the corporation's capital stock; or
- a partnership where the individual is related to a member of the partnership or is a specified shareholder of a member of the partnership.

**How to complete the T4 Supplementary slip****Box 14 - Employment income before deductions**

Report the total amount of remuneration you paid that relates to any employment outside Canada. Do this even if an employee has received a letter of authorization from a tax services office or tax centre which allows you to reduce the amount of income tax you deduct from the employee's income. On the slip, show the income that qualifies for the reduction and the number of days the employee worked outside Canada. In the footnotes area, enter "Income qualifying under section 122.3: \$\_\_\_\_\_. Number of days outside Canada: \_\_\_\_\_."

**Canadian International Development Agency (CIDA)**

If you are paying an employee for services under a CIDA program, you may have to deduct income tax from that employee's remuneration. If you are not sure if you should deduct income tax, contact your tax services office or tax centre.

**Employment by a trustee**

A trustee includes a liquidator, receiver, receiver-manager, trustee in bankruptcy, assignee, executor, administrator, sequestrator, or any other person who performs a function similar to the one a trustee performs.

A trustee does the following:

- administers, manages, distributes, winds up, controls, or otherwise deals with another person's property, business, estate, or income; and
- authorizes a payment, or causes a payment to be made, for another person.

The trustee is jointly and severally liable for deducting and remitting the tax for all payments the trustee makes. For more information, contact your tax services office or tax centre.

# Sample Forms

## Form PD7A



Revenue Canada / Revenu Canada

### STATEMENT OF ACCOUNT FOR CURRENT SOURCE DEDUCTIONS

PD7A (E) Rev. 96

**1**

Statement of account as of

Account number

Employer name

You can make your payment where you bank or to:

Balances on last statement		Current balances	
Amount paid for	Assessed amount owing	Amount paid for	Assessed amount owing

#### EXPLANATION OF CHANGES

Date	Description	Amount
------	-------------	--------

Pierre Gravelle, Q.C.  
Deputy Minister of National Revenue

**2**

Revenue Canada / Revenu Canada

### CURRENT SOURCE DEDUCTIONS REMITTANCE VOUCHER

PD7A (E) Rev. 96

**6**

Account number

For departmental use only

Amount of payment

--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Month for which deductions were withheld

Year

Month

--	--	--	--	--	--	--	--

Gross monthly payroll (dollars only)

																				0	0
--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	---	---

Number of employees in last pay period

--	--	--	--

# Form PD7A-RB

**RECEIPT - REÇU**

ACCOUNT NO. / N° DE COMPTE

Revenue Canada / Revenu Canada

**REMITTANCE FORM FOR CURRENT SOURCE DEDUCTIONS**  
FORMULAIRE DE VERSEMENT DE RETENUES À LA SOURCE COURANTES

PD7A-RB (96)

REMITTING PERIOD / PERIODE DE VERSEMENT	
PAYROLL / REMUNERATION	TAX / IMPÔT
EMPLOYEES / EMPLOYÉS	C.P.P. / RPC
CHEQUE NO. / N° DE CHEQUE	E.I. / A-E
DATE	PAYMENT / PAIEMENT

Pay at a Financial Institution or to  
Payer à une institution financière ou au  
Tax Centre - Centre fiscal  
SEE REVERSE - VOIR AU VERSO

FINANCIAL INSTITUTION'S STAMP HERE  
TIMBRE DE L'INSTITUTION FINANCIÈRE ICI

6 ACCOUNT NUMBER - NUMÉRO DE COMPTE

Amount of payment - Montant du paiement

End of remitting period / Fin de la période de versement

YEAR / ANNÉE	MONTH / MOIS	DAY / JOUR
--------------	--------------	------------

Gross payroll in remitting period / Rémunération brute pour la période de versement

00
----

Number of employees in latest pay period / Nombre d'employés pour la dernière période de paie

# Form PD7A(TM)

**STATEMENT OF ACCOUNT FOR CURRENT SOURCE DEDUCTIONS**

Revenue Canada / Revenu Canada

PD7A(TM)(E) Rev. 96

1 Statement of account as of \_\_\_\_\_ Account number \_\_\_\_\_ Employer name \_\_\_\_\_

Balances on last statement		Current balances	
Amount paid for	Assessed amount owing	Amount paid for	Assessed amount owing

**EXPLANATION OF CHANGES**

Date	Description	Amount
Pierre Gravelle, Q.C. Deputy Minister of National Revenue		

2 **CURRENT SOURCE DEDUCTIONS REMITTANCE VOUCHER**

PD7A(TM)(E) Rev. 96

6 Account number

For departmental use only

Amount of payment

End of remitting period

Year	Month	Day
------	-------	-----

Gross payroll in remitting period

00
----

Number of employees in latest pay period

# T4 Supplementary slip

Revenu Canada		Revenu Canada		T4 - 1996 Supplémentaire		STATEMENT OF REMUNERATION PAID ÉTAT DE LA RÉMUNÉRATION PAYÉE		R										
14	Employment income before deductions Revenus d'emploi avant retenues	16	Employee's CPP contributions Cotisations de l'employé au RPC	17	Employee's QPP contributions Cotisations de l'employé au RRQ	18	Employee's EI premiums Cotisations de l'employé à l'AE	20	Registered pension plan contributions Cotisations à un régime de pension agréé	22	Income tax deducted Impôt sur le revenu retenu	24	EI insurable earnings Gains assurables d'AE	26	CPP/QPP pensionable earnings Gains donnant droit à pension - RPC/RRQ	28	Exempt CPP/QPP EI RPC/RRQ AE Exemption	
Box 14 includes these amounts La case 14 comprend tous ces montants		30	Housing, board, and lodging Logement, pension et repas	32	Travel in a prescribed zone Voyage dans une zone visée par l'agrement	34	Personal use of employer's auto Usage personnel de l'auto de l'employeur	36	Interest-free and low-interest loan Prêts sans intérêt ou à faible intérêt	38	Stock option benefits Avantages tirés d'une option d'achat d'actions	40	Other taxable allowances and benefits Autres allocations et avantages imposables	42	Employment commissions Commissions d'emploi			
44	Union dues Cotisations syndicales	46	Charitable donations Dons de bienfaisance			50	Pension plan or DPSP registration number Numéro d'agrément d'un RPDB ou d'un régime de pension	52	Pension adjustment Facteur d'équivalence	10	Province of employment Province d'emploi	12	Social insurance number Numéro d'assurance sociale	If your SIN is not in box 12, see the back of this slip. Si votre NAS ne figure pas à la case 12, lisez le verso de ce feuillet.				
Employee's name and address - Nom et adresse de l'employé						Employer's name - Nom de l'employeur												
Surname (in capital letters) Nom de famille (en lettres majuscules)			First name Prénom			Initials Initiales												
56						Employee no. - N° de l'employé		54			Business No. - N° d'entreprise							
Footnotes - Notes :																		

0762 Return with T4 Summary return  
À retourner avec la déclaration T4 Sommaire **1**

# T4A Supplementary slip

Revenu Canada		Revenu Canada		T4A - 1996 Supplémentaire		STATEMENT OF PENSION, RETIREMENT, ANNUITY, AND OTHER INCOME ÉTAT DU REVENU DE PENSION, DE RETRAITE, DE RENTE OU D'AUTRES SOURCES		Return with T4A Summary return À retourner avec la déclaration T4A Sommaire <b>1</b>					
16	Pension or superannuation Prestations de retraite ou autres pensions	18	Lump-sum payments Paiements forfaitaires	20	Self-employed commissions Commissions d'un travail indépendant	22	Income tax deducted Impôt sur le revenu retenu	24	Annuities Rentes	26	Retiring allowances Allocations de retraite	28	Other income Autres revenus
30	Patronage allocations Répartitions selon l'apport commercial	32	Registered pension plan contributions (past service) Cotisations à un régime de pension agréé (services passés)	34	Pension adjustment Facteur d'équivalence	36	Pension plan registration number Numéro d'agrément du régime de pension	46	Charitable donations Dons de bienfaisance	12	Social insurance number Numéro d'assurance sociale	38	Footnote codes Codes de notes
Recipient's name and address - Nom et adresse du bénéficiaire						Employer's or payer's name - Nom de l'employeur ou du payeur							
Surname (in capital letters) Nom de famille (en lettres majuscules)			First name Prénom			Initials Initiales			14 Recipient's number Numéro du bénéficiaire			61 Business Number - Numéro d'entreprise	
Footnote codes and explanation - Explication des codes de notes													

# T4 Short slip

Revenu Canada / Revenu Canada		<b>T4 Short Slip 1996</b> / <b>ÉTAT DE LA RÉMUNÉRATION PAYÉE</b>		Notice to Employers / Important / Avis aux employeurs	You can use this form if you do not provide any kind of taxable benefit or allowance to your employees. / Vous pouvez utiliser ce formulaire si vous n'accordez aucun avantage ou allocation imposable à vos employés.
Return with T4 Summary return / À retourner avec la déclaration T4 Sommaire <b>1</b>					

Employer's name - Nom de l'employeur		Business Number - Numéro d'entreprise	
Province of employment - Province d'emploi		Social insurance number - Numéro d'assurance sociale	
Employee's name and address - Nom et adresse de l'employé			
Surname - Nom de famille		First name - Prénom	Initials - Initiales

Employment income - Revenus d'emploi CPP contributions - Cotisations au RPC QPP contributions - Cotisations au RRC EI premiums - Cotisations à l'AE	Income tax deducted - Impôt sur le revenu retenu EI insurable earnings - Gains assurables d'AE CPP/QPP pensionable earnings - Gains donnant droit à pension - RPC/RRQ Exempt - Exemption C/P/QPP RPC/RRQ <input type="checkbox"/> <input type="checkbox"/> E/A/E
Employment commissions / Commissions d'emploi Pension adjustment - Facteur d'équivalence RPP contributions - Cotisations à un RPA	Union dues - Cotisations syndicales Charitable donations - Dons de bienfaisance RPP or DPSP registration no. - N° d'agrément d'un RPD8 ou RPA

# T4F Supplementary slip

Revenu Canada / Revenu Canada		<b>T4F Supplementary - Supplémentaire (96)</b>		<b>STATEMENT OF FISHING INCOME</b> <b>ÉTAT DES REVENUS DE PÊCHE</b>	
Year / Année	14 Gross earnings / Revenus bruts	16 Employment insurance (EI) insurable earnings / Gains assurables d'assurance-emploi (AE)	18 EI premiums / Cotisations à l'AE	20 EI exempt / Exemption de l'AE	22 Income tax deducted / Impôt sur le revenu retenu
Fisherman's name and address - Nom et adresse du pêcheur			12 Social insurance number (SIN) / Numéro d'assurance sociale (NAS)		
Surname (in capital letters) / Nom de famille (en lettres majuscules)			24 Fisherman's number / Numéro du pêcheur		
First name / Prénom			Designated employer's name / Nom de l'employeur désigné		
Initials / Initiales			28 Business Number / Numéro d'entreprise		
Return with T4F Summary / À retourner avec la déclaration T4F Sommaire <b>1</b>					

# T4 Summary form

**1996**

Revenu Canada  
Revenu Canada  
See the information on the back of this form.  
Lisez les renseignements donnés au verso de ce formulaire.

**T4**  
SUMMARY  
SOMMAIRE

**SUMMARY OF REMUNERATION PAID**  
(For the year ending December 31, 1996)  
**SOMMAIRE DE LA RÉMUNÉRATION**  
(Pour l'année se terminant le 31 décembre 1996)

0505 44111

Copy 1  
Copie 1

You have to file the T4 Summary on or before February 28, 1997.

Vous devez produire votre déclaration T4 Sommaire au plus tard le 28 février 1997.

<b>Important</b> Employer's name and Business Number has to be the same as on your PD7A remittance form.  Le nom et le numéro d'entreprise de l'employeur doivent être les mêmes que ceux qui figurent sur le formulaire de versement PD7A.	<b>Business Number</b> Numéro d'entreprise	<b>Name and address of employer</b> Nom et adresse de l'employeur
	<b>Tax centre</b> Centre fiscal	<b>TSO code</b> Code du BSF

T4 Supplementary slips totals		Totaux des feuillets T4 Supplémentaire	
If your return has more than 300 T4 slips, complete a T4 Segment form. See the instructions in the Employers' Guide to Payroll Deductions - Basic Information.		Pour les déclarations renfermant plus de 300 feuillets T4, remplissez un formulaire T4 Segment. Consultez le Guide de l'employeur - Retenues sur la paie - Renseignements de base.	
Total number of T4 slips filed Nombre total de feuillets T4 produits	88	Total number at left, indicate how many T4 slips are for employees whose addresses are in the U.S.A. Du total inscrit à gauche, indiquez le nombre de feuillets T4 émis pour des employés dont l'adresse est aux E.-U.	▲
Employment income before deductions Revenus d'emploi avant retenues	14		▲
Registered pension plan contributions Cotisations à un régime de pension agréé	20		▲
Pension adjustment Facteur d'équivalence	52		▲
EI insurable earnings Gains assurable d'AE	24		▲
Employee's CPP contributions Cotisations de l'employé au RPC	16		▲
Employer's CPP contributions Cotisations de l'employeur au RPC	27		▲
Employee's EI premiums Cotisations de l'employé à l'AE	18		▲
Employer's EI premiums Cotisations de l'employeur à l'AE	19		▲
Income tax deducted Impôt sur le revenu retenu	22		▲

Departmental use only			
Total deductions reported (16 + 27 + 18 + 19 + 22) Total des retenues déclarées (16 + 27 + 18 + 19 + 22)	80		
Minus: remittances - Moins: versements	82		
Difference - Différence			
Overpayment Païement en trop	84	* Balance due Solde à payer	86
* If you have not paid the total deductions reported, include the balance with this completed return. You may have to pay a penalty for late payment if you have any balance owing. Si vous n'avez pas payé le montant total des retenues déclarées, veuillez joindre le solde à payer à cette déclaration. Tout solde à payer est assujéti à une pénalité pour paiement tardif.			
Amount enclosed - Somme jointe			
Revenue Canada-issued registration number(s) for RPP or DPSP - Numéro(s) d'agrément émis par Revenu Canada pour le ou les RPA ou RPDB			
71	72	73	
Canadian-controlled private corporations or unincorporated employers: Enter the SIN of the proprietor(s) or principal owner(s). Sociétés privées sous contrôle canadien ou employeurs non constitués: Inscrivez le NAS du ou des propriétaires.			
74	75		

Person to contact about this return - Personne avec qui communiquer au sujet de cette déclaration		Telephone number - Numéro de MMophone	
76	77	78	
First name - Prénom	Surname - Nom de famille	Area code - Indicateur régional	

**Certification - Attestation**

I, \_\_\_\_\_ certify that the information given in this T4 return (T4 Summary and related T4 Supplementary slips) is, to the best of my knowledge, correct and complete.  
Je, \_\_\_\_\_ atteste que les renseignements fournis dans cette déclaration T4 (la déclaration T4 Sommaire et les feuillets T4 Supplémentaire connexes) sont, à ma connaissance, exacts et complets.

Name and surname (in capital letters) - Nom et prénom (en lettres majuscules)

Date Signature of authorized person - Signature d'une personne autorisée Position or office - Titre ou poste

For departmental use only: please do not write in this area - Réservé au Ministère: N'écrivez rien ici

<b>90</b>	1	Last to current Précédente à courante	<b>91</b>	1	No Non	<b>93</b>		Date
	2	No action Aucune mesure		2	Yes Oui	<b>94</b>		A
	3	Other Autre	<b>96</b>		Type Genre			B
			<b>97</b>	1	No Non	TAB - AN		
				2	Yes Oui	<b>98</b>	1	No Non
							2	Yes Oui

Memo - Note

Late-filing penalty  
Pénalité pour production tardive

Prepared by - Établi par \_\_\_\_\_ Date \_\_\_\_\_



# T4A Summary form



Revenu Canada / Revenu Canada

## T4A SUMMARY SOMMAIRE

SUMMARY OF REMUNERATION PAID (PENSION, RETIREMENT, ANNUITY, AND OTHER INCOME) (for the year ending December 31, 1996)

0101 44111

1996

See the information on the back of this form. Lisez les renseignements donnés au verso de ce formulaire.

SOMMAIRE DE LA RÉMUNÉRATION PAYÉE (REVENU DE PENSION, DE RETRAITE, DE RENTE OU D'AUTRES SOURCES) (pour l'année se terminant le 31 décembre 1996)

Copy 1 / Copie 1

You have to file the T4A Summary on or before February 28, 1997.

Vous devez produire votre déclaration T4A Sommaire au plus tard le 28 février 1997.

<b>Important</b>	Business Number / Numéro d'entreprise	Employer's or payer's name and address / Nom et adresse de l'employeur ou du payeur
Employer's name and Business Number has to be the same as on your PD7A remittance form. Le nom et le numéro d'entreprise de l'employeur doivent être les mêmes que ceux qui figurent sur le formulaire de versement PD7A.	Tax centre / Centre fiscal	TSO code / Code du BSF

**T4A Supplementary slip totals** / **Totaux des feuillets T4A Supplémentaire**  
If your return has more than 300 T4A slips, complete a T4A Segment form. / Pour les déclarations renfermant plus de 300 feuillets T4A, remplissez un formulaire T4A Segment. See the instructions in the Employers' Guide to Payroll Deductions - Basic Information. / Consultez le Guide de l'employeur - Retenues sur la paie : Renseignements de base.

Number of T4A slips filed / Nombre de feuillets T4A produits	88				
Pension or superannuation / Prestations de retraite ou autres pensions	16				
Lump-sum payments / Paiements forfaitaires	18				
Self-employed commissions / Commissions d'un travail indépendant	20				
Annuities / Rentes	24				
Retiring allowances / Allocations de retraite	26				
Other income / Autres revenus	28				
Patronage allocations / Répartitions selon l'apport commercial	30				
Registered pension plan contributions (past service) / Cotisations à un régime de pension agréé (services passés)	32				
Pension adjustment / Facteur d'équivalence	34				

Of the total number at left, indicate how many T4A slips are for employees whose addresses are in the U.S.A. / Du total inscrit à gauche, indiquez le nombre de feuillets T4A émis pour des employés dont l'adresse est aux É.-U.

Departmental use only / Réserve au Ministère	Total tax deductions reported (per T4A slips) / Total des retenues d'impôt déclarées (selon les feuillets T4A)	22
	Minus: remittances - Moins: versements	82
	Difference - Différence	

We do not charge or refund a difference of less than \$2. / Nous n'éversons et ne remboursons pas une différence inférieure à 2 \$.

Overpayment / Paiement en trop	84	* Balance due / Solde à payer	86
* If you have not paid the total deductions reported, include the balance with this completed return. / Si vous n'avez pas payé le montant total des retenues déclarées, veuillez joindre le solde à payer à cette déclaration. Tout solde à payer est assujéti à une pénalité pour paiement tardif.			
Revenue Canada-issued registration number(s) for RPP - Numéro(s) d'agrément émis par Revenu Canada pour le ou les RPA			
71	72	73	74
Canadian-controlled private corporations or unincorporated employers: Enter the SIN of the proprietor(s) or principal owner(s). / Sociétés privées sous contrôle canadien ou employeurs non constitués: inscrivez le NAS du ou des propriétaires.			
74	75		

Person to contact about this return - Personne avec qui communiquer au sujet de cette déclaration	76	78	Telephone number - Numéro de téléphone
First name - Prénom		Surname - Nom de famille	Area code - Indicateur régional

**Certification - Attestation**

I, \_\_\_\_\_, certify that the information given in this T4A return (T4A Summary and related T4A Supplementary slips) is, to the best of my knowledge, correct and complete.  
Je, \_\_\_\_\_, atteste que les renseignements fournis dans cette déclaration T4A (la déclaration T4A Sommaire et les feuillets T4A Supplémentaire connexes) sont, à ma connaissance, exacts et complets.

Date: \_\_\_\_\_ Signature of authorized person: \_\_\_\_\_ Position or office: \_\_\_\_\_

For departmental use only: please do not write in this area - Réserve au Ministère: N'écrivez rien ici

90	1	Least to current / Précédente à courante	91	1	No / Non	93		Date
2		No action / Aucune mesure	2		Yes / Oui	94		A
3		Other / Autre						B
Memo - Note						Late-filing penalty / Pénalité pour production tardive		
Prepared by - Établi par						Date		

# T4F Summary form



Revenu Canada / Revenu Canada

**T4F**  
SUMMARY  
SOMMAIRE  
(96)

0707 44111

For the year ending December 31, 19\_\_  
Pour l'année se terminant le 31 décembre

**SUMMARY OF FISHING INCOME**  
**SOMMAIRE DES REVENUS DE PÊCHE**

Copy 1  
Copie 1

See the instructions on the back of this form.  
You have to file the T4F Summary on or before the last day of February after the preceding calendar year.

Lisez les renseignements donnés au verso de ce formulaire.  
Vous devez produire la déclaration T4F Sommaire au plus tard le dernier jour de février suivant l'année civile précédente.

<p><b>Important</b> Employer's name and Business Number must be the same as on your PD7A</p> <p>Le nom et le numéro d'entreprise de l'employeur doivent être les mêmes que ceux qui figurent sur le formulaire de versement PD7A.</p>	<p><b>Business Number</b> Numéro d'entreprise</p>	<p>Name and address of designated employer Nom et adresse de l'employeur désigné</p>
	<p><b>Tax centre</b> Centre fiscal</p>	<p><b>TSO code</b> Code du BSF</p>
<p><b>Total number of T4F slips filed</b> Nombre total de feuillets T4F produits <span style="float:right">88</span></p>		
<p><b>Gross earnings</b> Revenus bruts <span style="float:right">14</span></p>		
<p><b>Employment Insurance (EI) insurable earnings</b> Gains assurables d'assurance-emploi (AE) <span style="float:right">16</span></p>		
<p><b>Fishermen's Employment Insurance premiums</b> Cotisations des pêcheurs à l'assurance-emploi <span style="float:right">18</span></p>		
<p><b>Designated employer's Employment Insurance premiums</b> Cotisations de l'employeur désigné à l'assurance-emploi <span style="float:right">26</span></p>		
<p><b>Income tax deducted</b> Impôt sur le revenu retenu <span style="float:right">22</span></p>		
<p><b>Departmental use only</b></p>	<p><b>Total deductions reported (18 + 26 + 22)</b> Total des retenues déclarées (18 + 26 + 22) <span style="float:right">80</span></p>	
	<p><b>Minus: remittances - Moins: versements</b> <span style="float:right">82</span></p>	
	<p><b>Difference - Différence</b></p>	
	<p><b>Overpayment</b> <span style="float:right">84</span>      * <b>Balance due</b> <span style="float:right">86</span></p> <p>Paielement en trop      Solde à payer</p>	
	<p>* If you have not paid the total deductions reported, include the balance with this completed return. Si vous n'avez pas payé le montant total des retenues déclarées, veuillez joindre le solde à payer à cette déclaration. Tout solde à payer est assujéti à une pénalité pour paielement tardif.</p>	
<p>Réservé au Ministère</p>	<p>We do not charge or refund a difference of less than \$2. Nous n'exigeons et ne remboursons pas une différence inférieure à 2 \$.</p> <p>Amount enclosed - Somme jointe</p>	
<p><b>Person to contact about this return - Personne avec qui communiquer au sujet de cette déclaration</b></p>		
<p><b>76</b> First name - Prénom</p>	<p><b>78</b> Area code - Indicatif régional</p>	<p>Telephone number - Numéro de téléphone</p>
<p><b>Certification - Attestation</b></p>		
<p>I, _____, certify that the information given on this T4F return (T4F Summary and related T4F Supplementary slips) is, to the best of my knowledge, correct and complete. Je, _____, atteste que les renseignements fournis dans cette déclaration T4F (la déclaration T4F Sommaire et les feuillets T4F Supplémentaire connexes) sont, à ma connaissance, exacts et complets.</p>		
<p>Name and surname (in capital letters) / Nom et prénom (en lettres majuscules)</p>		
<p>Date / Signature of authorized person - Signature d'une personne autorisée / Position or office - Titre ou poste</p>		
<p><b>For departmental use only: please do not write in this area - Réservé au Ministère: N'écrivez rien ici</b></p>		
<p><b>90</b> 1 Last to current / Dernière à courante</p> <p>2 No action / Aucune mesure</p> <p>3 Other / Autre</p>	<p><b>91</b> 1 No / Non</p> <p>2 Yes / Oui</p>	<p><b>93</b> _____ Date</p> <p><b>94</b> _____ A</p> <p><b>95</b> _____ B</p>
<p><b>Memo - Note</b></p>		
<p>Late-filing penalty / Pénalité pour production tardive</p>		
<p>Prepared by - Établi par</p>		<p>Date</p>

Privacy Act, personal information bank number RCTP-PU-005  
Loi sur la protection des renseignements personnels, fichier de renseignements personnels numéro RCTP-PU-005

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**Canada**

## Year-end calculation of deductions for employee Canada Pension Plan contributions

The following year-end calculation will help you verify an employee's CPP contributions before you complete and file the T4 Supplementary slips. This optional calculation is the **only one we have authorized**. We based the calculation on information in this guide and in Part B of the *Payroll Deductions Formulas for Computer Programs*, (63rd Edition). You can get the information you need to complete this calculation from each employee's payroll master file.

Using the calculation will help you avoid the possibility of receiving a *Pensionable and Insurable Earnings Review* (PIER) statement.

To verify deductions, follow these steps:

- A. Enter the salary and wages from the employee's payroll master file that you will include in box 14 of the T4 Supplementary slip, "Employment income before deductions" ..... \$ \_\_\_\_\_ **1**
- B. Subtract from line 1, the following earnings of the employee:
- the amount the employee received before and including the month the employee reached age 18..... \$ \_\_\_\_\_
  - the amount the employee received after the month the employee reached age 70..... \$ \_\_\_\_\_
  - the amount the employee received after the month the employee began to receive a CPP retirement pension ..... \$ \_\_\_\_\_
  - the amount the employee received during the month the employee began to receive a disability pension ..... \$ \_\_\_\_\_
  - the amount received after the month the employee died..... \$ \_\_\_\_\_
- Total earnings not subject to CPP contributions ..... \$ \_\_\_\_\_ **2**
- C. Pensionable earnings for the period of employment – subtract line 2 from line 1 ..... \$ \_\_\_\_\_ **3**

### Note

If you have entered an amount on line 2, enter the amount on line 3 in box 26, "Pensionable earnings," on the T4 Supplementary slip.

- D. Enter the basic exemption for the pay period, (see table on next page)..... \$ \_\_\_\_\_ **4**
- Multiply by the number of pay periods of pensionable earnings (related to the amount on line 3)..... × \_\_\_\_\_
- Prorated basic exemption that applies to the period of pensionable employment ..... \$ \_\_\_\_\_ **5**
- The amount cannot be more than the maximum basic yearly exemption amount (see table on next page).
- E. CPP contributory earnings for the period of pensionable employment – subtract line 5 from line 3 ..... \$ \_\_\_\_\_ **6**
- F. Enter the CPP contribution rate for the year ..... × \_\_\_\_\_ **7**
- G. Required employee's CPP contributions for the period of pensionable employment – line 6 multiplied by the rate on line 7..... \$ \_\_\_\_\_ **8**
- H. Enter the CPP contributions (that you have deducted for the period of pensionable employment) from the employee's payroll master file..... \$ \_\_\_\_\_ **9**
- I. Subtract line 9 from line 8. The result should be zero..... \$ \_\_\_\_\_ **10**

If there is an amount on line 10 and it is positive, you have underdeducted. If this is the case, add lines 9 and 10 and include the total in box 16, "Employee's CPP contributions," of the T4 Supplementary slip.

### Note

If the amount on line 10 is negative, you have overdeducted. If this is the case, verify the employee's master file to ensure that the amounts on lines 1 and 3 are correct. For more information, see Chapter 2.

**Employee's CPP basic exemption for various 1996 pay periods**

<b>Pay period</b>	<b>Basic exemption</b>
Annually (1)	\$3,500.00
Semi-annually (2)	\$1,750.00
Quarterly (4)	\$875.00
Monthly (12)	\$291.66
Semi-monthly (24)	\$145.83
Bi-weekly (26)	\$134.61
Bi-weekly (27)	\$129.62
Weekly (52)	\$67.30
Weekly (53)	\$66.03
22 pay periods	\$159.09
13 pay periods	\$269.23
10 pay periods	\$350.00
Daily (240)	\$14.58
Hourly (2000)	\$1.75

## Year-end calculation of deductions for employee Employment Insurance premiums for 1996

The following year-end calculation will help you verify an employee's EI premiums before you complete and file the T4 Supplementary slips. This optional calculation is the **only one we have authorized**. We based the calculation on information in this guide and in Part C of the *Payroll Deductions Formulas for Computer Programs*, (63rd Edition). You can get the information you need to complete this calculation from each employee's payroll master file.

Using the calculation will help you avoid the possibility of receiving a *Pensionable and Insurable Earnings Review* (PIER) statement.

To verify deductions, follow these steps:

- |  |          |          |
|--|----------|----------|
| A. Enter the insurable earnings for the year as indicated in each employee's payroll master file for the period of insurable employment. Report the amount on the T4 Supplementary slip in box 24, "EI insurable earnings." The amount should not be more than the maximum annual amount of \$39,000. .... | \$ _____ | <b>1</b> |
| B. Enter the employee's EI premium rate for the year.....  | × _____  | <b>2</b> |
| C. Multiply line 1 by line 2 to calculate the employee's EI premiums payable for the year. The amount should not be more than the maximum annual amount of \$1,150.50.....   | \$ _____ | <b>3</b> |
| D. Enter the employee's EI premium deductions for the period of insurable employment as indicated in the employee's payroll master file .....  | \$ _____ | <b>4</b> |
| E. Subtract line 4 from line 3.....  | \$ _____ | <b>5</b> |

If the amount on line 5 results in a difference of \$0.26 or less, you do not have to make an adjustment.

If the amount on line 5 is positive, add lines 4 and 5, and include the total in box 18, "Employee's EI premiums," on the T4 Supplementary slip.

### Note

If the amount on line 5 is more than \$0.26 and is negative, you have overdeducted. If this is the case, verify the employee's payroll master file to ensure that the amount on line 1 is correct. For more information, see Chapter 3A.

A \$0.26 discrepancy can occur because you round off amounts when you determine the EI deduction premiums for a pay period. The difference can vary between \$0.01 and \$0.26 on a yearly basis.

## EI table of insurable earnings and premiums for various 1996 pay periods

Description	Weekly	Bi-weekly	Monthly	Semi-Monthly	10 pay periods	13 pay periods	22 pay periods	Yearly commission
Minimum hours	15	30	65	33	78	60	35	
Minimum insurable earnings	\$150.00	\$300.00	\$650.00	\$325.00	\$780.00	\$600.00	\$354.54	\$7,800.00
Maximum insurable earnings	\$750.00	\$1,500.00	\$3,250.00	\$1,625.00	\$3,900.00	\$3,000.00	\$1,772.72	
Maximum premium (pay period)	\$22.13	\$44.25	\$95.88	\$47.94	\$115.05	\$88.50	\$52.30	
Annual maximum premium	\$1,150.76	\$1,150.50	\$1,150.56	\$1,150.56	\$1,150.50	\$1,150.50	\$1,150.60	\$1,150.50
Annual maximum earnings	\$39,000.00	\$39,000.00	\$39,000.00	\$39,000.00	\$39,000.00	\$39,000.00	\$38,999.84	\$39,000.00
Annual maximum premium (53/27 PP)	\$1,172.89	\$1,194.75						
Annual maximum earnings (53/27 PP)	\$39,750.00	\$40,500.00						

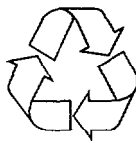
**Note**

For pay periods other than those indicated in this table, you need to obtain authorization and confirmation to use the minimum and maximum insurable earning amounts that apply. Send your requests to the address below:

Revenue Canada  
 CPP and EI Eligibility Division  
 875 Heron Road  
 Ottawa ON K1A 0L8



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