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Employers' Guide to Payroll Deductions

Basic information

Includes a form for the New Hires Program and a
simple instruction sheet to complete the new T4 slip

1998-1999



Dates to Remember

Information returns

You have to file T4, T4A, and T4F information returns as applicable and give information slips to your employees, **each year by the last day of February.**

Note

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

An information return consists of two parts:

- slips; and
- the related summary form.

A summary form alone is not an information return.

When you send us copies of the slips, keep T4s two to a page and T4As and T4Fs three to a page.

Information returns on magnetic media

To get copies of self-mailing T4 slips for 1999, send your order to the following address before the end of August 1999:

Publishing Directorate
Revenue Canada
17th floor
Albion Tower
25 Nicholas Street
Ottawa ON K1A 0L5

Regular remitter (1999)

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 Canadian financial institution or tax centre.

Note

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

Quarterly remitter (1999)

If you are eligible for quarterly remitting, you have to remit your deductions so we receive them on or before the 15th day of the month immediately following the end of each quarter.

The quarters are:

- January to March;
- April to June;
- July to September; and
- October to December.

Remit your payment to a Canadian financial institution or tax centre.

Note

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

For more information, see "Quarterly remitter" in Chapter 5, or contact your tax services office.

Accelerated remitter (1999)

Threshold 1

If your average monthly remittance in 1997 was equal to or more than \$15,000 but less than \$50,000, you have to remit amounts you deduct or withhold from remuneration you pay by the following dates:

- for remuneration paid before the 16th day of the month, by the 25th day of the same month; and
- for remuneration paid after the 15th day of the month but before the first day of the following month, by the 10th day of the following month.

Note

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

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

Threshold 2

If your average monthly remittance in 1997 was \$50,000 or more, you have to remit amounts you deduct or withhold from remuneration you pay any time during the month by the third working day (not counting Saturdays, Sundays, or holidays) after the end of the following periods:

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

Threshold 2 employers have to make payments at a Canadian financial institution.

Do you use an automated teller machine?

If you use an automated teller machine (ATM) to send a payment to us at Revenue Canada, please allow time for the financial institution to process the payment. The institution will debit your account when you use the ATM. However, you should allow time for us to receive the payment. An ATM receipt is not proof of payment by the due date.

Problem Resolution Program

We at Revenue Canada are 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.

If you have a problem, you can call, write, or visit your tax services office. You can also write or visit your tax centre.

You can find the address and the telephone numbers for your tax services office listed under "Revenue Canada" in the Government of Canada section of the telephone book. The address of your tax centre is listed at the end of this guide.

If, after this step, your problem is not resolved to your satisfaction, you should get in touch with the Problem Resolution Program co-ordinator of your tax services office.

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 get blank copies of T4 and T4A slips, other guides, publications, forms, information circulars, or interpretation bulletins, complete the order form at the back of this guide. You can call or visit your tax services office. You can also visit your tax centre.

Visually impaired persons can get this publication in braille or large print, or on audio cassette or computer diskette by calling 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, contact your 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.*

To cancel or reinstate a mailing of the guide

To save paper, we want to reduce the number of guides we mail to you. If you receive more than one copy of this guide because you have more than one payroll deductions account, and you want to cancel the extra copies, contact your tax services office. You have to provide your employer name, mailing address, and Business Number to cancel a mailing.

Also, if you cancelled this publication and want to receive it again, contact your tax services office.

Internet access

You can find many of our publications on the Internet at: <http://www.rc.gc.ca>

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:

Client Services Directorate
Revenue Canada
Room 8000
400 Cumberland Street
Ottawa ON K1A 0L5

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Tax changes announced in the federal budget on February 18, 1997

Form TD1, *Personal Tax Credits Return*

Section 6 – Tuition fees and education amount

The monthly amount you use to calculate the education credit is now \$200 for 1998 and subsequent years.

Section 8 – Tuition fees and education amounts transferred from a child

For 1997 and subsequent taxation years, a student can transfer an amount to a parent or grandparent, even if a different parent or grandparent claims for him or her an amount for equivalent-to-spouse or for infirm dependant age 18 and older.

Tax changes announced in the federal budget on February 24, 1998

Form TD1, *Personal Tax Credits Return*

Section 5 – Personal amount supplement

Under proposed changes for 1998 and subsequent taxation years, an individual can be entitled to a personal amount supplement. This will be a supplement to the basic personal amount of \$6,456.

- An individual who does not have a spouse or a dependant, can claim the personal amount supplement if the individual has a net income of less than \$19,456.

For the year 1998:

- If the individual's net income is \$6,956 or less, the personal amount supplement is \$250.
- If the net income is more than \$6,956 and less than or equal to \$19,456, the personal amount supplement is equal to \$250 minus 2% of the net income that is more than \$6,956.
- If the net income is more than \$19,456, the personal amount supplement is \$0.

For the year 1999:

- If the individual's net income is \$6,956 or less, the personal amount supplement is \$500.
- If the net income is more than \$6,956 and less than or equal to \$19,456, the personal amount supplement is equal to \$500 minus 4% of the net income that is more than \$6,956.
- If the net income is more than \$19,456, the personal amount supplement is \$0.
- An individual who has a spouse or is claiming an equivalent-to-spouse amount for a dependant, (or would have claimed that amount, but the net income of the dependant is more than \$5,918), can claim all or part of the dependant's personal amount supplement if the dependant's net income is less than \$6,956, and if the individual and the dependant have a combined net income of less than \$38,912.

Section 9 – Part-time education amount

Under proposed changes for 1998 and subsequent taxation years, an employee can claim a \$60-per-month education amount if he or she is studying in a qualifying part-time program. However, the employee cannot claim this amount and the \$200 amount for full-time study for the same month.

Section 11 – Caregiver amount

Under proposed changes for 1998 and subsequent taxation years, if the employee (either alone or with another person) maintained a dwelling where he or she and a dependant live, he or she can claim an additional amount of up to \$2,353 if the dependant meets all of the following conditions. The dependant must have:

- been the employee's or spouse's child or grandchild, or any of the following persons if they were resident in Canada: the employee's or spouse's parent, grandparent, brother, sister, niece, nephew, or the employee's aunt or uncle;
- been born in 1980 or earlier;
- a net income of less than \$13,853; and
- been dependent on the employee due to mental or physical infirmity or, if he or she is the employee's or spouse's parent, or grandparent age 65 and older.

Taxable benefits

Moving expenses and home-relocation loans

Under proposed changes for 1998 and subsequent taxation years, an employee has to include in his or her income the following benefits received from his or her employer:

- any reimbursement or compensation received for financing his or her new residence;
- one-half of the amount that is more than \$15,000 received for a decrease in value or impairment of proceeds of disposition of his or her old residence;
- any interest-free or low-interest loans provided (under section 80.4 of the *Income Tax Act*), directly or indirectly, where it is reasonable to conclude that, but for the office or employment, the loan would not have been made.

Transition Relief

These provisions are effective for 1998 for amounts paid after February 23, 1998, where the employee started work at the new location on October 1, 1998, or later. However, to give you a chance to adjust to these changes, these provisions are not effective until 2001 for relocations where the employee started work at the location before October 1, 1998. For example, if a mortgage interest subsidy agreement with an employee calls for a subsidy to be paid for each of the next 5 years, amounts received in taxation years after 2000 have to be included in the employee's income.

Emergency volunteers

Under proposed changes for 1998 and subsequent taxation years, the \$500 exemption that applies to allowances paid to volunteer firefighters will be replaced with a deduction for the individual. This deduction applies to volunteer firefighters, ambulance technicians, and other emergency workers.

Employers have to report all amounts they pay to these volunteers in box 14, "Employment income," and under code 40, "Other taxable allowances and benefits." They also have to enter the deductible amounts under code 76 in the "Other information area," of a T4 slip. Individuals will include the amounts received in their income and claim the deduction on their income tax returns.

For more information on these benefits, see the *Employers' Guide to Payroll Deduction – Taxable Benefits*.

Employer-paid educational costs

We have developed new guidelines on employer-paid educational costs for employment benefits taxed under paragraph 6(1)(a) of the *Income Tax Act*. These guidelines will help determine whether there is a taxable benefit to an employee. Generally, when training is taken primarily for the benefit of the employer (such as courses that are taken to maintain or upgrade employer-related skills) there is no taxable benefit whether or not this training leads to a degree, diploma, or certificate for the employee. A taxable benefit arises when training is primarily for the benefit of the employee (such as employer-paid courses for personal interest or technical skills that are not related to the employer's business).

For more information, see the *Employers' Guide to Payroll Deduction – Taxable Benefits* or our *Technical News No. 13* available at your tax services office.

Note

When employer-paid educational costs are not considered a taxable benefit, they are not subject to either CPP or EI contributions.

New T4 slip for 1998

To increase efficiency and reduce processing costs, we will be capturing 1998 T4 slip information using electronic scanning machines. The scanning machines we use can read almost any character type. Since our scanners do not detect red, please use black or blue ink.

The major changes to the T4 slip are:

- The year is not preprinted on the T4.
- The boxes on the four-copy carbon-loaded T4s have framed spaces.
- There is a new "Void" box in the top part of the T4.
- We added box 29, "Employment code" to identify items such as a placement agency, taxi driver, barber, hairdresser, or a withdrawal from a prescribed salary deferral arrangement plan.
- There is a new "Other information" area at the bottom of the T4. It contains unnumbered boxes where you will enter the codes and amounts that relate to employment

commissions, taxable allowances or benefits, and deductible amounts that apply. This new area replaces the footnotes area.

T4 Summary form for 1998

The working copy (copy 3) of the T4 Summary form has been moved to the back of this guide. Use that copy as your working copy. When you complete the working copy, transfer the data to copy 1 of the summary form. Tear it out from the guide and keep it for your records.

Where to file information returns

After you complete your T4, T4A, or T4F returns, please mail them to:

Ottawa Tax Centre
Revenue Canada
875 Heron Road
Ottawa ON K1A 1G9

Amended slips – If, after you file your returns, you need to send us amended slips, send them to your tax centre.

We have set new tax centre realignment boundaries. Check the list of tax centres included at the end of this guide. Your tax centre may have changed since last year.

For more information, see Chapter 6.

Terminology

For 1998 and subsequent taxation years, the word "Supplementary" will not be used when mentioning slips (e.g., T4, T4A, and T4F slips).

Payments from a registered education savings plan (RESP)

For 1998 and subsequent taxation years, all payments received from an RESP have to be reported on a T4A slip. This includes the RESP educational assistance payments and RESP accumulated income payments.

For more information, see "T4A - Box 40 – RESP accumulated income payments," and "T4A - Box 42 – RESP educational assistance payments," in Chapter 6.

Employment at special work sites and remote work locations

For information about this subject, see "Special work sites and remote work locations (board and lodging, and transportation)" in Chapter 2 of the *Employers' Guide to Payroll Deductions – Taxable Benefits*.

Order form

To get blank copies of T4 and T4A slips, complete and send us the new order form at the back of this guide. You can find the address for your tax services office listed under "Revenue Canada" in the Government of Canada section of the telephone book. As for the address of your tax centre, it is listed at the end of this guide.

Tips and gratuities in the province of Quebec

Quebec employers in the hotel and restaurant business whose employees receive income from tips and gratuities have to include these amounts when calculating the insurable earnings of their employees for purposes of Employment Insurance (EI).

Tips continue to be taxable income for all Canadians. However, the government of Quebec has passed legislation, which took effect January 1, 1998, requiring workers in the hotel and restaurant industry to declare their tips to their employers, and to make these amounts subject to payroll deductions. For federal reporting purposes, include tips and deductions on the T4 slip in total remuneration and deductions.

If the deductions are greater than the salary or wages paid, payroll deductions are limited to the amount paid and you must give first priority to Employment Insurance premiums and federal tax deductions as stipulated in the Quebec provincial legislation. Any shortfall of federal tax, QPP contributions, or provincial tax will have to be paid when individuals file their personal tax returns.

Quebec provincial tax deductions should not be deducted or remitted before federal tax deductions.

Employees should declare the same amount of tips for their federal and provincial payroll deductions at source. For provincial purposes however, the Quebec legislation stipulates that employers will deem the tips to be the higher of tips declared or 8% of sales. If you have any questions about applying or calculating this 8% rule, contact the ministère du Revenu du Québec.

Employment Insurance Premium relief

In 1999 and 2000, the new Federal Youth Hires Program will provide up to 1.25 million eligible employers with EI premium relief for employees aged 18 to 24.

Under the program, total EI premiums you pay for these employees in 1999 and 2000 stay at 1998 levels. We will use the 1998 base amount to calculate the amount of relief you will receive in 1999 and 2000. You can get relief by:

- claiming a rebate of the premiums you paid when you file your T4 return; or
- only paying EI premiums for these employees until you reach the 1998 base amount.

No matter which method you choose, you have to apply for the rebate when you file your T4 returns for 1999 and 2000. If you are part of an associated group of employers, calculate your premium relief on a group basis.

For more information about the program, contact your tax services office.

End of tax exemption for Yukon Territory Indians

As a result of the provisions of certain land claim and self-government agreements concluded between the federal government and Yukon Territory First Nations, Indians and Indian bands in the Yukon Territory will no longer benefit from tax exemption for Indian property on reserves under section 87 of the *Indian Act*.

Effective February 15, 1998, supplies of taxable goods and services provided to Indians, Indian bands, and band-empowered entities in the Yukon Territory will be subject to goods and services tax/harmonized sales tax (GST/HST). Suppliers (retailers and wholesalers) will now charge and collect GST/HST on taxable supplies.

This change does not affect Indian reserves outside the Yukon Territory, where section 87 continues to apply as before.

Yukon Territory Indians remain registered status Indians.

A similar change for income taxes will come into effect on January 1, 1999.

Notice

Year-end calculation of CPP contributions and EI premiums

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 part-time 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 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 73 and 74 of the publication *Payroll Deductions Formulas for Computer Programs – 67th Edition* (Effective January 1, 1998).

Taxable benefits

In January, we send the *Employers' Guide to Payroll Deductions – Taxable Benefits* to you if you provided taxable benefits or allowances to your employees in 1997. If you do not receive a copy and would like to get one, use the order form at the end of this guide, or contact your tax services office or tax centre.

Registered education savings plan (RESP)

In the 1997 federal budget, the Government announced that starting in 1998, investment earnings in an RESP could be paid to the contributor (subscriber). These payments are called accumulated income payments from an RESP.

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

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

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

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

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

Starting in 1998, all payments from an RESP are to be reported on a T4A slip, *Statement of Pension, Retirement, Annuity, and Other Income*.

For more information, get the information sheet called *Registered Education Savings Plans (RESPs)*, or contact the Business Enquiries Section of your tax services office.

Caregiver, baby-sitter or maid

If you hire a caregiver, baby-sitter or maid, you may be considered to be the employer of that person. As an employer, you have responsibilities in the employment relationship between you and the person.

For more information, see Chapter 8.

Disability benefits

Enter in box 16, "Pension or superannuation," of the T4A slip, the disability benefits paid as a life annuity.

However, disability benefits paid out of a superannuation or pension plan should be declared in box 28, "Other income," of the T4A slip.

Employee benefit plan and employee trust

Since payments out of an employee benefit plan and amounts that a trustee allocates for the taxation year to a person under an employee trust are employment income, they must be reported in box 14, "Employment income," of the T4 slip, and not in box 28, "Other income," of the T4A slip.

Life income fund (LIF)

Report on a T4RIF slip income paid from a life income fund (LIF). However, if a life annuity is bought from the proceeds of a LIF, there is no longer a registered retirement income fund (RRIF) and the annuity payments have to be reported on a T4A slip. Report these payments in box 24, "Annuities," (not in box 28, "Other income,") of the T4A slip.

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 Chapter 4.

Note

Payments to non-resident individuals, partnerships, or corporations for services rendered in Canada that they did not perform in the ordinary course of an office or employment are subject to a 15% withholding tax. For more information, see Information Circular 75-6, *Required Withholding From Amounts Paid to Non-Resident Persons Performing Services in Canada*.

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 publication called *Non-Resident Withholding Tax Guide – Includes the NR4 Return and the T4A-NR 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 that simplifies and streamlines the way businesses deal with the federal government. The BN is based on a simple principle—one business, one number.

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

- corporate income tax;

- import/export;
- payroll deductions; and
- goods and services tax/harmonized sales tax (GST/HST).

The BN also includes registered charity accounts.

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, or 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 and Benefit 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 taxable 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 employer-employee relationship exists. If you have any doubts whether an employer-employee relationship exists, you can get a ruling

from Revenue Collections at your tax services office. 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. 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.

A ruling for purposes of the *Employment Insurance Act* or Canada Pension Plan can be requested no later than June 30 of the year following the year in which the employment in question took place.

For more information on employer-employee relationships, see the pamphlet called *Employee or Self-employed?* that you can get from 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 for Canada. 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 the correct SIN from each employee. If the employee does not give you his or her SIN, you should be able to show that you made a reasonable effort to get it. For example, if you contact an employee by mail to ask for his or her SIN, 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 get a SIN, you may be subject to a penalty of \$100 for each failure. Employees also have to give you their SIN. If an employee does not do this, the employee may be subject to a penalty of \$100 for each failure.

As the employer, you have to tell your employees how to get a SIN or how to replace a SIN card. Tell them they should contact the local Human Resources Centre of Canada within three days of the day they start work and provide you with their new SIN once they receive it.

Make sure you always use the correct name and number as shown on the employee's SIN card. 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 slip 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.

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). If you don't, you could be fined up to \$2,000, imprisoned for up to six months, or both.

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

For more information, see Information Circular 82-2, *Social Insurance Number Legislation that Relates to the Preparation of Information Slips*.

SIN beginning with the number "9"

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 issued by Citizenship and Immigration Canada.

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.

Note

Under the *Immigration Act*, only the following persons are authorized to work in Canada:

- Canadians citizens;
- landed immigrants; or
- persons who have obtained a work permit.

Hiring someone else could lead to penalties under that Act.

What are the remittance due dates?

New employers are considered to be regular remitters for the first two calendar years. Generally, 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. Small employers who meet certain conditions can choose to remit payroll deductions once every three months. Payments can be made at a Canadian financial institution or tax centre.

Accelerated remitters usually have to send in deductions more than once a month. There are two groups (also called thresholds) of these employers. Threshold 1 employers can make payments at a Canadian financial institution or tax centre. Threshold 2 employers have to make payments at a **Canadian financial institution**.

For more information on remitting deductions, see Chapter 5.

Employer Visits Program

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

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. Interpretation Bulletin IT-377, *Director's, Executor's and Juror's Fees*, also provides more information.

Director's liability

If a corporation (including for-profit or non-profit corporations) fails to deduct, withhold, remit, or pay amounts held in trust for the Receiver General for Canada (CPP, EI, tax and GST/HST), the **directors** of the corporation at the time of the failure **may be held personally liable** along 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, *Directors' Liability – Section 227.1 of the Income Tax Act and Section 323 of the Excise 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. 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, T4A, and T4F slips and the related summary forms. You have to file an information return and give information slips to your employees the

last day 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.

Note

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

Interest

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

Waiving penalties and interest

The fairness provisions of the *Income Tax Act* give us certain discretion to cancel or waive all or a portion of interest charges and penalties. This 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 Assistant Director 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 Assistant Director 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. You must make the request for the ruling before June 30 of the calendar year after the year to which the question relates. 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*, within 90 days after being notified of the ruling (they have to complete Part I of the form, and attach a copy of the ruling); or
- writing to the Assistant Director of Appeals at their tax services office within 90 days after being notified of the ruling. 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, send us a completed Form RC59, *Business Consent Form*, or a letter of authorization. This speeds up the process of getting the information to your representative without delay. You can get 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.

You can get any of the following versions of the *Payroll Deductions Tables*:

- **Payroll Deductions Tables (T4032) and Payroll Deductions Supplementary Tables (T4008)**. You can use these tables to calculate your employees' payroll deductions, especially if you don't have a computer.
- **Tables on Diskette (TOD) (T4143)**. This electronic version of the *Payroll Deductions Tables (T4032)* and *Payroll Deductions Supplementary Tables (T4008)* contains the information you need to calculate deductions from your employees' pay for all pay periods.

Note

TOD (T4143) is available on the Internet at: <http://www.rc.gc.ca>. It is also available 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.

- **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.

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

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.

Note

An employee who lives in one province but works in another one may be subject to excessive tax deductions. If so, he or she can ask for a reduction in tax deductions, by obtaining a letter of authority from his or her tax services office. For more information, see "Letter of authority," in Chapter 4.

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 called the Quebec Pension Plan (QPP).

Contact the ministère du Revenu du Québec, 3800 Marly Street, Sainte-Foy QC G1X 4A5 if one of the following situations applies and you need more information:

- 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.

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 slip. If no current year T4 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 (ROE)* for each former employee. For more information, see Chapter 3.

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.

What should you do if your business stops operating?

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

Complete the necessary T4 slips and T4 Summary and send them to your tax services office or to the Ottawa Tax Centre within 30 days of the day your business ends. You have to calculate the **pension adjustment (PA)** that applies to your former employees who accrued benefits for the year under your **registered pension plan (RPP)** or **deferred profit sharing plan (DPSP)**. If no current year T4 slips or T4 Summary forms are available, use one from the previous year. Just cross out the year at the top and enter the current year. Distribute copies of the T4 slips to your former employees. For more information on how to complete a T4 slip and T4 Summary form, see Chapter 6.

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

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 get 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 – Source Deductions and Contributions* 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 fees, 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 CPP1, *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);
- 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.
- 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 days² 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 days¹ in a calendar year; and
- employment of a member of a religious order who has taken a vow of poverty. This applies whether the remuneration is paid directly to the order, or the member pays the order.

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, and 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 days¹ in a calendar year—the 25 or more days do not have to be consecutive;
- 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);
- payments you make after an employee dies, except for amounts the employee earned and 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

¹ When the employee works 25 days or more, the employment is pensionable from the first day of work.

² When the employee works seven days or more, the employment is pensionable from the first day of work.

subject to CPP contributions" discussed earlier in this chapter—for more information on WCB awards, see Chapter 7); 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.

Example

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

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 has deducted in the same year.

Any overpayments will be refunded to the employees when they file their income tax returns. Employers are not entitled to a refund.

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 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.

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 1998, it was \$36,900);
- a basic yearly exemption, which is a base amount from which you do not deduct CPP contributions (for 1998, it was \$3,500); and
- a rate you use to calculate the amount to deduct from your employees (for 1998, it was 3.2%).

Note

For more information on QPP, see the *Guide for Employers – Source Deductions and Contributions*, which you can get from the ministère du Revenu du Québec.

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 (52 pay periods)" 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 CPP contributions, EI premiums, and income tax to deduct for weekly, bi-weekly, semi-monthly, and monthly pay periods. Use the *Payroll Deductions Supplementary Tables* (T4008) if you have 10, 13, or 22 pay periods. When there is a year with an additional pay period (53 or 27), you must use the manual calculation method (see below) 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 (for 1998, it was \$3,500) 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 \div 52 = \67.30 (do not round off)

Step 2: $\$550 - \$67.30 = \$482.70$

Step 3: $\$482.70 \times 3.2\% = \15.45

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

Employee's contribution	\$15.45
Employer's contribution.....	<u>\$15.45</u>
Total	<u>\$30.90</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 1998) from the year's maximum pensionable earnings (\$36,900 for 1998).

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 (3.2% for 1998).

Example 1

Brent turned 18 on May 15, 1998. He receives \$2,000 a month (\$24,000 a year). This amount is less than the maximum pensionable earnings (\$36,900) that are subject to CPP contributions.

January to May 1998:

No CPP contributions

June to December 1998:

- Pay period: monthly
- Earnings: \$2,000
- Basic yearly CPP exemption: \$3,500
- Prorate basic yearly exemption per month:
 $\$3,500 \div 12 = \291.66 (do not round off)
- Monthly deduction: $\$2,000 - \$291.66 = \$1,708.34$;
 $\$1,708.34 \times 3.2\% = \54.67

Maximum contribution for 1998:

$7/12 \times (\$36,900 - \$3,500) \times 3.2\% = \$623.47$

Brent's CPP contributions for 1998 should not be more than \$623.47.

Example 2

Maria turned 70 on February 15, 1998. She receives \$800 per week (\$41,600 per year). This amount is more than the maximum pensionable earnings (\$36,900) that are subject to CPP contributions.

January to February 1998:

- Pay period: weekly
- Earnings: \$800
- Basic yearly CPP exemption: \$3,500
- Prorate basic exemption per week: $\$3,500 \div 52 = \67.30 (do not round off)
- Weekly deduction: $\$800 - \$67.30 = \$732.70$;
 $\$732.70 \times 3.2\% = \23.45

March to December 1998:

No CPP contributions

Maximum contribution for 1998:

$2/12 \times (\$36,900 - \$3,500) \times 3.2\% = \$178.13$

Maria's CPP contributions for 1998 should not be more than \$178.13. Her employer should not deduct more than this amount.

Note

For more information on QPP, see the “Guide for Employers – Source Deductions and Contributions,” which you can get from the ministère du Revenu du Québec.

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, 1998, you paid her an \$800 commission. The last time you paid her a commission was March 20, 1998. There are 75 days between these two payments.

Calculate the required contribution for 1998 as follows:

- Prorate the basic annual exemption:
 $75 \div 365 \text{ (days)} \times \$3,500 = \$719.17$ (do not round off)
- You have to deduct CPP contributions of:
 $(\$800 - \$719.17) = \$80.83$; $\$80.83 \times 3.2\% = \2.59
- The amount you have to send in is:

Employee's contribution	\$2.59
Employer's contribution	<u>\$2.59</u>
Total	<u>\$5.18</u>

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 until the end of 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.

Note

The requirements are different for QPP. For more information on QPP, see the "Guide for Employers – Source Deductions and Contributions," which you can get from the ministère du Revenu du Québec.

CPP overpayment

If you have overdeducted CPP contributions from your employee and you cannot refund the overpayment, show the full deduction and the correct pensionable earnings on the T4 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*. Your request must be made no later than four years from the end of the year in which the overpayment occurred. You can get Form PD24 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** a contribution amount that has been outstanding for more than 12 months.

The employer's share is your responsibility.

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

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 ¹
September 1998	\$3.40
October 1998	\$3.40
November 1998	\$4.10
December 1998	<u>\$4.70</u>
Total	\$15.60

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

	Employee	Employer	Total
CPP contributions	\$15.60	\$15.60	\$31.20 ¹

¹ plus penalties and interest

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

	Current deduction	Employer's recovery	
January 1999	\$4.70	\$3.40	(for September 1998)
February 1999	\$4.70	\$3.40	(for October 1998)
March 1999	\$5.10	\$4.10	(for November 1998)
April 1999	\$5.10	<u>\$4.70</u>	(for December 1998)
Total		\$15.60	

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	letter
Australia	September 1, 1989	8
Austria	November 1, 1987	112
Barbados	January 1, 1986	letter
Belgium	January 1, 1987	121
Chile	June 1, 1998	letter
Cyprus	May 1, 1991	letter
Denmark	January 1, 1986	letter
Dominica	January 1, 1989	letter
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	letter
Iceland	October 1, 1989	letter
Ireland	January 1, 1992	letter
Italy	January 1, 1979	51
Jamaica	January 1, 1984	letter
Jersey	January 1, 1994	letter
Luxembourg	April 1, 1990	letter
Malta	March 1, 1992	letter
Mexico	May 1, 1996	letter
Netherlands	October 1, 1990	letter
New Zealand	May 1, 1997	8
Norway	January 1, 1987	127
Philippines	March 1, 1997	letter
Portugal	May 1, 1981	55
St. Kitts & Nevis	January 1, 1994	letter
Saint Lucia	January 1, 1988	letter
Spain	January 1, 1988	125
Sweden	January 1, 1986	129
Switzerland	October 1, 1995	letter
United Kingdom	April 1, 1998	letter
United States	August 1, 1984	56

You can get 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 des équivalences et de l'administration des ententes de sécurité sociale du RRQ, 4th floor, 454 Place Jacques-Cartier, Montréal QC H2Y 3B3.

Chapter 3 – Employment Insurance Premiums

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. For 1998, the maximum annual insurable earnings is \$39,000.

What is insurable employment?

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

Note

For more information on employer-employee relationships, see the pamphlet called *Employee or Self-employed?* that you can get from your tax services office.

Certain workers who are not employees might be considered to be in insurable employment. Examples of such workers are **taxi and other passenger-vehicle drivers, barbers and hairdressers, and fishers**. For more information, see Chapter 8.

Which amounts are insurable?

Gratuities and most earnings you pay in cash or partly in kind are insurable. Although, 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 federal or provincial labour authorities is also insurable, do not report the amount in box 24 "EI insurable earnings," of the T4 slip.

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

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.

Which employment and payments are not subject to EI premiums?

Some types of employment are not included in insurable employment. Also, some types of payments 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, employment is **not insurable** and is not subject to EI premiums in the following situations:

- 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 made by Revenue Canada CPP/EI Eligibility Division's officers 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; or
 - works less than seven days¹ 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 days¹ 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 days²;
- 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 poverty (this applies whether the remuneration is paid directly to the order, or the member pays it to the order);

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

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

- 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;
- 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 (for information on the make-up of a retiring allowance, see Chapter 7);
 - 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); and
 - top-ups to wage loss replacement plans that are not subject to EI premiums according to the information found in Chapter 7.

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.

You have to withhold EI premiums only until the annual maximum is reached. For the years 1997 to 2000, the annual maximum will be \$39,000. **You can find the employee's**

rate in the 1999 *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.

We 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 have employees covered by a wage-loss replacement plan for short-term disability. If the plan meets certain standards established by the *EI Regulations*, the employer's share of the EI premiums could be paid at a reduced rate (less than 1.4).

To benefit from a reduced employer premium rate, you must register annually with the EI Premium Reduction Program by submitting:

- an application and the appropriate schedules, which you can find in the *Application Guide for the Employment Insurance Premium Reduction Program* (IN-121A-01-98E); and
- a copy of the plan.

You can get the *Application Guide for the Employment Insurance Premium Reduction Program* from your local Human Resources Centre of Canada or by contacting the:

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

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

The employer's share of the EI premiums is only reduced on behalf of employees covered by the approved plan (this includes employees serving an eligibility period under the plan of three months or less). These employees will continue to be reported under the current account which will be set at a reduced rate. **The employer will be asked by an officer of the EI Premium Reduction Program to get an additional payroll deductions account to make a separate remittance for employees not covered by the plan.**

You have to file a separate T4 return (T4 Summary form and related T4 slips) for each account number. Report your employees covered by the plan (this includes employees serving an eligibility period under the plan of three months or less) using your payroll deductions account at the

reduced EI premium rate. Report your employees not covered by the plan using your other payroll deductions account at the standard rate of 1.4. Where an employee was reported under both accounts in the same calendar year, file a separate T4 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.

To use these tables:

- Look down the "Insurable Earnings" column for the bracket that lists the employee's insurable earnings.
- Beside this bracket, you will find a corresponding amount in the "EI premium" column. **Do not** deduct more than the maximum EI premium amount for the year. The yearly maximum appears in the 1999 *Payroll Deductions Tables*.

Note

New *Payroll Deductions Tables* are usually available in mid-December each year.

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 more than the maximum amount that appears in Part C of the 1999 *Payroll Deductions Tables*.

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 1999 *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 Part C of the 1999 *Payroll Deductions Tables* (usually available in mid-December each year). 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 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*. Your request must be made no later than three years from the end of the year in which the overpayment occurred. You can get Form PD24 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, we will send you a notice asking you to pay the contributions. 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.

However, you **cannot** recover a contribution amount that has been outstanding for more than 12 months.

You are responsible for the employer's share.

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

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
September 1998	\$14.00
October 1998	\$14.00
November 1998	\$18.00
December 1998	<u>\$25.00</u>
Total	\$71.00

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

	Employee	Employer	Total
EI premiums	\$71.00	\$99.40 ¹	\$170.40 ²

¹1.4 × employee premiums

² plus penalty and interest

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

	Current deduction	Employer's recovery
January 1999	\$14.00	\$14.00 (for September 1998)
February 1999	\$18.00	\$14.00 (for October 1998)
March 1999	\$14.00	\$18.00 (for November 1998)
April 1999	\$30.00	<u>\$25.00</u> (for December 1998)
Total	\$71.00	

New Hires Program

Small businesses with employer premiums of less than \$60,000 in 1996 are eligible to receive benefits under this new program. New businesses starting in 1997 or 1998 may also be eligible. Depending on wage rates, firms with up to about 100 full-time employees are eligible (the number could be larger in firms with mostly part-time employees).

Eligible small businesses can get up to \$10,000 in premiums relief in each of the years 1997 and 1998. The program is designed to be as flexible as possible to recognize the differing circumstances businesses face. Therefore, small businesses have the option of adjusting their premium payments during the year or claiming a benefit at the end of the year when they file their T4 or T4F information returns.

Also, the program gives relief to small businesses with part-time employees if these businesses are paying EI employer premiums for the first time as a result of moving to an hours-based EI system.

We offer this program to employers that operate as a proprietorship, partnership, trust, corporation, or any other type of organization.

You are eligible for the program if you operated a small business and employed people in 1996 or just started a business in 1997 or 1998, providing you meet the following two conditions:

- your share of 1996 EI premiums, including the 1996 premiums of all employers with whom you were associated with at any time in 1997 or 1998, was less than \$60,000; and
- your share of 1997 or 1998 EI premiums, including the 1997 or 1998 premiums of all employers with whom you were associated with at any time in 1997 or 1998, was at least \$250 more than the amount of 1996 EI premiums for you and all associated employers.

If you are part of an associated group of employers, you calculate the premium relief on a group basis.

For the purposes of the New Hires Program, an associated employer is:

- any employer that is associated with another employer for the purpose of the *Income Tax Act*; or
- any employer that acquires a business or part of a business from another employer by purchase, sale, amalgamation, merger, or by any other means.

When determining if you are associated with another employer for the purpose of the *Income Tax Act*, note that employers who are individuals or partnerships are considered to be corporations under the New Hires Program.

- For a **partnership**, the employer is considered to be a corporation, where all the shares with full voting rights are owned by the members in the same proportion as the member's share of the income or loss of the partnership.
- For an **individual**, the employer is considered to be a corporation, where the individual owns all the shares with full voting rights of the capital stock.

If two or more employers are associated with each other and are eligible for an EI employer premium refund under New Hires Program, the total premium refund for all such employers is not more than the maximum refund available under the *Employment Insurance Act* for a single employer.

The benefit is calculated by completing Form RC89, *Employer's Application for a Refund of Employment Insurance Premiums Under the New Hires Program*. The allocation of the benefit is determined in the following way:

- Where a written agreement exists, the allocation of the benefit will be determined by the terms of this agreement, provided that it is signed by all the associated employers and filed with the Minister no later than February 28 following the year in which the employer EI premiums were paid.
- Where a written agreement does not exist, the allocation of the benefit will be determined by the following formula:

$$\frac{A \times B}{C}$$

- A: the premium refund benefit;
- B: the amount paid in employer EI premiums by the associated employer in the year; and
- C: the total amount paid in employer premiums by the associated employers in the year.

For more information about associated employers, see Interpretation Bulletin IT-64, *Corporations: Association and Control – After 1988*.

What amount of benefit is available?

We base the amount of benefit a small business can receive on the conditions that follow:

- A small business may have EI employer premiums in 1997 that are \$250 more than those it paid in 1996. If so, the business may be eligible for a maximum benefit of up to \$10,000.
- For 1997, an eligible small business can get a benefit of 100% of the difference (premiums paid in 1997 minus [1996 premiums paid + \$250]).
- For 1998, an eligible small business can get a maximum benefit of 25% of the difference (premiums paid in 1998 minus [1996 premiums paid + \$250]).

Note

For firms whose EI employer premiums were between \$50,000 and \$60,000 in 1996, the benefits will be phased down based on each dollar paid. If your share of the 1996 employer EI premiums is \$60,000 or more, you cannot claim the benefit.

For more information on how to calculate the amount of benefit available, read the pamphlet called *New Hires Program* which is available at your tax services office or tax centre.

How to get a benefit

There are three methods of receiving a benefit under the New Hires Program. If you are eligible, you can choose the method that is most advantageous to you:

- Method 1 – Year end;
- Method 2 – For 1997 – After paying the equivalent of your 1996 employer premiums, plus \$250;
For 1998 – After paying the equivalent of your 1996 employer premiums, plus \$250, pay only 75% of your remaining employer premiums, up to the ceiling amount; or
- Method 3 – Monthly comparisons.

Note

For 1998, only 25% of the monthly difference should be claimed.

Whatever method you choose for 1997 or 1998, you have to complete Form RC89, *Employer's Application for a Refund of Employment Insurance Premiums Under the New Hires Program*, attached in the middle of this guide, to claim the amount of credit available to you. You have to file this form with each T4 or T4F information return for 1997 and 1998.

Note

If you file on magnetic media, send Form RC89 to the Ottawa Tax Centre.

To get additional copies of the form, contact your tax services office or tax centre. You can also find the form on the Internet at: <http://www.rc.gc.ca>

For more information on each method, read the pamphlet called *New Hires Program*.

Establishing the number of insurable hours for record of employment purposes

Hours of work are used to determine if workers are entitled to benefits and for how long. Employers have to keep records of and report total hours of insurable employment for the last 52 weeks.

The number of insurable hours is determined as follows:

For an employee who is paid hourly – The number of insurable hours is 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. 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 – Full-time employees that are limited by law to less than 35 hours per week will be credited 35 insurable hours per week. Part-time employees in these circumstances are credited with a proportionate number of hours.

Military and police – Full-time members of the Armed Forces or a police force will be credited 35 insurable hours per week, unless the employer keeps and provides the actual number of hours worked on the *Record of Employment*.

Overtime – One hour of overtime work equals one hour of insurable employment, even if the rate of pay is higher.

Worker called in to work – The number of insurable hours equals the number of hours paid.

Stand-by hours – Stand-by hours are not considered as “hours worked” and therefore do not generate any insurable hours.

Statutory holiday – One hour of work during a statutory holiday equals one hour of insurable employment, even if the rate of pay is higher.

Paid leave – One hour of vacation time taken, paid sick leave, or compensatory time off is considered 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 the guide *How to Complete the Record of Employment (ROE) Form*, which is available from the nearest Human Resources Centre of Canada.

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. We have four forms to help you determine how much income tax to deduct:

- Most employees use Form TD1, *Personal Tax Credits Return*.
- Employees paid commissions and who claim expenses 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*.
- Fishers use Form TD3F, *Fisher'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 their personal tax credit amounts have not changed for the year.

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.

Note

Employees may choose not to claim the basic personal amount when they have more than one employer or payer and have already claimed that amount. In such a case, they must use claim code 0.

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.

You should advise employees who are employed by or expect to be employed by more than one employer within the year that they should consider income from all those employers when estimating their total annual income.

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 can claim it on Form TD1.

For more information, see the *Employers' Guide to Payroll Deductions – Taxable Benefits*.

Form TD1X, Statement of Remuneration and Expenses

Employees who are paid in whole or in part by commission and who claim expenses 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 (we also accept Form TD1). 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, Fisher's Election to Have Tax Deducted at Source

When a fisher sells a catch, the fisher can elect to have the buyer, also known as the **designated employer**, deduct tax from the proceeds of the sale. To do this, the fisher 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

Certain amounts that you withhold from remuneration you pay to an employee reduce the amount of income tax you have to deduct. In such situations, you **do not** need a letter of authority from a tax services office before you deduct less tax.

Determining taxable income

To determine tax deductions from your employee's remuneration, you have to deduct the following amounts from his or her gross remuneration:

- contributions to a registered pension plan (RPP);
- annual union or professional dues;
- contributions to a retirement compensation arrangement (RCA);

- contributions to a registered retirement savings plan (RRSP) (amounts deducted at source); and
- support payments required by a garnishee or a similar order of a court or competent tribunal that you received and which is dated **before** May 1, 1997.

Note

The employee who makes support payments **after** May 1, 1997, is required to get a letter of authority from his or her tax services office, to have a reduction in tax deductions. For more information, see "Letter of authority" later in this chapter.

For more information on determining taxable income, see the section called "Step-by-step calculation of tax deductions" in Part A of the 1998 *Payroll Deductions Tables*.

Transfer of funds

Normally, if you pay a **retiring allowance** to a resident of Canada, you have to deduct income tax from any part you pay directly to the recipient. However, you do not have to deduct income tax on the eligible amount of the allowance that you directly transfer to the recipient's 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 that 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.

For more information, see "Retiring allowances," in Chapter 7.

If you pay a **lump-sum payment of \$10,000 or less**, do not deduct income tax for the part of the payment that you transfer to an RPP or RRSP, when the payment is from:

- a bonus or retroactive payment;
- a superannuation or pension plan;
- an employees profit-sharing plan (EPSP);
- a death benefit;
- a deferred profit-sharing plan (DPSP);
- a registered retirement savings plan (RRSP);
- an excess amount from a registered retirement income fund (RRIF); or
- an income-averaging annuity contract (IAAC).

For more information, see "Lump-sum payments," in Chapter 7.

Letter of authority

To reduce withholding tax in situations other than the ones we have just described, you need a letter of authority from a tax services office. This would be the case if, for example,

the employee makes regular spousal support payments or contributions to RRSPs during the year.

To get a letter of authority, an employee has to write to the Client Services Division of his or her tax services office and explain why he or she wants less tax deducted. The employee should provide documents to support his or her position.

For example, if the employee makes regular **spousal support payments**, he or she should provide a complete copy of the decree, order, or agreement under which he or she makes payments. If the employee regularly contributes to RRSPs during the year, he or she should provide documents to show the amounts he or she contributes. An employee who lives in one province but works in another one may be subject to excessive tax deductions. If so, he or she can ask for a reduction in tax deductions. Keep all letters of authority with your payroll records so our officers can examine them.

We will usually issue a letter of authority for a specific tax year. It takes us about four to six weeks to process such a letter. If an employee has a balance owing to us or has not filed outstanding income tax returns, we will not usually issue a letter of authority.

Note

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, are no longer taxable for the recipient or deductible by the payer.

However, the new tax rules do 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 or other remuneration;
- tips and gratuities;
- bonuses and vacation pay;
- pensions, wages in lieu of termination notice, retiring allowances (also called severance pay), and death benefits;
- benefits under a supplementary unemployment benefit plan;

- fees and commissions; 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 RCA contribution, 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	<u>\$ 50</u>
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
	<u>\$ 83</u>

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.

For more information on contributions to an RPP for current or past service, see Interpretation Bulletin IT-167, *Registered Pension Plans – Employee's Contributions*, and the guide called *RRSPs and Other Registered Plans for Retirement*, which are available at your tax services office or tax centre.

You have to report these contributions on a T4 slip. For information on how to report RPP contributions on a T4 slip, see "T4 - Box 20 – RPP contributions" under "T4 slip" in Chapter 6.

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 "Monthly" table in Part D, "Federal and Provincial Tax Deductions," of the *Payroll Deductions Tables*.
- Look down the "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 1) 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 percentage figure that you should use. If the employee receives straight commission, apply the percentage 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 percentage 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 manually 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 centre. Make the cheque or money order payable to the Receiver General for Canada, and include a letter that states:

- that you are a new remitter;

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

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 Canadian financial institution or tax centre.

Note

If you use an automated teller machine (ATM) to send a payment to us at Revenue Canada, please allow time for the financial institution to process the payment. The institution will debit your account when you use the ATM. However, you should allow time for us to receive the payment. An ATM receipt is not proof of payment by the due date.

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

Quarterly remitter

Most employers have to remit their payroll deductions each month. Quarterly remitting gives small employers the option of remitting these source deductions once every three months.

To qualify for quarterly remitting, an employer has to:

- have an average monthly withholding amount of less than \$1,000 in either the first or the second preceding calendar year;
- have a perfect compliance history in the previous 12 months; and
- have no outstanding GST/HST returns or T4 information returns for the previous 12 months.

Note

We consider an employer to have a perfect compliance history when all deductions, withholdings, and

remittances of income tax, GST/HST, Canada Pension Plan contributions, and Employment Insurance Premiums have been made on time, and T4 information returns and GST/HST returns are also filed on time.

You do not have to apply to remit quarterly. We will notify eligible employers by mail that they have the option to remit quarterly, and will provide more information on quarterly remitting.

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

Note

The Department conducts an annual review to identify employers who qualify to be quarterly remitters. However, employers can apply to remit quarterly by contacting their tax services offices, at any time during the year, if they have met the conditions mentioned above.

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

Payments can be remitted to a Canadian financial institution or tax centre.

Note

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

New employers

If you are a new employer, you are eligible for quarterly remitting only after 12 months of business. At that time, if you meet the conditions mentioned above and you want to remit quarterly, contact your tax services office.

For more information on quarterly remitting, contact your tax services office.

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 (1997) before the current calendar year (1999).

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

- Threshold 1 employers can make payments at a Canadian financial institution or tax centre.

Threshold 2

- This includes employers with an average monthly withholding amount of \$50,000 or more in the second preceding calendar year (1997) before the current calendar year (1999).
- Amounts you deduct or withhold from remuneration you pay any time during the month are due by the third working day (not counting Saturdays, Sundays, or holidays) after the end of the following periods:
 - from the 1st through the 7th day of the month;
 - from the 8th through the 14th day of the month;
 - from the 15th through the 21st day of the month; and
 - from the 22nd through the last day of the month.
- Threshold 2 employers have to make payments at a **Canadian financial institution**. They cannot make payments at a tax services office or tax centre.

Note

If you use an automated teller machine (ATM) to send a payment to us at Revenue Canada, please allow time for the financial institution to process the payment. The institution will debit your account when you use the ATM. However, you should allow time for us to receive the payment. An ATM receipt is not proof of payment by the due date.

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

Note

Under the *Income Tax Act*, employers have the option of changing their remitting frequency based on their average monthly withholding amount in the previous year. If you want to use this option, contact your tax services office or tax centre. We 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 and quarterly 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 and quarterly 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 (for regular remitters) or the last month and the year of the quarter for which you are remitting (for quarterly remitters);
- 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," on your employees' T4 slips; and

Note

For quarterly remitters this relates to the last month of the quarter.

- the number of employees in the last pay period—include any employee for whom you will prepare a T4 slip, such as part-time and temporary employees, and employees absent with pay. Do not include people for whom you will not complete a T4 slip, 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 or quarter, such as employees on unpaid leave.

Part 3 – If you will not be making a remittance during the month or quarter, 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 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 for Canada, 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.

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 (they receive Form PD7A). 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.

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

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 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," on your employees' T4 slips; and

- the number of employees in the last pay period—include any employee for whom you will prepare a T4 slip, such as part-time and temporary employees, and employees absent with pay. Do not include people for whom you will not complete a T4 slip, 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 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 who receive Form PD7A) have to use Form PD7A-RB, *Remittance Form for Current Source Deductions*, copies of which we provide 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

Do not send cash in the mail.

Missing or lost remittance forms

If you are a **regular** or **quarterly** remitter and do not receive your remittance form for the month or quarter, or if you

lose one, send your cheque or money order made payable to the Receiver General for Canada to your tax centre. Include a short note that states your Business Number and the month or quarter for which you withheld the deductions.

If you are an **accelerated** remitter and you did not receive your remittance forms or you lost them, contact 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

Which forms should you use?

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

Type of slip	Use this slip to report:
T4 <i>Statement of Remuneration Paid</i>	<ul style="list-style-type: none"> ■ salary, wages, tips or gratuities, and employment commissions you paid to employees during the year <p>Note Paycheques issued in 1998 are reported on the 1998 T4 slips and paycheques issued in 1999 are reported on the 1999 T4 slip, regardless of when the services are performed or rendered.</p> <ul style="list-style-type: none"> ■ taxable benefits or allowances ■ deductions you withheld during the year ■ 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)
T4A <i>Statement of Pension, Retirement, Annuity, and Other Income</i>	<ul style="list-style-type: none"> ■ pension or superannuation ■ lump-sum payments ■ annuities ■ retiring allowances ■ other income (see "T4A - Box 28 - Other income" in Chapter 6) ■ PA amounts that pension plan administrators report ■ RESP accumulated income payments ■ RESP educational assistance payments
T4F <i>Statement of Fishing Income</i>	<ul style="list-style-type: none"> ■ the gross and insurable earnings of each self-employed fisher and the EI premiums that a designated employer* has deducted ■ remuneration and tax withheld when a self-employed fisher has asked that these amounts be withheld (by providing the payer with a completed Form TD3F, <i>Fisher's Election to Have Tax Deducted at Source</i>) <p>*To find out if you are a designated employer, see the pamphlet <i>Fishers and Employment Insurance</i>.</p>
Type of summary form	Use this form to report:
T4, T4A, and T4F	<ul style="list-style-type: none"> ■ the totals of all amounts you record on the related slips

Note

- The forms listed above, except for the T4F slip and T4F Summary form, apply to resident and non-resident payers.
- For instructions on how to complete the T4A-NR Return, see our publication called *Non-Resident Withholding Tax Guide – Includes the NR4 Return, and the T4A-NR Return* available at any tax services office or tax centre.
- For instructions on how to complete the T4A-RCA Return, see the publication called *Retirement Compensation Arrangements Guide* available at any tax services office or tax centre.

Types of T4 and T4A slips available

Slip	Description	Type of filing
T4 <i>Statement of Remuneration Paid</i>	four-copy, carbon-loaded for impact printer or hand filled	paper
	single-page style for laser printers only (two per sheet)	paper or magnetic media
	three-copy, continuous self-mailer for impact printer	magnetic media only
T4A <i>Statement of Pension, Retirement, Annuity, and Other Income</i>	four-copy, carbon-loaded for impact printer or hand filled	paper
	single-page style for laser printers only (three per sheet)	paper or magnetic media
	three-copy continuous for impact printer or hand filled	magnetic media only

How to order your blank T4 and T4A slips

To order blank copies of T4 and T4A slips, complete the order form at the back of this guide or contact your tax services office. You can find the address and telephone numbers of your tax services office listed under "Revenue Canada" in the Government of Canada section of the telephone book. You can also write or visit your tax centre. The addresses of your tax centres are listed at the end of this guide.

You can order other forms and publications by completing the order form or contacting your tax services office or tax centre.

How to file information returns

An information return consists of two things:

- slips; and
- the related **summary forms**.

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

You have to file T4, T4A, and T4F information returns each year by the **last day of February**. After you complete your returns, mail them to:

Ottawa Tax Centre
Revenue Canada
~~875 Heron Road~~
Ottawa ON K1A 1G9

Use the envelope provided.

Each summary form tells you how to distribute the copies.

Amended slip – If, after you file your returns, you need to send us amended slips, send copy 1 of the slips to your tax centre.

We have set new tax centre realignment boundaries. Check the list of tax centres included at the end of this guide. Your tax centre may have changed since last year.

Note

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

When you send us copies of the slips, **keep T4s two to a page and T4As and T4Fs three to a page**. This will allow us to process your information return faster.

Distributing copies of T4 slips

Copy 1

Copy 1 of each T4 slip must be attached with the related summary form. If you file on magnetic media (cartridge or diskette), you do not have to file a paper copy of the slips or summary form.

Copies 2 and 3

Copies 2 and 3 must be delivered or mailed to the employees by the **last day of February 1999**.

Copy 4

You must keep copy 4 of the slips and a copy of the summary form for your files.

Customized 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:

Forms Management Division
Publishing Directorate
Revenue Canada
~~17th floor~~
~~Albion Tower~~
~~25 Nicholas Street~~
Ottawa ON K1A 0L5

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

For more information about customized forms, see Information Circular 97-2, *Customized Forms – Returns and Information Slips*.

Note

Beginning with the 1998 taxation year, Revenue Canada will start capturing the T4 slips using state-of-the-art scanning and imaging technology. As a result, the T4 slip has taken on a whole new look.

As detailed in Information Circular 97-2, *Customized Forms – Returns and Information Slips*, approval of a customized Part 1 of the T4 slip will only be given if your form is **identical** in size (2 up), location of image, paper stock, and ink type to the Department's form. Any variation from the Department's form will not be accepted. However, you can still customize the "employee's copies" (copies 2 and 3), provided you follow the criteria in the above mentioned circular.

Do you file information returns on magnetic media?

Filing on magnetic media means filing your T4 and T4A 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 slips or three-copy T4A slips. By using self-mailing T4 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 get copies of the self-mailing T4 slips for 1999, send your order to the following address before the end of August 1999:

Publishing Directorate
Revenue Canada
17th floor
Albion Tower
25 Nicholas Street
Ottawa ON K1A 0L5

Note

You cannot get the self-mailing T4 slips from your tax services office or tax centre.

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 slips. Only attach paper copies of any slips 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:

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

Note

If you are eligible to receive benefits under the New Hires Program, you have to complete Form RC89, *Employer's Application for a Refund of Employment Insurance Premiums Under the New Hires Program*, attached in the middle of this guide, to claim the amount of credit available to you. Send the form to the Ottawa Tax Centre.

You may need to correct original data submitted on magnetic media. If you do, make these corrections on paper. For information on correcting slips, see the section later in this chapter called "How can you amend, replace, or cancel 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 – T4, T4A, and T4A-NR*, available from your tax services office or tax centre, or call 1-800-665-5164.

This publication is also available on the Internet at: <http://www.rc.gc.ca/magmedia>

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 (slips and related summary form) of that branch as a separate return.

What should you do with large returns?

If you have a T4 return that contains more than 200 slips, split the return into bundles of 200 slips. T4A returns that contain more than 300 slips, should be split 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, replace or cancel slips?

Amending slips

After you file your information return, you may notice that you made an error when preparing the T4, T4A, or T4F slips. If so, you will have to prepare amended slips to correct the information. Clearly identify the new slips as amended slips by writing "amended" at the top. When you amend a slip, make sure you complete all the necessary boxes, including the information that was correct on the original slip. Distribute the amended slips to your employees the same way as the originals. Send copy 1 of the slips to your tax centre with a letter explaining the reason for the amendment. The address of your tax centre is listed at the end of this guide.

Note

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

Cancelling slips

If you are cancelling a T4 slip, enter an "X" in the "void" box of the T4.

If you are cancelling a T4A or T4F slip, send us a copy of the original clearly marked "cancelled."

If you see errors on the T4 slips **before** you file them with us, you can correct them by preparing new slips. Enter an "X" in the "void" box on incorrect copies. **Do not remove** any void copies from the return.

If you notice errors on the T4A or T4F slips **before** you file them with us, you can correct them by preparing new slips and **removing** any incorrect copies from the return. If you do not prepare a new slip, initial any changes you make on the slip.

Ensure you also correct the summary form.

Replacing slips

If you issue T4, T4A, or T4F 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.

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

You have to report a recalculation of a 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 recalculating a PA, see the *Pension Adjustment Guide*. For information on calculating a PSPA, see the *Past Service Pension Adjustment Guide*.

If a recalculated 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 or T4A slip to either correct a previously reported PA or to report an amended 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 or T4A slip showing the correct PA. If you previously reported a PA for the employee in a particular year, you have to show the **total PA** that applies for that year on an amended T4 or T4A slip.

What happens after you send in your completed information return?

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

The Information Declaration System (INFODEC) records and stores the information found on both the slips and the summary form.

Additional processing information

Other federal government departments use our T4 information. Most importantly, Human Resources Development Canada (CPP Branch) uses the information on the T4 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, T4A, and T4F 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 get 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 slips that you send in with your T4 Summary form 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 slips.

If you file on magnetic media and report an employee number on your T4 slips, we will display the employee number on the PIER.

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.

Note

You will be responsible for remitting the balance due including your employee's share.

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 1998) from the CPP pensionable earnings shown in box 26 on the employee's T4 slip.

Step 2: Multiply the result of Step 1 by the current year's CPP contribution rate (3.2% for 1998).

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

If you did not report pensionable earnings in box 26 of the T4 slip, we base the calculation on the amount in box 14, "Employment earnings," 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 slip, you can complete the "Year-end calculation of deductions for employee Canada Pension Plan contributions" on page 76 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 slip, by the current year's EI premium rate (2.7% for 1998).

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

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

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

Note

If there is an "X" in box 28 (CPP/QPP or EI exempt) of the T4 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 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 and answers 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 more information on 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*, make sure that you deducted contributions for each type of remuneration that is subject to EI.

Question 2: Was the employee a student?

If the employee was a student, make sure that you deducted contributions for each type of remuneration that is subject to EI as you do for an ordinary employee. There is no age limit for deducting EI premiums.

General guidelines for completing slips

Before you start to enter information on the 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.
 - Ensure the SIN you enter on the T4 slip for each employee is correct.
 - If you had an employee who worked in more than one province during the year, prepare a separate T4 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.
 - Do not print or type the dollar sign (\$).
 - Report all amounts in Canadian dollars and cents. However, report the pension adjustment (PA) in box 52 in Canadian dollars only.
 - Do not show negative dollar amounts on slips. To make changes to previous years, send us an amended slip for the years in question.
- Do not change the headings of any of the boxes.
 - If you give employees multiple slips, either because they were employed in more than one province or on different payrolls, you should report the PA proportionately on each T4 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 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 slip.
- If you did not receive a personalized T4 or T4A Summary form, get a blank one from your tax services office or tax centre. Enter your Business Number, operating or trading 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 slips.
- **The totals you report on your summary form have to agree with the totals you report on your slips.** Errors or omissions can cause unnecessary processing delays.

■ The working copy (copy 3) of the T4 Summary form has been moved to the back of this guide. Use that copy as your working copy. When you complete the working copy, transfer the data to copy 1 of the summary form. Tear it out from the guide and keep it for your records.

Copy 3 of the T4A and T4F Summary form is still your working copy. When you complete the working copy, transfer the data to copy 1 of the summary form. Keep it for your records.

Send copies 1 and 2 of Forms T4, T4A, and T4F Summary and copy 1 of the related slips to the Ottawa Tax Centre. You can find the address on the summary form.

T4 slip

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

To increase efficiency and reduce processing costs, we will be capturing the 1998 T4 slip information using electronic scanning machines. The scanning machines we use can read almost any character type. **However, our scanners do not detect red, please use black or blue ink.**

The major changes are:

- The year is not pre-printed on the T4.

- The boxes on the four-copy carbon-loaded T4s have frames.
- There is a new "Void" box in the top portion of the T4.
- We added box 29, "Employment code" to identify special situations such as a placement agency, taxi driver, barber or hairdresser or withdrawal from a prescribed salary deferral arrangement plan.
- There is a new "Other information" area at the bottom of the T4. It contains unnumbered boxes where you will enter the codes and amounts that relate to employment commissions, taxable allowances or benefits, and deductible amounts that apply. That new area replaces the footnotes area.

Example 1

Other information (Autres renseignements)
Autres renseignements

Box 7 Case Amount / Montant Box 7 Case Amount / Montant

Box 7 Case Amount / Montant Box 7 Case Amount / Montant Box 7 Case Amount / Montant

Handwritten slips

When writing in the boxes that have framed spaces, neatly print one character within each frame. Enter large characters, but make sure that numbers and letters are completely within the frames and do not touch each other or overlap. You also have to line up the dollars and cents according to the dollar-cent delimiter triangle.

Example 2

14 1 2 6 5 7 8 0 0

Typed or machine-printed slips

If you type or machine-print your slips, you can ignore the frames and the dollar-cent delimiter triangle when entering the employee's name and postal code or any amount.

Example 3

Employee's name and address - Nom et adresse de l'employé

Surname - Nom de famille
Dickson

First name - Prénom Initial - Initiale
Peter JM

Address - Adresse
224 Clarence Ave

Ottawa ON

Canada Postal code - Code postal
K1C 5C4

Example 4

18 63.83

Note

The above instructions for handwritten and typed or machine-printed slips apply to four-copy carbon-loaded T4s. If you use T4 slips for laser printers, read the next section.

Slips for laser printers

Revenue Canada provides T4 slips for laser printers. To complete these slips, please follow the instructions below.

You can use these slips if you file by **paper** or **magnetic media**. Do not use the laser T4 if you are handprinting the slips.

If you file your T4 slips by **paper**, you have to complete:

- **One copy** of the T4 for each employee to send with your T4 Summary return. On one sheet, print the information for two different employees;
- You no longer have to print a copy designation on the laser form.
- **Two copies** to give or mail to each employee by the last day of February 1999. On one sheet, print the two T4 slips that you have to give to each employee. **Do not print** your Business Number (box 54) on these copies; and
- **One copy** to keep for your file (as it is optional you can print another sheet or simply photocopy the one you have to send with your T4 Summary return).

If you file your T4 slips on **magnetic media**, keep the following in mind:

- Do not print the copy you normally have to send to Revenue Canada with your T4 Summary return. See *Computer Specifications for Data Filed on Magnetic Media - T4, T4A, and T4A-NR* for an explanation of the technical specifications and instructions you need to file the remuneration and deduction data produced on magnetic media.
- Print **two copies** to give or mail to each employee by the last day of February 1999. On one sheet, print the two T4 slips that you have to give to each employee. **Do not print** your Business Number (box 54) on these copies.
- Print **one copy** to keep for your file (as it is optional you can print the information for two different employees on one sheet.)

If you need additional copies of T4 slips for laser printers, complete the order form at the back of this guide, or contact your tax services office or tax centre.

When to complete the T4 slip

You have to complete T4 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 slip, even if the total remuneration is less than \$500.

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

How to complete the T4 slip

Employer's name

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

Employee's name and address

Print or type the employee's last name in capital letters, followed by the first name and initial. If the employee has more than one initial, in the "First name" box, enter the employee's first name followed by the initials. If you enter only the employee's initials, enter them at the beginning of the "First name" box. Do not enter the title of office, or courtesy title of the employee (e. g., Director General, Mr., or Mrs.). Enter the employee's address, including the province, territory, or U.S. state, Canadian postal or American zip code, and country.

Note

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

For information on completing the T4 slip for special situations (e.g., barbers and hairdressers, or taxi drivers), see Chapter 8.

Year

Enter the four digits of the calendar year in which you paid the remuneration to the employee.

T4 - Box - Void

Enter an "X" in this box if the T4 is cancelled. Otherwise, leave blank.

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 tables 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 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 "Reporting the correct social insurance number (SIN)" above in this chapter and "Social insurance number (SIN)" in Chapter 1 of this guide.

T4 - Box 14 - Employment income

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). Include commissions, taxable allowances, the value of taxable benefits (including any GST/HST), and any other payments you paid to employees during the year. Include these in box 14, even if they appear separately in the "Other Information" area of the slip. Also include payment out of an employee benefit plan (EBP) and amounts that a trustee allocated 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).

Note

In the following cases, see Chapter 8 for instructions on how to complete box 14 on the T4 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 CPP/QPP contributions

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. Leave both boxes blank if the employee did not contribute to either plan.





Basic instructions for completing the new T4 slip

This leaflet was designed for the most common reporting requirements and provides basic instructions for completing the new T4 slip. The following table will tell you if you can use it, based on your employees' situation and the type of income they receive from you, and which guide to use with it, if applicable.

Situation	Can you use this leaflet?
You only paid your employees a basic salary, wage, or commission.	Yes
In addition to a basic salary, wage, or commission, you paid your employees any of the following taxable allowances and benefits: - housing, board, and lodging; - travel in a prescribed zone; - interest-free and low-interest loans; and - stock option benefits.	Yes
You provide other taxable benefits or allowances to your employees, such as: - automobile allowances or benefits; - group term life insurance, health services plan, or wage-loss replacement plan premiums, or medical expenses; - municipal officer's or emergency volunteer's expense allowance; - tuition, professional, or counselling fees; or - gifts, awards, holiday trips, or moving expenses.	Yes Also use the <i>Employers' Guide to Payroll Deductions - Taxable Benefits</i>
The employee: - is a Status Indian; - is a Canadian resident who worked for you outside Canada for all or a portion of the year; or - has pre-1990 past service RPP contributions.	No Use the <i>Employers' Guide to Payroll Deductions - Basic Information</i>

What's new for 1998?

To increase efficiency and reduce processing costs, we will now use electronic scanning machines to capture the information you enter on the T4 slip.

The major changes to the T4 slip are:

- the year is not preprinted;
- the boxes on the 4-copy carbon-loaded T4 slips have frames;
- there is a new "Void" box in the top part;
- there is a new "Employment code" box in the top part; and
- there is a new "Other information area" at the bottom. It contains unnumbered boxes where you will enter the codes and amounts that relate to employment commissions, taxable allowances or benefits, and deductible amounts that apply. You no longer enter footnotes on the slip. Example:

General information

When you complete the T4 slips:

- print clearly or type using **capital letters**. Use black or blue ink—our scanning machines do not detect red;
- report all amounts you paid and deducted in the year according to your payroll records in **Canadian dollars and cents**;
- do not print or type the dollar sign (\$) in the boxes;
- do not change the headings of any of the prenumbered boxes; and
- give each employee two copies of the T4 by the **last day of February**.

Handwritten slips

When writing in the boxes that have frames, print one character in each frame. Enter large characters, but make sure that numbers and letters are completely within the frames and do not touch each other or overlap. Line up the dollars and cents according to the dollar-cent delimiter triangle. Example:

Typed or machine-printed slips

If you type or machine-print your slips, you can ignore the frames and the dollar-cent delimiter triangle when entering the employee's name and postal code or any amount.

Examples:

Surname - Nom de famille		Employee's CPP contributions Cotisations de l'employé au RPC	
WORKER		16	655.84
Postal code - Code postal			
K3K 8T8			

Note

The instructions above for handwritten and typed or machine-printed slips apply only to the 4-copy carbon-loaded T4 slips. See Chapter 6 of the *Employers' Guide to Payroll Deductions - Basic Information* if you print your T4s on a laser printer.

How to complete the top part?

Employer's name

Enter your operating or trading name.

Employee's name and address

Enter the employee's surname, followed by the first name and initial. Do not enter the title of office or courtesy title (e.g., Director, Mr, or Mrs.). If the employee has more than one initial, enter them after the first name, in the "First name" box; if you are entering only the employee's initials, enter them in the "First name" box.

Below the name, enter the employee's address, including the province, territory, or U.S. state, Canadian postal or American zip code, and country.

Year

Enter the four digits of the tax year.

Void box

Enter an "X" in this box if the T4 is cancelled. Otherwise, leave it blank.

Box 10 - Province of employment

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

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

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

Box 12 - Social insurance number (SIN)

Enter the employee's SIN as it appears on the employee's SIN card.

Box 14 - Employment income

Enter 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).

Include commissions, taxable allowances, the value of taxable benefits, and any other payments for services the employee performed during the year, even if they appear separately in the "Other information" area of the T4. Also include payments made out of an employee benefit plan and amounts allocated by an employee trust.

Boxes 16 and 17 - Employee's CPP/QPP contributions

Enter the amount you deducted from the employee for contributions to the Canada Pension Plan (CPP) or the Quebec Pension Plan (QPP). Make your entry under "CPP" (box 16) or "QPP" (box 17), depending on the province of employment. Leave both boxes blank if the employee did not contribute to either plan. **Do not enter your share of CPP/QPP contributions.**

See "CPP Overpayment," in Chapter 2 of the *Employers' Guide to Payroll Deductions - Basic Information* if you overdeducted contributions from the employee. **Do not adjust** the amounts you report on the T4.

Box 18 - Employee's EI premiums

Enter the amount of Employment Insurance (EI) premiums you deducted from the employee's earnings. Leave the box blank if you did not deduct premiums. **Do not enter your share of EI premiums.**

See "EI Overpayment," in Chapter 3 of the *Employers' Guide to Payroll Deductions - Basic Information* if you overdeducted premiums from an employee. **Do not adjust** the amounts you report on the T4.

Box 20 - RPP contributions

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

Box 22 – Income tax deducted

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

Box 24 – EI insurable earnings

Enter the amount you used to calculate the employee's EI premiums. Leave the box blank if:

- there are no insurable earnings;
- insurable earnings are the same as the employment income in box 14; or
- insurable earnings are over the maximum for the year.

Box 26 – CPP/QPP pensionable earnings

In most cases, you will leave this box blank. However, you have to complete it if you had an employee who, during the year:

- reached the age of 18 or 70;
- was considered to be disabled under the CPP or QPP; or
- received a retirement pension under the CPP or QPP.

You also have to complete the box if you had an employee who is subject to QPP and the pensionable earnings are more than the employment earnings in box 14, regardless of the employee's province of residence.

Box 28 – CPP/QPP and EI Exempt

Enter an "X" under CPP/QPP if the earnings were exempt for the **entire** period of employment. Leave blank if you entered an amount in box 16, 17, or 26.

Enter an "X" under EI if the earnings were exempt or not eligible for the **entire** period of employment. Leave blank if you entered an amount in box 18 or 24.

Box 29 – Employment code

Enter the appropriate code in this box if one of the following situations applies. Otherwise, leave it blank.

- | | |
|----|---|
| 11 | Placement agency – self-employed |
| 12 | Driver of taxi or other passenger-carrying vehicle |
| 13 | Barber or hairdresser |
| 14 | Withdrawal from a prescribed salary deferral arrangement plan |

Box 44 – Union dues

Use this box only if you and the union agree that the union will not issue receipts for union dues to employees.

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.

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

Box 46 – Charitable donations

Enter the amount you deducted from the employee's earnings for donations to registered charities in Canada.

Box 50 – RPP or DPSP registration number

Enter the seven-digit registration number we issue for an RPP or a deferred profit sharing plan (DPSP). If you have an unregistered foreign pension plan for which we issued a plan identification number, enter this number.

Box 52 – Pension adjustment

Enter the dollar amount of the employee's pension adjustment for the year if you have an RPP or a DPSP. Special calculation rules apply in some circumstances. See Chapter 6 of the *Employers' Guide to Payroll Deductions – Basic Information*.

Box 54 – Business Number

Enter your 15-digit Business Number (BN) that you use to send us your employees' deductions. The BN appears in the top left corner of your statement of account, which we send to you each month.

Your BN only appears on copy 1 of the slip. It does not show on the two copies that you give to your employees.

How to complete the "Other information" area?

The "Other information" area at the bottom of the T4 slip has boxes for you to enter codes and amounts that relate to employment commissions, taxable allowances and benefits, and deductible amounts, if they apply. See Chapter 6 of the *Employers' Guide to Payroll Deductions – Basic Information* for a listing of the codes.

The instructions in this section briefly outline what you should enter for certain taxable allowances and benefits and deductible amounts, and for employment commissions. See the *Employers' Guide to Payroll Deductions – Taxable Benefits* if you need more detailed information.

Code 30 – Housing, board, and lodging

If you provided an employee with free or subsidized housing, meals, or board and lodging, enter code 30 and the corresponding amount, including the Goods and services tax/harmonized sales tax (GST/HST) that applies, in one of the boxes. Also include this amount in box 14. As an employer, you have to estimate and report the fair market value of these benefits.

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

Code 31 – Special work site

If an employee received a benefit for board and lodging at a **special work site** in a prescribed zone and you completed Form TD4, *Declaration of Exemption – Employment at a Special Work Site*, enter code **31** and the corresponding amount, including the GST/HST that applies, in one of the boxes. Do not include this amount in box 14 or under code 30.

Code 32 – Travel in a prescribed zone

If you provided an employee living in a prescribed zone with an amount for travel assistance, enter code **32** and the corresponding amount, including the GST/HST that applies, in one of the boxes. Include this amount in box 14.

Code 33 – Medical travel

If you provided an employee living in a prescribed zone with an amount for **medical travel** assistance, you have to identify it. Enter code **33** and the medical portion of the travel assistance reported under code 32, including the GST/HST that applies, in one of the boxes.

Code 36 – Interest-free and low-interest loan

If you provided an employee with a benefit from this type of loan, including a home loan, because of an office or employment (or intended employment), enter code **36** and the corresponding amount in one of the boxes. No GST/HST applies to this benefit. Include this amount in box 14.

Code 37 – Employee home-relocation loan deduction

If the employee obtained an interest-free or low-interest home relocation loan, you have to identify the amount the employee can deduct. Enter code **37** and the deductible portion of the amount reported under code 36 in one of the boxes.

Code 38 – Stock option benefits

If an employee receives a taxable benefit under a corporation's agreement to issue its shares to the employee, enter code **38** and the corresponding amount in one of the boxes. No GST/HST applies to this benefit. Include this amount in box 14.

Note

Under proposed changes, these rules will be extended to apply to options that are granted after February 1998 by mutual fund trusts to their employees to acquire trust units.

Code 39 – Stock option and shares deduction – 110(1)(d)

If the employee is entitled to deduct an amount under paragraph 110(1)(d) of the *Income Tax Act*, enter code **39** and one-quarter of the amount you reported under code 38 for those shares.

Code 41 – Stock option and shares deduction – 110(1)(d.1)

If the employee is entitled to deduct an amount under paragraph 110(1)(d.1) of the *Income Tax Act*, enter code **41** and one-quarter of the amount you reported under code 38 for those shares.

Code 42 – Employment commissions

If an employee sold property or negotiated contracts for you, enter code **42** and the amount of the employee's commissions in one of the boxes. Include this amount in box 14.

For more details, see Interpretation Bulletin IT-522, *Vehicle, Travel and Sales Expenses of Employees*.

Think recycling!



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Do not report the employer's share of CPP/QPP contributions on the T4 slip.

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 slips, as follows:

- one showing the QPP you deducted and the applicable pensionable earnings, 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.

If you overdeducted contributions from the employee, **do not adjust** the amounts you report on the T4 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. However, if you choose to request your refund at a later date, your request must be made no later than four years from the end of the year in which the overpayment occurred. You can get Form PD24 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 the employer's share of EI premiums on the T4 slip.

If you overdeducted premiums from an employee, **do not adjust** the amounts you report on the T4 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 EI overpayment. Send it to us with your T4 information return. However, if you choose to request your refund at a later date, your request must be made no later than three years from the end of the year in which the overpayment occurred. You can get Form PD24 at your tax services office or tax centre.

T4 - Box 20 – RPP 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 that relates to pre-1990 past service, enter in the "Other Information" area, code 74 for past-service contributions while the employee was a contributor and code 75 for past-service contributions while the employee was not a contributor, and the corresponding amount in one of the boxes.

To determine if the employee made past-service contributions before 1990 while a contributor or while not a contributor, see Interpretation Bulletin IT-167R6, *Registered*

Pension Plans – Employee's Contributions, which is available at your tax services office or tax centre.

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. Enter code 40 in the "Other Information" area and the corresponding amount in one of the boxes. Include this amount in box 14 on the employee's T4 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.

Status Indian – Registered pension plan contributions that have been made in respect of tax exempt income are not deductible. If the employment income that relates to an RPP contribution is comprised of both taxable and tax exempt income, you have to prorate the RPP contribution.

You do not have to prorate the amount of Pension Adjustment (PA). Report the total amount in box 52 of the T4 slip, "Pension Adjustment."

T4 - Box 22 – Income tax deducted

Enter the **total** income tax you deducted from the employee's remuneration. 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. Do not include the unpaid portion of any earnings from insurable employment that you did not pay because of your bankruptcy, or receivership, or non-payment of remuneration for which the employee has filed a complaint with the federal or provincial labour authorities. Leave the box blank if:

- there are no insurable earnings;
- insurable earnings are the same as the employment income in box 14 (see box 28 later in this chapter for details); or
- insurable earnings are over the maximum for the year.

A retiring allowance is not insurable. Do not deduct EI premiums from this amount. Report the amount on a T4A slip.

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:”

- 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 was considered to be disabled 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, see “Prorating the maximum contribution for the year” in Chapter 2.

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 slip, “Employment income.” The ministère du Revenu du Québec considers certain benefits and earnings to be pensionable earnings for employees working in Quebec such as:

- Private health benefit plan premiums.
- Assumed earnings (persons 55 years of age or over whose working time is reduced by reason of phased retirement may nonetheless choose, in accordance with their employers, to make contributions to the Quebec Pension Plan (QPP) on all or part of the amount of the reduction in remuneration).

For more information, see the *Guide for Employers – Source Deductions and Contributions*, which you can get from the ministère du Revenu du Québec.

T4 - Box 28 – Exempt (CPP/QPP and EI)

Do not complete the **CPP/QPP** part of this box if you entered an amount in box 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 box 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 - Box 29 – Employment code

Enter the appropriate code in this box if one of the following situations applies. Otherwise, leave it blank.

- 11 – Placement agency—self-employed
- 12 – Taxi driver or other passenger-carrying vehicle
- 13 – Barber or hairdresser
- 14 – Withdrawal from a prescribed salary deferral arrangement plan

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 in box 44 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*.

Status Indian – Annual union, professional, or like dues related to exempt income are not deductible. When a part of the income is exempt, the portion related to the exempt income is not deductible.

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.

T4 - Box 50 – RPP or DPSP registration number

Enter the seven-digit registration number we issue for a registered pension plan (RPP), or a deferred profit-sharing plan (DPSP), or the seven-digit plan identification number we issue for an unregistered foreign pension plan under which you report a pension adjustment (PA). 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.

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 slip for the employee because the employee worked for you in more than one work location, you should report the PA proportionately on each T4 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, even if he or she is still a member of the plan, no longer accrues new pension credits in the year (e.g., this happens when the employee has accrued the maximum number of years of service in respect of 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 *Pension Adjustment 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

Measures ensure that the uniform limits on tax-deferred retirement savings 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 the PA for these types of plans or arrangements, please contact:

Registered Plans Division
Revenue Canada
700 Industrial Avenue
Ottawa ON K1A 0L5

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 does not appear on the two copies of the T4 slip that you give to your employees.

"Other information" area

The "Other information" area at the bottom of the T4 slip has boxes for you to enter codes and amounts that relate to

employment commissions, taxable allowances and benefits, deductible amounts, and other entries, if they apply.

The boxes are not pre-numbered as in the top part of the slip, you write the applicable codes by yourself.

Note

If more than six codes apply to the same employee, use an additional T4 slip.

Codes 30 to 76 - Taxable allowances and benefits, deductible amounts, employment commissions, and other entries

Use the codes below to enter taxable allowances and benefits, deductible amounts, employment commissions, and other entries that we refer to in this section.

- 30 - Housing, board, and lodging
- 31 - Special work site
- 32 - Travel in a prescribed zone
- 33 - Medical travel
- 34 - Personal use of employer's automobile
- 35 - Total reasonable per-kilometre allowance
- 36 - Interest-free and low-interest loan
- 37 - Employee home-relocation loan deduction
- 38 - Stock option benefits
- 39 - Stock option and shares deductions 110(1)(d)
- 40 - Other taxable allowances and benefits
- 41 - Stock option and shares deductions 110(1)(d.1)
- 42 - Employment commissions
- 70 - Municipal officer's expense allowance
- 71 - Status Indian employee
- 72 - Section 122.3 income - employment outside Canada
- 73 - Number of days outside of Canada
- 74 - Pre-1990 past service contributions while a contributor
- 75 - Pre-1990 past service contributions while not a contributor
- 76 - Emergency volunteers deduction

The following instructions briefly outline what you should enter in each allowance, benefit, or deductible amount, and for employment commissions. Some of these benefits must include the goods and services tax (GST) and the provincial sales tax (PST or TVQ in Quebec), if applicable, or the harmonized sales tax (HST). The *Employers' Guide to Payroll Deductions - Taxable Benefits*, explains how to calculate the value of these benefits.

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 sections on codes 30, 31, and 32 below, "T4A - Box 28 - Other income #9," later in this chapter, or the *Employers' Guide to Payroll Deductions - Taxable Benefits*.

T4 - Code 30 - Housing, board, and lodging

If you provided an employee with free or subsidized housing, meals, or board and lodging, enter code 30 and the corresponding amount in one of the boxes. 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/HST that applies to the benefit in the amount you report in this box.

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

For more information, see the *Employers' Guide to Payroll Deductions – Taxable Benefits*.

T4 - Code 31 – Special work site

If the employee received a benefit for board and lodging at a special work site in a prescribed zone and you completed Form TD4, *Declaration of Exemption – Employment at a Special Work Site*, enter code 31 and the corresponding amount (exempted portion only) in one of the boxes. Do not include this amount in box 14 or under code 30.

Note

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

T4 - Code 32 – Travel in a prescribed zone

If you provided an employee living in a prescribed zone with an amount for travel assistance, enter code 32 and the corresponding amount in one of the boxes. Include this amount in box 14.

Note

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

T4 - Code 33 – Medical travel

If you provided an employee living in a prescribed zone with an amount for medical travel assistance, you have to identify it. Enter code 33 and the medical portion of the travel assistance reported under code 32 in one of the boxes.

If you need more information, see the *Employers' Guide to Payroll Deductions – Taxable Benefits*.

Note

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

T4 - Code 34 – Personal use of employer's automobile

If you provided an employee with the use of an automobile, enter code 34 and the corresponding amount in one of the boxes. 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 the *Employers' Guide to Payroll Deductions – Taxable Benefits*.

T4 - Code 35 – Total reasonable per-kilometre allowance

If the employee receives a flat-rate automobile allowance and a reasonable per-kilometre automobile allowance, he or she does not have to include the reasonable per-kilometre automobile allowance in his or her income. Do not include

the total of the employee's reasonable allowance in box 14, "Employment income" or under code 40, "Other taxable allowances and benefits." Enter code 35 and the corresponding amount of total reasonable per-kilometre allowance in one of the boxes only.

For more information, see the *Employers' Guide to Payroll Deductions – Taxable Benefits*.

T4 - Code 36 – Interest-free and low-interest loan

If you provided an employee with a benefit from this type of loan, including a home loan, because of an office or employment (or intended employment), enter code 36 and the corresponding amount in one of the boxes. Include this amount in box 14.

Note

No GST or HST applies to this benefit.

For more information, see the *Employers' Guide to Payroll Deductions – Taxable Benefits*.

T4 - Code 37 – Employee home-relocation loan deduction

If the employee receives an interest-free or low-interest home-relocation loan, you have to identify the amount the employee can deduct. Enter code 37 and the deductible portion of the amount reported under code 36 in one of the boxes. For more information, see the *Employers' Guide to Payroll Deductions – Taxable Benefits*.

T4 - Code 38 – Stock option benefits

If an employee receives a taxable benefit under a corporation's agreement to issue its shares to the employee, enter code 38 and the corresponding amount in one of the boxes. Include this amount in box 14.

No GST or HST applies to this benefit.

Note

Under proposed changes, these rules will be extended to apply to options that are granted after February 1998, by mutual fund trusts to their employees to acquire trust units.

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

T4 - Code 39 – Stock option and shares deductions 110(1)(d)

If the employee is entitled to a deduction allowable under paragraph 110(1)(d) of the *Income Tax Act*, enter code 39 and one-quarter of the amount you reported under code 38 for those shares.

T4 - Code 40 – Other taxable allowances and benefits

If you provided an employee with any other taxable allowances or benefits that you did not include elsewhere on the T4 slip, enter code 40 and the corresponding amount in one of the boxes. Include this amount in box 14.

Note

Include any GST/HST that applies to the related benefits.

For more information on how to calculate taxable benefits, see the *Employers' Guide to Payroll Deductions – Taxable Benefits*. Particularly, for details on how to calculate the following taxable benefits:

- group term life insurance;
- municipal officer's expense allowance; and
- flat rate automobile allowance.

T4 - Code 41 – Stock option and shares deductions 110(1)(d.1)

If the employee is entitled to a deduction under paragraph 110(1)(d.1) of the *Income Tax Act*, enter code 41 and one-quarter of the amount you reported under code 38 for those shares.

T4 - Code 42 – Employment commissions

If an employee sold property or negotiated contracts for you, enter code 42 and the amount of the employee's commissions in one of the boxes. Include this amount in box 14. For more details, see Interpretation Bulletin IT-522, *Vehicle, Travel and Sales Expenses of Employees*.

T4 - Code 70 – Municipal officer's expense allowance

If you are a municipal corporation or board and you pay an expense allowance to an elected officer to perform the duties of that office, see the *Employers' Guide to Payroll Deductions – Taxable Benefits*.

T4 - Code 71 – Status Indian employee

If you are an employer paying non-taxable salary or wages to status Indians, see Chapter 8 of this guide.

T4 - Code 72 – Section 122.3 income—employment outside Canada and Code 73—Number of days outside Canada

If your employee is entitled to an overseas employment tax credit, see Chapter 8 of this guide.

T4 - Code 74 – Pre-1990 past service contributions while a contributor

If an employee contributed to a registered pension plan (RPP) for past services contributions while a contributor, see "T4 - Box 20 – RPP contributions" in this chapter.

T4 - Code 75 – Pre-1990 past service contributions while not a contributor

If an employee contributed to a registered pension plan (RPP) for past services contributions while not a contributor, see "T4 - Box 20 – RPP contributions" in this Chapter.

T4 - Code 76 – Emergency volunteers deduction

Under proposed legislation, certain volunteers may be able to deduct income received from public authority. This applies to volunteer fire fighters, ambulance technicians, and search and rescue (or other emergency) workers. If you provided an employee with an amount for volunteer emergency services, report the total of this amount in box 14 and under code 40. Enter code 76 and the deductible amount in one of the boxes.

For more information, see the *Employers' Guide to Payroll Deductions – Taxable Benefits*.

T4 Summary form

See the back of this guide for a sample T4 Summary form. Use that sample as your working copy. When you complete the working copy, transfer the data to copy 1 of the summary form and keep it for your records.

How to complete the T4 Summary form

In the boxes at the top of the form, enter your 15-digit Business Number that you use to send us your employees' deductions, name, and address.

T4 - Line 14 – Employment income

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

T4 - Line 16 – Employee's CPP contributions

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

T4 - Line 18 – Employee's EI premiums

Add the amounts in box 18 on all T4 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 (RPP) contributions

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

T4 - Line 22 – Income tax deducted

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

T4 - Line 24 – EI insurable earnings

Add the amounts in box 24 on all T4 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 slips. Enter the total on line 52, in dollars only.

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 – Person to contact about this return

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

T4 - Line 80 – Total deductions reported

Add the amounts reported on lines 16, 27, 18, 19, and 22 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.

Subtotal

Subtract line 82 from line 80.

T4 - Line 83 – New Hires Program refund

Report the amount of refund available to you, which you calculated on Form RC89, *Employer's Application for a Refund of Employment Insurance Premiums Under the New Hires Program*. File this form with the T4 information return.

Difference

If the subtotal is positive, subtract it from the refund available to you on line 83.

If the subtotal is negative, add it to the refund available to you on line 83.

T4 - Line 84 – Overpayment and Line 86 – Balance due

If the result on line, "Difference," is negative, and you do not have to file another type of return for this account number, enter the result on line 84, "Overpayment." 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.

If the result on line, "Difference," is positive, enter it on line 86, "Balance due."

If the result is "0," leave lines 84 and 86 blank.

We do not refund or charge a difference of less than \$2.

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 Canada 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 slips that you are including with the T4 Summary form.

Certification

A current officer of the business has to sign the T4 information return to show that the information is correct and complete.

Reminder

If you file on paper, send **both** copies of the Summary form and copy 1 of the related T4 slips to:

**Ottawa Tax Centre
Revenue Canada
875 Heron Road
Ottawa On K1A 1G9**

Use the envelope provided.

If you file on magnetic media (cartridge or diskette), you **do not** have to submit copy 1 of the slips or summary form.

T4A slip

See the back of this guide for a sample T4A slip.

When to complete the T4A slip

You may have to complete a T4A 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);
- eligible retiring allowances (box 26);
- non-eligible retiring allowances (box 27);
- other income (box 28);
- patronage allocations (box 30);
- RESP accumulated income payments (box 40); or
- RESP educational assistance payments (box 42).

You have to complete a T4A slip if:

- the payment was more than \$500; or
- you deducted tax from the payment.

Note

Group term life insurance

Multi-employer plan administrators or trustees that provide taxable benefits from group term life insurance to former employees or employees of such a plan have to prepare a T4A slip **only** if the benefit is more than \$25. They have to enter the group term life insurance benefits in box 28, "Other income," of the T4A slip.

How to complete the T4A 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 last name of the person to whom you made the payment, followed by the first name and initials. Directly below the name, enter the person's address, including the

province, territory, or U.S. state, Canadian postal or American zip code, and country.

Employer's or payer's name

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

T4A - Box 12 - Social insurance number

Enter the social insurance number (SIN) that appears 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.

T4A - Box 14 - Recipient's number

Using this number is optional.

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, including disability benefits paid in the form of a life annuity (Disability benefits paid out of a superannuation or pension plan should be declared in box 28, "Other income," of the T4A slip.)

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

If you include lump-sum payments out of RPPs and DPSPs accrued to December 31, 1971, in the footnotes area, enter

"Box 18, Accrued to December 31, 1971 \$_____." In box 38, enter 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.

Amounts that are transferred and are more than the amounts allowed under subsections 147.3(1) to (8) or 147(19) of the *Income Tax Act* are considered income in the year 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 subsection 147(10.3) of the *Income Tax Act* in a previous year and you made the payment in the current year, you have to report the amount of the payment. In the footnotes area, enter "Box 18, DPSP—not eligible for transfer \$_____." In box 38, enter 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."

For more details, see "Lump-sum payments," in Chapter 7 of this guide.

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.

Enter annuity payments from a life annuity which was purchased from the proceeds of a Life Income Fund (LIF).

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

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

T4A - Box 26 - Eligible retiring allowances

Enter the amount of retiring allowances (including severance pay) eligible for transfer to an RPP or RRSP.

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."

Note

For more information, see "Retiring allowances," in Chapter 7.

T4A - Box 27 - Non-eligible retiring allowances

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

Note

An amount of retiring allowance is not eligible for transfer to an RPP or RRSP when it exceeds the limit permitted by the *Income tax Act*. For more information, see "Retiring allowances," in 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 27, 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 Interpretation Bulletin IT-500, *Registered Retirement Savings Plans - Death of an Annuitant*, paragraphs 27 and 28.)
2. Payments under a revoked DPSP (in the footnotes area, enter "Box 28, Payments from a revoked DPSP \$_____" and in box 38, enter code "23").
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).

Note

Under proposed changes for 1998 and subsequent taxation years, federal government departments and agencies will begin issuing information slips for contract payments greater than \$500 annually, made for services or mixed goods and services contracts.

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 Bulletin IT-54, *Wage Loss Replacement Plans – Changes in Plans Established Before June 19, 1971*, and Interpretation Bulletin IT-428, *Wage Loss Replacement Plans*). In the footnotes area, enter “Box 28, Income from wage-loss replacement plan, not fully funded by employee premiums \$_____,” and in box 38, enter code “07.”

Status Indian – 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. 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.
8. 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”).
9. 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 slip, unless the benefits are non-taxable allowances for working at a special work site or remote work location.

If an employee usually lives in a prescribed zone and works at a special work site in a prescribed zone, report any non-business travel assistance (including medical travel assistance) in box 28. Separate the medical travel from the 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, 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 “24”).

Note

Include any GST/HST that applies to the related benefits.

For more information, see “Special work sites and remote work locations (board and lodging, and transportation)” in Chapter 2 of the *Employers’ Guide to Payroll Deductions – Taxable Benefits* or Interpretation Bulletin IT-91, *Employment at Special Work Sites or Remote Work Locations*.

10. 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 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 the *Retirement Compensation Arrangement Guide*, or contact your tax services office or tax centre.

11. Payments under a supplementary unemployment benefit (SUB) plan.
12. 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”.
13. Any benefit for employer-provided group term life insurance when the benefit is conferred by a former employer or reported by another party on behalf of the employer or former employer.
14. Disability benefits paid out of a superannuation or pension plan (in the footnotes area, enter “Box 28, Disability benefits paid out of a superannuation or pension plan \$_____,” and in box 38, enter code “25”).
15. A cash award or prize paid directly from a manufacturer to the employee of a dealer or other sales organization. For more details, see Interpretation Bulletin IT-470, *Employees’ Fringe Benefits*, and its special release.

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 slip when an employee-employer relationship no longer exists. Include any instalment interest paid for past-service contributions. Instalment interest is the part 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 “26.”

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 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 slip.

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

Code Explanation and use

00	No footnote code required.
02	Transfer of funds, paragraph 60(j)—use this code to describe a transfer amount in box 18.
04	Research grant—box 28 only.
05	Scholarships, 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.
13	Multiple footnotes—use this code 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—box 28 only.
- 17 Loan benefit (under subsection 80.4(2))—box 28 only.
- 18 Medical premium benefit—box 28 only.

- 22 RESP accumulated income payments paid to someone other than the subscriber or subscriber's spouse—box 40 only.
- 23 Payments from a revoked DPSP—box 28 only.
- 24 Board and lodging benefits—box 28 only.
- 25 Disability benefits paid out of a superannuation or pension plan—box 28 only.
- 26 Pre-1990 RPP past-service contributions—box 32 only.

T4A - Box 40 - RESP accumulated income payments

(If you are not a promoter, leave this box blank.)

If you are the promoter of a registered education savings plan (RESP) and you paid to a subscriber of the plan RESP accumulated income payments (amount other than a refund of contributions or an educational assistance payment), report this amount in box 40 of the T4A slip.

In addition, if you pay the RESP accumulated income payments to someone other than the subscriber (or after death of the subscriber, the subscriber's spouse if there is no other subscriber), in the footnotes area enter "Box 40, RESP accumulated income payments paid to someone other than the subscriber or subscriber's spouse" In box 38, enter code "22."

Note

Accumulated income payments are subject to both the regular tax on lump-sum payments and the additional 20%.

For more information on RESP's, get the information sheet called *Registered Education Savings Plans (RESPs)*.

T4A - Box 42 - RESP educational assistance payments

(If you are not a promoter, leave this box blank.)

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

For more information on RESP educational assistance payments, get the information sheet called *Registered Education Savings Plans (RESPs)*.

T4A - Box 46 - Charitable donations

Enter the amount you deducted from the employees' earnings for donations to registered charities in Canada.

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 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 15-digit Business Number, name, and address.

T4A - Line 16 – Pension or superannuation

Add the amounts in box 16 on all T4A slips. Enter the total on line 16.

T4A - Line 18 – Lump-sum payments

Add the amounts in box 18 on all T4A slips. Enter the total on line 18.

T4A - Line 20 – Self-employed commissions

Add the amounts in box 20 on all T4A slips. Enter the total on line 20.

T4A - Line 22 – Total tax deductions reported (per T4A slips)

Add the amounts in box 22 on all T4A slips. Enter the total on line 22.

T4A - Line 24 – Annuities

Add the amounts in box 24 on all T4A slips. Enter the total on line 24.

T4A - Line 26 – Eligible retiring allowances

Add the amounts in box 26 on all T4A slips. Enter the total on line 26.

T4A - Line 27 – Non-eligible retiring allowances

Add the amounts in box 27 on all T4A slips. Enter the total on line 27.

T4A - Line 28 – Other income

Add the amounts in box 28 on all T4A slips. Enter the total on line 28.

T4A - Line 30 – Patronage allocations

Add the amounts in box 30 on all T4A slips. Enter the total on line 30.

T4A - Line 32 – RPP contributions (past service)

Add the amounts in box 32 on all T4A slips. Enter the total on line 32.

T4A - Line 34 – Pension adjustment

Add the amounts in box 34 on all T4A slips. Enter the total on line 34.

T4A - Line 40 – RESP accumulated income payments

Add the amounts in box 40 on all T4A slips. Enter the total on line 40.

T4A - Line 42 – RESP educational assistance payments

Add the amounts in box 42 on all T4A slips. Enter the total on line 42.

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 – Person to contact about this return

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

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 Canada 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 slips that you are including with the T4A Summary form.

T4A slips with a United States address

In the space to the right of line 88, enter the number of T4A slips you are including for individuals with U.S.

addresses. File these slips at the end of the return, after the T4A 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 slip

See the back of this guide for a sample T4F slip.

When to complete the T4F slip

If you are a self-employed fisher's designated employer (for example, the buyer of the catch) or another buyer with whom a self-employed fisher has filed Form TD3F, you have to complete a T4F 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 fisher's earnings, see the pamphlet called *Fishers and Employment Insurance*. This pamphlet also contains information on how to complete a T4F return.

Do not report CPP contributions for self-employed fishers on a T4F slip. Self-employed fishers report their CPP contributions on self-employed earnings on their income tax returns.

How to complete the T4F slip

Fisher's name and address

In the area next to the arrow, first print or type in capital letters the self-employed fisher's last name, followed by the first name and initials. Directly below the name, enter the self-employed fisher'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 fisher's SIN card. For more information on reporting a SIN, see "Social insurance number (SIN)" in Chapter 1.

Year

Enter the calendar year in which the self-employed fisher earned the income.

T4F - Box 14 - Gross earnings

Enter the gross earnings of the self-employed fisher who is not the owner or lessee of the boat or gear. To calculate this amount, use the information under "Earnings of a Fisher" in the pamphlet called *Fishers and Employment Insurance*.

If the self-employed fisher 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 fisher) is the value of all the catches delivered.

T4F - Box 16 - Employment Insurance insurable earnings

Enter the amount of the self-employed fisher's insurable earnings. For instructions on how to calculate insurable earnings, see the pamphlet called *Fishers and Employment 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 fisher'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 *Fishers and Employment 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 fisher, or any amount you withheld under the authority of a garnishment order or a requirement to pay which applies to the fisher's previously assessed tax arrears.

T4F - Box 24 - Fisher's number

Use of the fisher's number is optional if you prepare the T4F slips in alphabetical order. If you do not put the T4F slips in alphabetical order, enter all relevant information such as department, unit, payroll, and fisher'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 15-digit Business Number, name, and address.

T4F - Line 14 - Gross earnings

Add the amounts in box 14 on all T4F slips. Enter the total on line 14.

T4F - Line 16 - Employment Insurance insurable earnings

Add the amounts in box 16 on all T4F slips. Enter the total on line 16.

T4F - Line 18 - Fishers' Employment Insurance premiums

Add the amounts in box 18 on all T4F slips. Enter the total on line 18.

T4F - Line 22 – Income tax deducted

Add the amounts in box 22 on all T4F 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 get 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.

Subtotal

Subtract line 82 from line 80.

T4F - Line 83 – New Hires Program Refund

Report the amount of refund available to you, which you calculated on Form RC89, *Employer’s Application for a Refund of Employment Insurance Premiums Under the New Hires Program*. File this form with the T4F information return.

Difference

If the subtotal is positive, subtract it from the refund available to you on line 83.

If the subtotal is negative, add it to the refund available to you on line 83.

T4F - Line 84 – Overpayment and Line 86 – Balance due

If the result on line, “Difference,” is negative, and you do not have to file another type of return for this account number, enter the result on line 84, “Overpayment.” 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.

If the result on line, “Difference,” is positive, enter it on line 86, “Balance due.”

If the result is “0,” leave lines 84 and 86 blank.

We do not refund or charge a difference of less than \$2.

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 Canada 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 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 30, 1998. His wage record for the year indicates that, to date, you have deducted \$300 in CPP contributions.

Maximum CPP contribution for 1998	\$1068.80
Contributions to date for the year	<u>\$300.00</u>
Balance that you can deduct for Joseph for the rest of the year	<u>\$768.80</u>
Multiply the retroactive pay increase of \$450 × the CPP rate of 3.2%	\$14.40

You should deduct CPP contributions of \$14.40 from Joseph’s retroactive pay increase. This is the lesser of \$768.80 and \$14.40.

EI premiums

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. In addition, do not take into account any contributions that a previous employer deducted in the same 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.

Note

Tables on Diskette (TOD) calculates the income tax, CPP, and EI contributions on bonuses and retroactive pay increases. The income tax calculated by TOD on a bonus payment is more precise than the table method outlined in the examples below. For more information on *Tables on Diskette (TOD)*, see the heading "Payroll deductions tables," in Chapter 1 of this guide.

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 "Federal and Provincial Tax Deductions – Weekly (52 pay periods a year)" 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, 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 "Federal and Provincial Tax Deductions – Weekly (52 pay periods a year)" 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 \times \20). The claim code on her TD1 form is "6."

Step 1 – Use the "Federal and Provincial Tax Deductions – Weekly (52 pay periods a year)" 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

If your employee receives **regular salary while on vacation**, continue to deduct as you normally would based on the pay period. Also, deduct as you normally would when part of the pay period includes a **statutory holiday** (such as Christmas Day).

The employee takes 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. Make sure that you do not deduct more than the maximum for the year.

EI premiums

Deduct EI premiums from vacation pay. 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, use the tax table that applies to the period of vacation. For example, for one week of paid vacation, use the weekly tax deduction table.

The employee does not take holidays

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

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, do not deduct CPP contributions or EI premiums. However, you 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. For more information, see Interpretation Bulletin IT-508, *Death Benefits*.

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 slip.

Director's fees

You have to report director's fees paid to a resident on a T4 slip, not a T4A 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 ($\$175 \times 3.2\%$).....	\$5.60
Employer's contribution.....	\$5.60
Total	\$11.20

EI premiums

Do not deduct EI premiums from a 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 Form TD1 (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 Form TD1, you have to deduct income tax. To calculate the amount, use the "Federal and Provincial Tax Deductions - Monthly" 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*.

Note

If you pay non-resident director's fees, see the *Non-Resident Withholding Tax Guide – Includes the NR4 Return, and the T4A-NR Return*.

Lump-sum payments

For information on how to report lump-sum payments, see "T4A slip," box 18 "Lump-sum payments," box 26 "Eligible retiring allowances," and box 27 "Non-eligible retiring allowances," in Chapter 6.

Income tax

You have to deduct income tax from a lump-sum payment that is a **retiring allowance** you pay directly to an employee:

- on retirement;
- as compensation for loss of office or employment; or
- in recognition of long service, but not out of or under a superannuation fund or plan.

Note

The above payments are reported in box 26 "Eligible retiring allowances," and in box 27 "Non-eligible retiring allowances," of the T4A slip.

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 (IAAC);
- 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);
- more than the minimum amount you have to pay to the original annuitant under a **registered retirement income fund (RRIF)**; and

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.

The above payments are reported in box 18, "Lump-sum payments," of the T4A slip.

- from a retirement compensation arrangement (RCA). The payments are reported in box 16, "Distributions," of the T4A-RCA slip.

Withholding rates for lump-sum payments

Use these federal and provincial composite rates (except for Quebec):

- 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; and
- **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 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 Form TD1. 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 slip. You cannot transfer this amount to another RPP, RRSP, or DPSP. In the footnotes area, enter "Box 18, not eligible for transfer \$_____." In box 38, enter code "08."

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 cases, you have to withhold tax from the total to be paid, and you also have to report such withholdings on the T4A 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 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.

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 Interpretation Bulletin IT-528, *Transfers of Funds Between Registered Plans*, which is available at your tax services office or tax centre.

Employee profit-sharing plan (EPSP)

Report payments from EPSPs on a T4PS slip instead of a T4 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 for Canada. Enter all payments in box 30 of the T4A 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 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.

Retiring allowances are reported on a T4A slip.

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;
- payments for accumulated vacation leave not taken prior to retirement;
- pay in lieu of termination notice; and
- damages for violations or alleged violations of an employee's human rights awarded under human rights legislation (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 get 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.

El premiums

A retiring allowance is not insurable. Do not deduct EI premiums from this amount.

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 for Canada on the non-resident's behalf. For more information, see Interpretation Bulletin IT-337, *Retiring Allowances*, and IT-163, *Election by Non-Resident Individuals on Certain Canadian Source Income*.

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 that employment in which none of your contributions to the RPP or DPSP were vested in the employee's name when you paid the retiring allowance. Determine the equivalent number of years of vesting by referring to the terms of the particular plan. The number can be a fraction.

Note

If an employee wants to transfer an **eligible amount** to an RPP or RRSP, he or she is no longer required to complete form for tax deduction waiver.

However, if an employee wants to have a reduction in tax deductions on the **non-eligible amount** to transfer, he or she is required to get a letter of authority from his or her tax services office. For more information, see "Letter of authority," in Chapter 4.

Example

Bruno is your employee. In November 1998, you pay him a retiring allowance of \$42,000. Bruno worked for you from 1979 to 1998 (20 years, including part-years of service).

According to the terms of the pension plan, Bruno's contributions are not vested in the pension plan, therefore, you can only reimburse his contributions to the plan.

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

- $\$2,000 \times 17$ years, including any part-years of service before 1996* (from 1979 to 1995)..... \$34,000
plus

- $\$1,500 \times 10$ 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.

Under proposed changes, employees no longer have to consider deductions for RPP or RRSP contributions when calculating minimum tax. For more information, see the *General Income Tax and Benefit Guide* and the pamphlet *When You Retire*.

For information on how to report retiring allowances, see "T4A - Box 26 - Eligible retiring allowances," and "T4A - Box 27 - Non-eligible retiring allowances," in Chapter 6 and Interpretation Bulletin IT-337, *Retiring Allowances*.

Retirement compensation arrangements (RCA)

Definition

A retirement compensation arrangement (RCA) is a plan or arrangement between an employer and an employee under which contributions are made by the employer to a custodian and under which the custodian may be required to make payments to the employee or another person on, after, or in contemplation of, the employee's retirement, the loss of an office, or substantial change in the services rendered.

Withholding and Remitting

If you are an employer, and you set up a retirement compensation arrangement, you have to deduct a 50% refundable tax on any contributions you make to a custodian of the arrangement, and remit the amount of refundable tax you collect to the Receiver General for Canada.

Before you make any contributions to the custodian, you have to file Form T733, *Application for a Retirement Compensation Arrangement (RCA) Account Number*, to apply for account numbers for both the employer and the custodian of the RCA.

The custodian has to deduct income tax from any distributions (periodic or lump-sum payments) made out of the RCA, and remit the amount of income tax collected to the Receiver General for Canada.

Before the custodian makes any distributions out of the RCA, he or she has to file Form T735, *Application for a Remittance Number for Tax Withheld in Respect of a Retirement Compensation Arrangement (RCA)*, to apply for a remittance account number.

The custodian has to file a T4A-RCA information return to report the distributions. This information return consists of a T4A-RCA Summary form and the related T4A-RCA slips, and has to be sent to the Winnipeg Tax Centre by the last

day of February following the calendar year to which the information return applies.

For more information on this type of plan or arrangement, your responsibilities, and the forms you have to file, see the guide called *Retirement Compensation Arrangement Guide* or contact your tax services office or tax centre.

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 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. Report it on the employee's T4 slip for that year.

To find out how to report pension adjustments under these circumstances, see the *Pension Adjustment Guide*, which is available at your tax services office or tax centre.

If you have employees participating in a prescribed plan, deduct income tax, CPP contributions, and EI premiums in the following way.

Income tax

Deduct income tax from the following amounts:

- the participant's net salary (the salary minus the deferred amounts) while the person is working;
- the deferred amounts when you pay them to the participant during the leave period; and
- the interest income and other amounts earned by the deferred amount and paid to the participant in the year they are earned.

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

- 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.

Salary paid while the participant is working

How to complete the T4 slip

Prepare the T4 slip in the following way when you pay a salary to the participant while he or she is working:

Box 14 – Employment income

Enter the participant's net salary (the salary minus the deferred amounts) while the person is working.

Boxes 16 and 17 – Employee's CPP/QPP contributions

Enter the CPP/QPP contributions you deducted from the participant's net salary (the salary minus the deferred amounts) while the person is working.

Box 18 – Employee's EI premiums

Enter the EI premiums you deducted from the participant's gross salary (including deferred amounts) while the person is working.

Box 22 – Income tax deducted

Enter the total income tax you deducted from the employee's remuneration. This includes the federal, provincial (except Quebec), and territorial taxes that apply.

Box 24 – EI insurable earnings

Enter the amount of insurable earnings on which you calculated the employee's EI premiums. Leave this box blank if the insurable earnings are the same as in box 14.

Box 28 – Exempt (CPP/QPP and EI)

Do not complete the CPP/QPP part of this box.

Do not complete the EI part of this box.

Deferred amounts paid to the participant during the leave period

How to complete the T4 slip

Prepare the T4 slip in the following way when you pay the deferred amounts to the participant during the leave period:

Box 14 – Employment income

Enter the total amount of deferred amounts paid to the participant during the leave period.

Boxes 16 and 17 – Employee's CPP/QPP contributions

Enter the CPP/QPP contributions you deducted from the participant's deferred amounts you paid during the leave period.

Box 18 – Employee's EI premiums

Leave this box blank.

Box 22 – Income tax deducted

Enter the total income tax you deducted from the employee's remuneration. This includes the federal, provincial (except Quebec), and territorial taxes that apply.

Box 24 – EI insurable earnings

Leave this box blank.

Box 28 – Exempt (CPP/QPP and EI)

Do not complete the CPP/QPP part of this box.

Enter an “X” under EI.

Withdrawal from the prescribed plan

When a participant withdraws from the plan because he or she ceases to be employed, you have to consider the withdrawal as employment income and report the amount on the participant’s T4 slip in the year you paid the amount. You have to deduct income tax and CPP/QPP contributions, but not EI premiums. In box 29, “Employment code,” enter code 14.

Note

Custodians and trustees who administer a prescribed plan have to follow the instructions above to deduct payroll deductions and complete the participants’ T4 slips.

For more information on prescribed plans or arrangements, see ATR-39, *Deferred Salary Leave Plan*, or contact your tax services office.

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 through a wage-loss replacement plan where you:
 - fund any part of the plan; and
 - exercise a degree of control over the terms of the wage-loss replacement plan; and
 - determine the eligibility for 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 for 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 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 slip and T5007 slip, *Statement of Benefits*

Before you prepare your employee’s T4 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 to your employee. You should not use the amount shown on the T5007 slip to prepare the employee’s T4 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,” of the T4 slip.
- Include the amount of the advance in box 24, “Insurable earnings,” of the T4 slip.
- Indicate the EI premiums you deducted from the advance in box 18, “EI premiums,” of the T4 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 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

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 (including the top-up amount) paid to the employee.

Regular employers (Categories A and B) should deduct income tax and CPP contributions but should not deduct EI premiums from the top-up amount.

When you file the T4 slip, include the top-up amount in box 14, "Employment income," 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, and Newfoundland and Labrador has recently undergone a number of changes.

These legislative changes primarily affect certain payments that self-insured employers 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 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 that 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 slip.

When a claim is settled after the tax year of the injury or accident, you have to issue an amended T4 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, 1998, 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 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 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, 1998, 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 directly. He returned to work on July 2, 1998.

The **regular employer (Category A)** has to report on a T4 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, 1998 (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, 1998, 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 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 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 1997 and was paid by the employer’s insurance company until May 1998. The WCB accepted the claim in June 1998 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 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 slip the amounts paid to Gloria from the date of injury to the end of 1997 (and the related deductions).

The WCB accepts the claim in 1998 and reimburses the employer at that time. The WCB has to issue Gloria two copies of T5007 slip, *Statement of Benefits*, showing the amount of the WCB award for 1997 and 1998. 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 1998.

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, get 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 ¹	EI premiums ¹	Tax deductions
	1998 - 1999	1998 - 1999	1998 - 1999
1. Bonuses and retroactive pay increases	Yes	Yes	Yes
2. Overtime pay	Yes	Yes	Yes
3. Vacation pay and statutory holidays	Yes	Yes	Yes
4. Death benefits	No	No	Yes
5. Director's fees	Yes	No	Yes ²
6. Lump-sum payments	No	No	Yes ³
7. Patronage payments	No	No	Yes
8. Retiring allowances	No	No	Yes ³
9. Pay in lieu of termination notice	Yes	Yes	Yes
10. Retirement compensation arrangements	No	No	Yes
11. Salary deferral arrangements	Yes	Yes/No ⁴	Yes
12. Workers' Compensation Board (WCB) awards	No	No ⁵	No
■ Top-up - Regular employers (Categories A and B)	Yes	No	Yes
■ Top-up - Self-insured and regular employers (Category C)	Yes	Yes, including total amount of salary	Yes
■ WCB advance - Self-insured employers	No	Yes	No
■ WCB advance - Regular employers (Category B)	No	No	No
■ WCB advance - Regular employers (Category C)	No	Yes	No
■ Denial of award	Yes	Yes	Yes
Notes			
1. 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.			
2. 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.			
3. Do not deduct income tax in situations that involve direct transfers.			
4. To determine if you have to deduct EI, see "Salary deferral arrangement" in this chapter.			
5. 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.			

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. The regulation applies to drivers of taxis and other passenger vehicles who:

- do not own or operate the business; or
- do not own more than 50% of the vehicle.

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.

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

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.
- 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; 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 3 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 slip

For EI purposes, you have to complete a T4 slip for each worker whom we do not consider to be an employee. Complete the following entries on the slip:

Employer’s name

Enter your operating or trade name.

Employee’s name and address

Enter the worker’s name and address, including the province and the postal code.

Box 12 – Social insurance number

Enter the social insurance number (SIN) shown on the worker’s SIN card.

Box 18 – Employee’s 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 29 – Employment Code

Enter the appropriate code for the occupation of the worker. In box 29, enter code 13 for a barber or hairdresser and code 12 for a taxi driver or driver of another passenger-carrying vehicle.

Box 54 – Business Number

Enter your 15-digit Business Number.

Leave all remaining boxes blank.

Fishers and Employment Insurance

Special rules apply to fishers. If you are a designated employer of fishers who have insurable earnings, see "T4F slip" in Chapter 6 of this guide.

For more information, get the pamphlet called *Fishers and Employment Insurance* from your tax services office or tax centre.

Note

The publication called *Payroll Deductions Tables* contains information on how to calculate the amounts you have to deduct from the remuneration of your employees.

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 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 slip for the worker in the usual way. Enter code 11 in box 29 "Employment Code."

- 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. Also they do not 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 slip.

If you have any doubts about whether an employee-employer relationship exists for CPP and EI purposes, you can get a ruling from Revenue Collections at your tax services office. 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. 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.

Employing a caregiver, baby-sitter, or maid

If you hire a caregiver, baby-sitter or maid, you may be considered to be the employer of that person. As an employer, you have responsibilities in the employment relationship between you and the person.

When are you considered an employer?

You are considered an employer when you:

- hire a person;
- establish regular working hours (e.g., 9:00 a.m. to 5:00 p.m.); and
- assign and supervise the tasks performed.

If you are not sure that you are an employer based on these criteria, see the pamphlet called *Employee or Self-Employed?*

What are your responsibilities as an employer?

As an employer, you have to meet the following obligations:

- register as an employer with Revenue Canada;
- withhold and remit income tax, the employee and employer share of EI premiums, and CPP contributions (see Chapters 2 to 5 of this guide); and
- prepare a T4 at the end of the calendar year to report the salary paid (see Chapter 6 of this guide).

For more information, contact your tax services office.

Employees with power saws

If you are an employer in the forestry business, you probably have employees who, according to their contracts, have to use their own power saws at their own expense.

In box 14 of the T4 slip, "Employment income," 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.

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 I-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.

Guidelines

Following the Supreme Court of Canada decision in the Glenn Williams case, we developed guidelines to help you determine tax exemption that applies to a status Indian's employment income. These guidelines do not reflect a change in tax policy. They deal only with determining a 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 (CPP) contributions, and Employment Insurance (EI) 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 slips

Complete all T4 slips in the usual way. See "T4 slip" in Chapter 6 of this guide for information on completing these slips.

Complete all T4A slips in the usual way. You may need to enter footnotes. See "T4A 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

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.

Application for coverage under CPP

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 employees with optional CPP coverage. You can elect to do this by completing and filing Form CPT124, *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 before the date you signed the application.

Employment Insurance

The non-taxable salary or wages paid to a status Indian are subject to EI premiums.

How to complete the T4 slip when you elect to provide CPP coverage to your employees

If you elect to provide CPP coverage, prepare the T4 slip in the following way:

Box 14 – Employment income

Leave this box blank. In the “Other Information” area, enter in one of the boxes code 71 and the amount of non-taxable earnings.

Boxes 16 and 17 – Employee's CPP/QPP contributions

Enter the CPP or 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.

Box 26 – CPP/QPP Pensionable Earnings

Enter the amount of pensionable earnings on which you calculated the CPP/QPP contributions.

How to complete the T4 slip when you do not elect to provide CPP coverage to your employees

If you do not elect to provide CPP coverage, prepare the T4 slip in the following way:

Box 14 – Employment income

Leave this box blank. In the “Other Information” area, enter in one of the boxes code 71 and the amount of non-taxable earnings.

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.

End of tax exemption for Yukon Territory Indians

As a result of the provisions of certain land claim and self-government agreements concluded between the federal

government and Yukon Territory First Nations, Indians and Indian bands in the Yukon Territory will no longer benefit from tax exemption for Indian property on reserves under section 87 of the *Indian Act*.

Effective February 15, 1998, supplies of taxable goods and services provided to Indians, Indians bands, and band-empowered entities in the Yukon Territory will be subject to GST/HST. Suppliers (retailers and wholesalers) will now charge and collect GST/HST on taxable supplies.

This change does not affect Indian reserves outside the Yukon Territory, where section 87 continues to apply as before. Yukon Territory Indians remain registered status Indians.

A similar change for income taxes will come into effect on January 1, 1999.

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 get 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 centre. 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*.

Since 1997, 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 is not 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 slip

Box 14 – Employment Income

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 "Other Information" area, enter in one of the boxes code 72 and the income qualifying under section 122.3. Also, enter in one of the boxes code 73 and the number of days outside Canada. The number of days should be a three-digit number that you enter at the beginning of the box "Amount."

Example

73	089			
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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.

Form PD7A-RB

<p>RECEIPT - REÇU</p> <p>ACCOUNT NO. N° DE COMPTE</p> <p>REMITTING PERIOD PÉRIODE DE VERSEMENT</p> <p>PAYROLL RÉMUNÉRATION</p> <p>EMPLOYEES EMPLOYÉS</p> <p>CHEQUE NO. N° DE CHEQUE</p> <p>DATE</p> <p>TAX IMPÔT</p> <p>C.P.P. R.P.C.</p> <p>E.I. A.E.</p> <p>PAYMENT PAIEMENT</p> <p>FINANCIAL INSTITUTION'S STAMP HERE TIMBRE DE L'INSTITUTION FINANCIÈRE ICI</p>	<p> Revenue Canada / Revenu Canada</p> <p>REMITTANCE VOUCHER FOR CURRENT SOURCE DEDUCTIONS PIÈCE DE VERSEMENT DE RETENUES À LA SOURCE COURANTES</p>	<p>For Departmental use Réserve au Ministère</p> <p>6</p>	<p>Account number Numéro de compte</p> <p>PD7A-RB (98)</p> <p>Gross payroll in remitting period Rémunération brute pour la période de versement</p> <p>00</p> <p>End of remitting period Fin de la période de versement</p> <p>Y - A M D - J</p> <p>Number of employees in latest pay period Nombre d'employés pour la dernière période de paie</p> <p>Amount Paid - Montant payé</p>
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Form PD7A(TM)

<p> Revenue Canada / Revenu Canada</p> <p>1</p>	<p>STATEMENT OF ACCOUNT FOR CURRENT SOURCE DEDUCTIONS</p> <p>Statement of account as of Account number Employer name</p>	<p>PD7A(TM) E (98/11)</p> <p>Tear off here and return lower portion with your payment.</p>								
<p>IF YOU ARE A THRESHOLD 1 ACCELERATED REMITTER: You can make your payment where you bank or to:</p>										
<table border="1" style="width: 100%;"> <tr> <th colspan="2">Balances on last statement</th> <th colspan="2">Current balances</th> </tr> <tr> <td>Amount paid for</td> <td>Assessed amount owing</td> <td>Amount paid for</td> <td>Assessed amount owing</td> </tr> </table>		Balances on last statement		Current balances		Amount paid for	Assessed amount owing	Amount paid for	Assessed amount owing	<p>EXPLANATION OF CHANGES</p>
Balances on last statement		Current balances								
Amount paid for	Assessed amount owing	Amount paid for	Assessed amount owing							
<p>2 Revenue Canada / Revenu Canada</p> <p>CURRENT SOURCE DEDUCTIONS REMITTANCE VOUCHER</p>										
<p>For departmental use</p> <p>0001214</p>		<p>PD7A(TM) E (98/11)</p>								
<p>Account number</p> <p>6</p>	<p>For departmental use</p>									
<p>Gross monthly payroll (dollars only)</p> <p>00</p>										
<p>Number of employees in last pay period</p>	<p>End of remitting period</p> <p>Year Month Day</p>									
<p>Amount paid</p>										

T4F slip



Revenu Canada / Revenu Canada

STATEMENT OF FISHING INCOME ÉTAT DES REVENUS DE PÊCHE

T4F

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
---------------	---	--	---	--	---

Fisher's name and address – Nom et adresse du pêcheur

Surname (in capital letters) / Nom de famille (en lettres majuscules) →

First name / Prénom

Initials / Initiales

12 Social insurance number (SIN) Numéro d'assurance sociale (NAS)	24 Fisher's number Numéro du pêcheur
---	--

If your SIN is not shown 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.

Designated employer's name Nom de l'employeur désigné
26 Business Number Numéro d'entreprise

T4F (98)

0467 **Return with T4F Summary 1**
À retourner avec la déclaration T4F Sommaire 1

T4A Summary form



Revenu Canada / Revenu Canada

SUMMARY OF PENSION, RETIREMENT ANNUITY, AND OTHER INCOME

SOMMAIRE DU REVENU DE PENSION, DE RETRAITE, DE RENTE OU D'AUTRES SOURCES

0101 44111

T4A

1998

For the year ending December 31, 1998

SUMMARY - SOMMAIRE Pour l'année se terminant le 31 décembre 1998

Business Number - Numéro d'entreprise

Tax centre - Centre fiscal

Departmental use only
Réservé au Ministère

You have to file the T4A return on or before **February 28, 1999.**
Vous devez produire votre déclaration T4A au plus tard le **28 février 1999.**

Name and address of employer or payer - Nom et adresse de l'employeur ou du payeur

See the information on the back of this form. - Lisez les renseignements donnés au verso de ce formulaire.

T4A slips totals - Totaux des feuillets T4A

Number of T4A slips filed - Nombre de feuillets T4A produits	88								
Pension or superannuation - Prestations de retraite ou autres pensions	16								<p>Indicate how many T4A slips are for employees whose addresses are in the U.S.A. Indiquez le nombre de feuillets T4A émis pour des employés dont l'adresse est aux É.-U.</p>
Lump-sum payments - Paiements forfaitaires	18								
Self-employed commissions - Commissions d'un travail indépendant	20								
Annuities - Rentes	24								
Eligible retiring allowances - Allocations de retraite admissibles	26								
Non-eligible retiring allowances - Allocations de retraite non admissibles	27								
Other income - Autres revenus	28								
Patronage allocations - Répartitions selon l'apport commercial	30								
RPP contributions (past service) - Cotisations à un RPA (services passés)	32								
Pension adjustment - Facteur d'équivalence	34								
RESP accumulated income payments - Paiements de revenu accumulé d'un REEE	40								
RESP educational assistance payments - Paiements d'aide aux études d'un REEE	42								

Total tax deductions reported (per T4A slips)
Total des retenues d'impôt déclarées (selon les feuillets T4A) 22

Minus: remittances - Moins: versements 82

Difference (we do not charge or refund a difference of less than \$2)
Différence (Nous n'exigeons et ne remboursons pas une différence inférieure à 2 \$)

Overpayment - Paiement en trop 84

* Balance due - * Solde à payer 86

Amount enclosed - Somme jointe

* If you have not paid the total deductions reported, include the balance with this completed return. If you have a balance owing, you may have to pay a penalty for late payment.
* 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

SIN of the proprietor(s) or principal owner(s) - NAS du ou des propriétaires 72

Canadian-controlled private corporations or unincorporated employers - Sociétés privées sous contrôle canadien ou employeurs non constitués 74

Person to contact about this return - Personne avec qui communiquer au sujet de cette déclaration

Area code - Indicatif régional 76

Telephone number - Numéro de téléphone 78

Extension - Poste

Certification - Attestation

I, _____ certify that the information given in this T4A return (T4A Summary and related T4A 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 connexés) sont, à ma connaissance, exacts et complets.

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

90 Transfer Transféré 1 Last to current Prédente à courante 2 No action Aucune mesure 3 Other Autre

91 Pro Forma 1 No 2 Yes Oui

93 Date

94 A B

Late-filing penalty Pénalité pour production tardive

Prepared by - Établi par _____ Date _____

Year-end calculation of deductions for employee Canada Pension Plan contributions (1998)

The following year-end calculation will help you verify an employee's CPP contributions before you complete and file the T4 slips. This optional calculation is the **only one we have authorized**. It is not, however, applicable to employees who have earnings listed in section B below and who earned more than the annual maximum pensionable earnings. We based the calculation on information in this guide and in Part B of the *Payroll Deductions Formulas for Computer Programs 67th Edition* (effective January 1, 1998). 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 slip, "Employment Income" \$ _____ 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 during the month the employee began to receive a CPP retirement pension \$ _____
 - the amount the employee received during the months the employee was considered to be disabled under CPP or QPP \$ _____
 - 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 (the amount cannot be more than \$36,900 for 1998) – Line 1 minus line 2 \$ _____ 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 slip.

- D. Enter the basic exemption for the pay period (see table on next page) \$ _____
- Multiply by the number of pay periods of pensionable earnings (related to the amount on line 3). Make sure not to include pay periods applicable to the earnings listed in section B above. × _____
- Prorated basic exemption that applies to the period of pensionable employment (for more information, see Chapter 2). The amount cannot be more than the maximum basic yearly exemption amount of \$3,500 \$ _____ 4
- E. CPP contributory earnings for the period of pensionable employment – Line 3 minus line 4 \$ _____ 5
- F. Enter the CPP contribution rate for employees for the year (1998 – 3.2%) × _____ 6
- G. Employee's required CPP contribution for the period of pensionable employment (the amount cannot be more than \$1,068.80) – line 5 multiplied by the rate on line 6 \$ _____ 7
- H. Enter the CPP contributions that you have deducted for the period of pensionable employment shown in the employee's payroll master file \$ _____ 8
- I. Line 7 minus line 8. The result should be zero \$ _____ 9

If there is an amount on line 9 and it is positive, you have underdeducted. If this is the case, add lines 8 and 9 and include the total in box 16, "Employee's CPP contributions," of the T4 slip.

Note

If the amount on line 9 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 on refunding CPP overpayments, see Chapter 2 of this guide.

Employee's CPP basic exemption for various 1998 pay periods

Pay period	Basic exemption
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 (1998)

The following year-end calculation will help you verify an employee's EI premiums before you complete and file the T4 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 67th Edition* (effective January 1, 1998). 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 the EI deduction, 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. If the insurable earnings are less than the maximum and different from the gross income (box 14) reported on the T4 slip, report the amount on the T4 slip in box 24, "EI insurable earnings." The amount should not be more than the maximum annual amount of \$39,000. \$ _____ 1
- B. Enter the employee's EI premium rate for the year (1998 - 2.7%)..... x _____ 2
- 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 \$1,053. \$ _____ 3
- D. Enter the employee's EI premium deductions for the period of insurable employment as indicated in the employee's payroll master file..... \$ _____ 4
- E. Subtract line 4 from line 3. The result should be zero. \$ _____ 5

If the amount on line 5 results in a difference and it is positive, you have to make an adjustment. Add lines 4 and 5, and include the total in box 18, "Employee's EI premiums," on the T4 slip.

Note

If the amount on line 5 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 on refunding EI overpayments, see Chapter 3 of this guide.

Addresses of Tax Centres

Employers served by tax services office on the left side of the following list should communicate with the office shown on the right.

Bathurst, Halifax, Kingston, Newfoundland and Labrador, Moncton, Peterborough, Saint John, St. Catharines, and Sydney	St. John's Tax Centre 290 Empire Ave. St. John's NF A1B 4J7
Belleville, Charlottetown, Hamilton, Kitchener and Waterloo	Summerside Tax Centre 275 Pope Road Summerside PE C1N 6A2
Chicoutimi, Montérégie-Rive-Sud, Outaouais, Québec, Rimouski, and Trois-Rivières	Jonquière Tax Centre 2251 René Lévesque Blvd. Jonquière QC G7S 5P6
Laval, Montréal, Ottawa, Rouyn-Noranda, Sherbrooke, and Sudbury (Northeastern Ontario* only)	Shawinigan-Sud Tax Centre 4695 - 12th Avenue Shawinigan Sud QC G9N 8L5
Toronto Centre, Toronto East, Toronto North, Toronto West, and Sudbury (Sudbury/Nickel Belt** only)	Sudbury Tax Services Office 1050 Notre-Dame Ave. Sudbury ON P3A 5X7
Calgary, Edmonton, London, Saskatoon, Thunder Bay, Windsor, and Winnipeg	Winnipeg Tax Centre 66 Stapon Road Winnipeg MB R3C 3M2
Burnaby-Fraser, Northern B.C. and Yukon, Regina, Southern Interior B.C., Vancouver, and Vancouver Island	Surrey Tax Centre 9755 King George Highway Surrey BC V3T 5P9

* Northeastern Ontario includes all areas outside of Sudbury/Nickel Belt that are served by the Sudbury Tax Services Office.

** Sudbury/Nickel Belt areas includes all postal codes beginning with P3A, P3B, P3C, P3E, P3G, P3L, P3N, P3P, P3Y, and postal codes beginning with P0M and ending with 1A0, 1B0, 1C0, 1E0, 1H0, 1J0, 1K0, 1L0, 1M0, 1N0, 1P0, 1R0, 1S0, 1T0, 1V0, 1W0, 1Y0, 2C0, 2E0, 2M0, 2R0, 2S0, 2X0, 2Y0, 3A0, 3B0, 3C0, 3E0, and 3H0.



Order Form for Blank T4 and T4A slips

Enter the quantities required for each slip. Please print your name and address in the area provided, and submit your completed form to your Revenue Canada tax services office or tax centre.

Slip	Description	Quantity
T4 Statement of remuneration paid	Regular – four-copy, carbon-loaded for impact printer. Must be hand filled or typed.	
	Laser – Single-page style for laser printers only (2 per sheet).	
T4A Statement of pension, retirement, annuity, and other income	Regular – four-copy, carbon-loaded for impact printer. Must be hand filled or typed.	
	Laser – Single-page style for laser printers only (3 per sheet).	
Name		
Address		
City		Province
		Postal code
Business Number (BN)		Telephone number ()
		Date

Please make a copy of this form for your records. Do not duplicate your order. Should you have any questions regarding your order contact your tax services office.

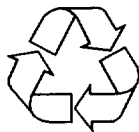


Order Form for Guides and Other Publications

Please list the titles or numbers of the publications required in the boxes below. Print your name and address in the area provided, and submit your completed form to your Revenue Canada tax services office or tax centre.

Names of requested guides or other publications									
Numbers or requested forms, information circulars, or interpretation bulletins									
Name									
Address									
City						Province		Postal code	
Business Number (BN)						Telephone number ()		Date	

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