

Employers' Guide

Remitting Payroll Deductions

2000

As of November 1, 1999, Revenue Canada became the Canada Customs and Revenue Agency.

Internet access

You can find our publications on the Internet at: www.ccra-adrc.gc.ca

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).

What's New?

New address to send forms PD7A, PD7A(TM), or PD7A-RB

If you mail your cheque or money order payable to the Receiver General for Canada, send the bottom part of your remittance form to the following address:

Canada Customs and Revenue Agency
~~875 Heron Road~~
~~Ottawa ON K1A 1B1~~

Keep the top part as a record of your payment.

Is this guide for you?

You should use this guide if you deduct income tax, Canada Pension Plan (CPP) contributions, and Employment Insurance (EI) premiums from amounts you pay to your employees.

You have to remit these deductions to the Canada Customs and Revenue Agency (CCRA), with your share of CPP contributions and EI premiums that you have to pay throughout the year on your employees' behalf.

Automated teller machine

If you use an automated teller machine (ATM) to send us a payment, 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.

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 any 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 any tax centre. Make the cheque or money order payable to the Receiver General for Canada, and

include a letter stating:

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

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 be sure to 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.

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

We conduct 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 any tax services office.

For more information on quarterly remitting, contact any 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 (1998) before the current calendar year (2000).
- 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 (1998) before the current calendar year (2000).
- 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 their payments at a tax services office or tax centre.

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

Note

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

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 Voucher for Current Source Deductions*, for accelerated remitters.

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

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 who can use it to remit payments.

Form PD7A has three parts:

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

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

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

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

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

- your name, address, and account number (Business Number);
- the gross payroll for the 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;

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;

- 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); and
- the amount of your payment (employer and employee portions).

Back of the form – If you will not be making a remittance during the month or quarter, complete the back of the form. 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 the top and the bottom parts of the remittance form and present them with your payment. The recipient will date-stamp the bottom part and return the top part to you as a receipt.

If you mail your cheque or money order payable to the Receiver General for Canada (allow sufficient mailing time to ensure that we receive your payment by the due date, or your payment may be considered late), send the bottom part of this form to the following address:

Canada Customs and Revenue Agency
875 Heron Road
Ottawa ON K1A 1B1

Keep the top part as a record of your payment.

Do not send cash in the mail.

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

Form PD7A(TM)

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 (who receive Form PD7A).

Form PD7A(TM) has two parts:

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

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

- **assessed amount owing**, which is your balance owing on assessments of deductions, including penalties and interest; and

- an explanation of changes.

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

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

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

- your name, address, and account number (Business Number);
- the gross payroll 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;
- 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;
- 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,” whichever applies, as their “end of remitting period”; and
- the amount of your payment (employer and employee portions).

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

Note

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

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 Voucher 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 any tax services office or tax centre.

Form PD7A-RB has two parts:

- The top part is a receipt.
- Use the bottom part (remittance voucher) to make your payment. To complete this part, see “Bottom part” under the heading “Form PD7A(TM)” earlier in this chapter.

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 any tax services office or tax centre.

Note

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

Do you have more than one account?

If you remit deductions for more than one account, make sure you give a breakdown of the amounts intended for each account. 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, you are still responsible for making sure that the institution withholds your deductions and sends them to us on time.