

TAXTALK

NEW T4 PAYROLL REPORTING REQUIREMENTS FOR EMPLOYERS

For the 2020 tax year, the Canada Revenue Agency (CRA) introduced additional reporting requirements for the T4 slip, Statement of Remuneration Paid. All Canadian employers completing T4 slips and summaries in 2020 must report employment income paid to employees between March 15 to September 26, regardless of whether they have applied for COVID-19 related government programs or not.

These new requirements are aimed at helping CRA validate payments made to individuals under the Canada Emergency Response Benefit (CERB) and Canada Emergency Student Benefit (CESB).

How to Report Employment Income during COVID-19 Pay Periods

The following information codes should be used when reporting employment income in addition to reporting employment income in box 14:

- Code 57: Employment income – March 15 to May 9
- Code 58: Employment income – May 10 to July 4
- Code 59: Employment income – July 5 to August 29
- Code 60: Employment income – August 30 to September 26

Each period above represents a time period for which the employee was paid employment income. The date the employment income is paid determines which code to use.

Example

If you are reporting employment income for the period of April 25 to May 8, payable on May 14, use code 58. In other words, report the employment income in the period the payroll was paid to the employee.

Temporary Wage Subsidy PD27 Form and T4 Summaries

A temporary wage subsidy (TWS) was introduced prior to the introduction of the Canada Emergency Wage Subsidy (CEWS) which provided employers a subsidy of up to 10% of employee remuneration paid up to certain limits.

Eligible employers were able to reduce their payroll remittances by the amount of the subsidy calculated.

Employers are required to file the 10% Temporary Wage Subsidy Self-Identification Form (PD27), which is used by CRA to verify whether an employer who qualified for both CEWS and TWS elected to claim a TWS of 10% or less, or not at all.

CRA will use this form to reconcile the amount of payroll remittances during the relevant pay period that fall within the TWS entitlement period of March 18 to June 19, 2020 to the amount reported on the 2020 T4 Summary reconciliations.

Employers will need to obtain the exact TWS amounts claimed for each payment date to ensure the T4 Summary total agrees with what was actually paid to CRA.

There is currently no due date for the PD27 form, however, employers are encouraged to complete the required form prior to submitting the T4 Summary, so that CRA will have the proper documentation. Employers who elected to receive 0% of the TWS must still submit the PD27 form.

Employers who were not eligible for the TWS are not required to file the form.

As a reminder, to be an eligible employer for the 10% TWS, you must meet the following conditions:

- You have a CRA payroll account as of March 18, 2020
- You **paid** eligible remuneration (i.e. salary, wages, or bonuses) to an eligible employee (i.e. resident of Canada) from March 18 to June 19, 2020
- You are one of the following:
 - o Individual or sole proprietor
 - o Partnership
 - o Non-profit organization
 - o Registered charity
 - o Canadian-controlled private corporation (CCPC)

If your business was closed due to COVID-19 and you did not pay salary, wages, bonuses, or other remuneration to an eligible employee from March 18 to June 19, 2020, you cannot take advantage of the subsidy, even if you are an eligible employer. If this were the case, completing form PD27 would not be necessary.

A non-CCPC (i.e. foreign controlled corporation) is not considered to be an eligible employer for purposes of claiming the TWS and would not be required to complete form PD27.

A memorandum of this nature cannot be all-encompassing and is not intended to replace professional advice. Its purpose is to highlight tax planning possibilities and identify areas of possible concern. Anyone wishing to discuss the contents or to make any comments or suggestions about this TaxTalk is invited to contact one of our offices.

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