

NEWSLETTER

VALENTE CPAs
ADVISORS • TAX • ACCOUNTANTS

WHAT EMPLOYERS NEED TO KNOW

Each year we summarize important and timely payroll and tax information, including the 'hot topics' of the day, to assist you, our clients, in payroll compliance and tax filing from various government sources and many pieces of legislation. See our "links and resources" page at the end of this document for additional details and websites of interest.



Source deduction and payroll withholdings
Remittance deadlines
Reporting and filing changes
Taxable benefits
Audit issues and other changes
Other reminders

December is the time to reconcile payroll withholdings and source deduction payments so T4 and T4A slips are correct, all payments to Canada Revenue Agency are accurate and any adjustments are included on the last payroll cheques to employees. Below and on the following pages are the annual limits and employer contributions to assist with this process. In addition, next year's rates are included in order to ensure the first payroll of the new year accurately reflects these rates. Ensure the latest software updates have been downloaded and installed for accounting packages, are accurate and tested before the first payroll run of 2021. If in doubt, test the calculations by recalculating a pay cheque on the CRA website using the online calculator. <https://www.canada.ca/en/revenue-agency/services/e-services/e-services-businesses/payroll-deductions-online-calculator.html>

SOURCE DEDUCTIONS AND PAYROLL WITHHOLDINGS

CANADA PENSION RATES AND LIMITS (CPP)	2020	2021
Maximum pensionable earnings	\$58,700.00	\$61,600.00
Annual basic exemption	\$3,500.00	\$3,500.00
Contributory earnings	\$55,200.00	\$58,100.00
Contribution rate	5.25%	5.45%
Employee-employer maximum	\$2,898.00	\$3,166.45

Employees less than 18 years of age are exempt from CPP. Employees between 65 and 70 must be in receipt of Canada Pension in order to qualify for exemption, upon completion and submission of the CPT30 form.

<https://www.canada.ca/en/revenue-agency/services/forms-publications/forms/cpt30.html>

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Source deductions and payroll withholdings continued

EMPLOYMENT INSURANCE RATES (OUTSIDE QUEBEC)	2020	2021
Maximum insurable earnings	\$54,200.00	\$56,300.00
Employee premium rate	1.58%	1.58%
Employee maximum premium	\$856.36	\$889.54
Employer premium rate	2.212%	2.212%
Employer maximum premium (unreduced)	\$1,198.90	\$1,245.36

EI is calculated on the first hour of pay, with no limitations regardless of part-time hours or student's age. Reduced rates may be available to employers with short term disability insurance. Wait times have now been reduced to one week. In addition, \$0.50 of EI benefits received may be retained when working as long as income is less than 90% of average insurable earnings while on a claim.

PROVINCE OR TERRITORY	PERSONAL EXEMPTION RATES	
	2020	2021
FEDERAL	\$12,298.00	\$13,808.00
ONTARIO	\$10,582.00	\$10,880.00

If employees have exemption credits over and above the basic exemption, it is recommended that new TD1 forms are completed each year, as provincial credits differ from federal. This year, the Federal basic exemption varies based on total income. TD1 forms for 2021 are not yet available. Check this location at a later date: <https://www.canada.ca/en/revenue-agency/services/forms-publications/td1-personal-tax-credits-returns.html>

OTHER PAYROLL PAYMENTS AND REMITTANCES

WSIB ASSESSABLE EARNINGS	MAXIMUM 2020	MAXIMUM 2021
ONTARIO	\$94,500.00	\$102,800.00

Various earnings that are not assessable earnings include: director's fees for non-employees, maternity leave top-ups, WSIB top ups and WSIB advances, retiring allowances, and sick leave credits paid out on termination. However, bonuses, vacation pay and taxable benefits are considered assessable earnings. Special rules apply to companies in the construction industry. Dividends paid to active shareholders may be deemed assessable earnings. For proprietors in construction, labour charges on invoices may be deemed assessable earnings. Premium rates for 2021 remain the same as 2020 and are available here:

<https://www.wsib.ca/en/2021premiumrates> and here <https://www.wsib.ca/en/2020premiumrates>

EMPLOYERS' HEALTH TAX ONTARIO	GROSS WAGES EXEMPTION LEVEL	RATE
SMALL BUSINESSES QUALIFY FOR EXEMPTIONS IF GROSS PAYROLL DOES NOT EXCEED \$5 MILLION FOR A PRIVATE SECTOR EMPLOYER. THE EXEMPTION MUST BE SHARED BY ASSOCIATED EMPLOYERS.	<1,000,000.00	0.00%
	>1,000,000.00	1.95%

Employers may be deemed associated for EHT purposes when there is a combination of ownership and relationships, including partnerships and trusts, in addition to corporations and individuals. In addition, common control, direct or indirect influence whether exercised or not may deem employers associated for EHT. Each company must complete an EHT return with only one company in the group submitting the Associated Employers Allocation of the Exemption form located at:

<https://www.fin.gov.on.ca/en/forms/eh/2260.html>. EHT returns may now be filed on-line at: <https://www.fin.gov.on.ca/en/services/onttaxs/returns.html>

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IMPORTANT FILING DEADLINES

FORM OR RETURN	DUE DATE	METHOD	PAYMENT DATE
T4, T5 AND T4A SUMMARY AND SLIPS	March 1, 2021	ELECTRONIC IF 50 OR MORE SLIPS, INCLUDING AMENDED SLIPS	JANUARY 15, 2021 UNLESS AN ACCELERATED REMITTER
EHT	MARCH 15, 2021	PAPER OR ON-LINE	MARCH 15 TH , UNLESS PAYROLL EXCEEDS \$6 MILLION AND QUARTERLY PAYMENTS ARE REQUIRED
WSIB	MARCH 31, 2021	ON-LINE IF REGISTERED OTHERWISE PAPER ANNUAL RETURN	JANUARY 31, 2021 WITH LAST RETURN OF THE CALENDAR YEAR
T5018 SUMMARY AND SLIPS (CONSTRUCTION INDUSTRY)	6 MONTHS AFTER YEAR END IF BASED ON FISCAL YEAR OR JUNE 30, 2021 FOR CALENDAR YEAR FILINGS	ELECTRONIC IF 50 OR MORE SLIPS INCLUDING ALL T4, T4A AND T5 SLIPS	NO PAYMENT IS REQUIRED

Interest will apply if payments are made on filing. PENALTIES WILL BE ASSESSED FOR LATE FILINGS IN ALMOST ALL CASES. If your company is in compliance with all filing deadlines and payments, a payment on T4 filing will not be subject to penalties for 2020. Print and save all confirmations of on-line or electronic filings as proof of timely submission. See the last pages of our newsletter for additional resources.

YEAR END REPORTING AND FILING CHANGES

T4 CHANGES: For 2020 tax reporting year, CRA has introduced additional boxes to be completed on T4 slips in order to verify employees' CERB, and CESB claims and employers' CEWS submissions.

Code	Any pay date between
57	March 15 and May 9, 2020
58	May 10 and July 4, 2020
59	July 5 and August 29, 2020
60	August 30 and September 26, 2020

Should the additional reporting requirements not fit on one slip, current information indicates a second page to the T4 slip will be needed.

Contact your software provider to confirm printing formats and program updates early in 2021.

TWS REPORTING: Any employer that reduced source deduction payments to CRA to take advantage of the Temporary Wage Subsidy (TWS) and/or submitted a Canada Emergency Wage Subsidy (CEWS) application are required to complete the RC665-20e form whether the employer claimed the TWS or not (a NIL form). This can be submitted to CRA on-line through 'My Business Account' or 'Represent a client' and should be filed before December 31 2020. The form is available here: <https://www.canada.ca/content/dam/cra-arc/formspubs/pbg/pd27/pd27-20e.pdf>

CEWS APPLICATIONS: Employers have until January 31, 2021 to apply for the wage subsidy for the 2020 calendar year. Even a small reduction in revenue due to the pandemic may result in a subsidy payment, especially for Periods 5 through 9. See this location for more information: <https://www.canada.ca/en/revenue-agency/services/subsidy/emergency-wage-subsidy.html>. If you are unsure if you qualify, please contact our office for assistance; our COVID-19 subsidy team is available!

FORM T2200: Employers will be required to complete this form and provide it to employees that are required to work from home, use their personal vehicle for business purposes or pay for expenses on behalf of the employer. It is currently not required to be submitted unless requested by CRA. **Due to the pandemic, a number of associations have petitioned CRA for a modified version and it is still pending.**

RECORDS OF EMPLOYMENTS: During the pandemic there were many changes to various emergency benefits and reporting requirements. Service Canada has now confirmed that employers must issue ROEs as soon as possible when there is an interruption of earnings. If employees are off work due to sickness or quarantine, 'Code D' (illness or injury) is to be used. If they are off work due to the business closure or decreased operations for health and safety purposes, 'Code A' (shortage of work) is to be used. Please do not add any comments, as this delays processing time. See this location for more information: <https://www.canada.ca/en/employment-social-development/programs/ei/ei-list/ei-roe/notice-covid-19.html#:~:text=Service%20Canada%20has%20implemented%20temporary%20measures%20to%20help.ensure%20they%20can%20access%20Employment%20Insurance%20%E1%29%20benefits>.

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TAXABLE BENEFITS UPDATE

SPECIAL COVID-19 ALLOWANCE: Due to the transition of many workers out of the office to home (tele-commuting work), CRA announced that a one time \$500 reimbursement to employees for computer equipment is allowed and does not constitute a taxable benefit for the period March 15-December 31 2020. Receipts are required to be retained by the employer. Please note this does not apply to office furniture nor cell phones.

AUTOMOBILE ALLOWANCES AND BENEFITS: The non-taxable reasonable per kilometer rates for business travel are: \$0.59 for 2020 for the first 5,000 kilometers and \$0.53 for any additional kilometers.

PERSONAL USE OF EMPLOYERS' VEHICLE: Due to increasing post assessment reviews of vehicle expenses, all drivers of company owned vehicles should maintain log-books with sufficient detail to support business use. Personal use kilometers must be treated as a taxable benefit and included on the T4 slip. During the pandemic, if the employer's vehicle remains with the employee, a taxable benefit still accrues during that period. Remember to adjust your HST remittance in the period following any adjustments to the standby-charge.

PRESCRIBED INTEREST RATE: When an employer provides a low interest or interest free loan, the taxable benefit is as follows: first six months of 2020 = 2%; last six months of 2020 = 1%.

PARKING: Due to the pandemic, if the employers' place of work is closed, access to paid parking for the closure period will not be a taxable benefit to the employee. However, if the employee chooses to work from home, the parking paid by the employer is a taxable benefit to the employee, unless they relinquished the paid parking access card.

LEAVE: There have been significant changes for 2020 due to the pandemic. On January 3, 2021 the extended temporary layoff period terminates, and employees on extended COVID-19 leave must be called back or terminated. However, due to the everchanging pandemic status, and employee's individual situations, we recommend you monitor leave extensions regularly. If you require assistance or more information see this website: <https://www.labour.gov.on.ca/english/es/>

SPECIAL PAYMENTS: Employers may make special payments to employees during a time of a disaster. These payments are taxable to the employee and may qualify for the wage subsidy. See this location for more information: <https://www.canada.ca/en/revenue-agency/campaigns/about-canada-revenue-agency-cra/disasters-disaster-relief/financial-assistance-payments-your-employer-your-employee.html>

The Employer's Guide to taxable benefits: is located: <https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/t4130/employers-guide-taxable-benefits-allowances.html> Remember to adjust for HST on all taxable benefits. Life insurance, LTD and Critical illness benefits have PST only, and this must be factored into the taxable benefit calculation. PST is not a HST ITC and cannot be claimed back from CRA.

AUDIT ISSUES AND OTHER CHANGES

Assume all CEWS and TWS claims may be subject to audit and recommend adequate documentation of calculations and assumptions are retained.

Taxpayer relief: During the early days of the pandemic, employers were allowed to defer HST payments to June 30th and income tax installments to September 30th. Source deduction deferral was not permitted, other than the TWS.

Upcoming legislative changes pertaining to the Privacy Act and PIPEDA may require written notice to your employees that your data is stored on servers in the USA if you are using cloud products that do not guarantee data storage in Canada. This notification may be required for your customers and vendors as well.

WSIB premium payments were deferred from March 15 to August 31, 2020. However, employers that are unable to make up those payments have six months interest and penalty free, and the ability to pay installments.

Ontario Health and Safety in the workplace: As recommendations and requirements are ever changing, we recommend you check this location regularly: <https://www.ontario.ca/page/covid-19-coronavirus-and-workplace-health-and-safety>. If an employer is advised that a worker has or may have COVID-19, the Ministry of Labour must be contacted in writing within four days. In addition, all workers in contact with the individual must self isolate and the workplace shut down, based on a Public Health risk assessment. More information is available here: <https://www.publichealthontario.ca/>

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OTHER REMINDERS:

WHMIS: Every employer in Ontario is required to provide appropriate training, regardless to the number of employees and/or size of the business. Visit: <https://www.canada.ca/en/health-canada/services/environmental-workplace-health/occupational-health-safety/workplace-hazardous-materials-information-system.html>

Ontario Accessibility Act: Are your employees trained? Do you require upgrades to your business location to be in compliance? Can you accommodate customers with hearing or visual impairment? Visit: <https://www.ontario.ca/page/accessibility-laws> for more information on compliance.

Human Rights in Canada: Ensure you have the correct notices posted in your workplace and are in compliance. Visit: <https://www.ontario.ca/page/accessibility-laws> and <http://www.ohrc.on.ca/en>

ROE WEB: the process for signing-up, accessing and preparing electronic ROEs is easier than ever. Call 1-800-367-5693 or visit: <https://www.canada.ca/en/employment-social-development/programs/ei/ei-list/ei-roe/access-roe.html> for more information.

WSIB compliance: All subcontractors need to provide contractors with clearance certificates. Register on-line so your company can download those required. Remember to post WSIB posters, and keep first aid boxes complete! Visit: <https://www.wsib.ca/en/onlineservices> for all sources of WSIB information.

Employment standards in Ontario do not apply to all industries. Visit: <https://www.ontario.ca/document/industries-and-jobs-exemptions-or-special-rules> for more clarification.

Upcoming: Future changes to CPP will allow for additional contribution above the maximum allowed starting 2024.

CRA has published the new payroll formulas for 2021 at: <https://www.canada.ca/en/revenue-agency/services/forms-publications/payroll/t4127-payroll-deductions-formulas.html>

If you require assistance in filing any payroll returns or remittances, reconciling payroll, calculating taxable benefits or have other T4/T5 slip issues, contact our office for assistance.

If you are unsure of the accuracy of your CEWS submissions or TWS claims, we may review them and recommend refiling or other courses of action.

We can assist with filing the TWS, CEWS or CERS on-line for our clients based on information provided by management.

If you have not signed up for our new secure web portal, please contact our office to sign up!

519-432-1155

Visit our new website: www.valentecpas.com