[6 Pitfalls to Avoid When Balancing Your Payroll]

Beware of mistakes that can undermine the accuracy of your T4 filings.

As you balance your payroll records for 2021, beware of 6 common pitfalls that can delay or undermine the accuracy of your T4 filings.

1. Not Adjusting for Changes to the Register YTD

Pitfall: When making adjustments to an employee's pay after a payment and corresponding remittance to CRA (for example, if you discover an overpayment), employers sometimes fail to carry forward adjustments in pay in both source deduction remittances and general ledger (GL). **Result:** At year's end, the CRA statements and GL don't match the amounts shown on the payroll register.

Solution: When you adjust an employee's payment after a paycheque has been reissued, be sure to:

- Ensure the corrected gross and net amounts are reflected in the payroll system YTD;
- Reprint the payroll register for the period so that you have an updated document reflecting the change;
- Document the change on your GL; and
- Adjust your remittances to CRA accordingly.

2. Not Including Current Source Deductions Only

Pitfalls: You should balance remittance amounts on current accounts to CRA. So, these accounts should include only payroll remittances relating to the current tax year. But if CRA demands remittance payments for a previous tax year, employers may inadvertently treat them as a current source deduction. Result: The register and GL totals don't balance with CRA's statements at year-end.

Solution: Keep pay and track CRA remittances for remittances for previous tax years separately from regular source deductions for the current tax year.

3. Omitting Ex-Employees' Pay

Pitfall: When balancing the register YTD and GL against the CRA's monthly statements, you must account for any employee that received payment from you during the tax year, including those who no longer work for you. But the default in some payroll systems includes only current employees in the register YTD and fails to account for former employees, even though they're still in the payroll system and must be accounted for at year's end.

Solution: Ensure that the register you get from your payroll system accounts for former employees. If your system allows you to easily generate a count of people paid in a year (as opposed to a system that includes only the YTDs for employees with current pay), compare that count to the one in the register YTD. Also check the list of employee names on the register YTD to see if employees you know are no longer at the company are listed.

4. Purging Former Employees Too Early

Pitfall: Some payroll systems allow the employer to manually purge information. If you purge information about a former employee before you do your T4s, it may impact payroll balances.

Solution: Don't purge former employees until after you've completed your T4s. Better yet, don't purge them at all. Just have some way to mark them as archived or otherwise hidden, so you don't see them unless you want to.

5. Failing to Properly Define the Tax Year

Pitfall: The balancing process involves comparing 2 sets of numbers over a single defined time period, namely the tax year. If the information being compared comes from different tax years, the numbers won't balance at year-end. While this might seem obvious, it's not always easy to keep to a common tax year definition when doing the year-end balance, especially when pay periods extend across 2 tax years.

Solution: Be sure to include figures from the right payroll in 2021 tax year. Otherwise, it will be impossible to balance to the CRA if you're not taking the correct pay periods into account, he explains.

6. Using the Wrong Remittance Form

Pitfall: There are different CRA remittance cycles. For example, some companies remit to CRA on the 10th and 25th of the month; others remit 3 business days after the pay date. Regardless of the cycle you're on, CRA typically sends you a stack of preprinted forms to use with the remittance date filled in on each form. Accidentally using the wrong pre-printed form (one listing the wrong remittance date) can create a snowball effect of problems. Since CRA is likely to follow the remittance date on the form rather than the date it actually receives the remittance, it will apply each remittance to the wrong remittance date.

Solution: When completing the remittance form, double-check to ensure you're using the right CRA preprinted form from CRA. You should also check whether CRA applied the remittance correctly by going through the CRA payroll statement and finding each remittance from every payroll in the tax year. If you don't use the preprinted forms (e.g., if you must use a blank form or remit electronically), be sure that the remittance date you provide is correct.