

# Make 'Reasonable Efforts' to Collect New Employees' Social Insurance Numbers



While completing the T4 form can be a major headache for payroll and HR managers, listing an employee's Social Insurance Number (SIN) in Box 12 seems pretty straightforward. Unfortunately, SIN rules aren't as simple as they may appear and it's easy to slip up. Here are 4 common SIN errors that can trip up even seasoned payroll managers and how to avoid making them when completing an employee's T4.

## **Ask but Don't Require Employees to Show You their SIN Card/Confirmation Letter**

The CRA *Employer's Guide to Payroll Deductions & Remittances* (T4001) says employers must ask employees for their SIN within 3 days of when they start work and record their number. Technically, employees aren't required to show their actual card (if they still have one of the old plastic cards) or confirmation letter of their SIN to their employers. However, you are allowed to at least ask them to show you their SIN confirmation letter. That's worth a try because seeing their actual SIN confirmation enables you to perform 3 key functions:

### **(1) Verify the Employee's Identity**

One reason the government wants you to go to the trouble of getting the SIN is to verify that employees really are the persons they claim to be. Asking for a SIN number doesn't accomplish this purpose. The employee can just list another person's SIN or even 9 random numbers and you won't know it—unless your software uses the CRA formula to validate SIN numbers. While SIN confirmation letters can also be forged, forgery is more difficult and thus rarer.

### **(2) Ensure the Accuracy of the Listed Social Insurance Number**

Asking for a SIN letter rather than simply a number reduces the likelihood of SIN inaccuracies. That's important because when an employer lists an incorrect SIN on an employee's T4, it can undermine the accuracy of:

- The record of earnings (ROE) file, which might affect the employee's future CPP benefits;
- The pension adjustment amount which could then cause the employee to receive an inaccurate annual RRSP deduction limit statement; and

- The related information listed on the employee's Notice of Assessment.

### **(3) Ensure the Accuracy of the Listed Employee Name**

The employee name you list on the T4 must be the exact same name as the one listed on the SIN card/confirmation letter. So, for example, listing Bob Martinez on the T4 of an employee listed as Robert Martinez on the SIN confirmation could cause problems in the processing of CPP earnings.

Here are 4 common SIN processing mistakes to avoid.

#### **Mistake 1. Not Documenting Attempts to Collect SIN**

According to the T4001, if an employee doesn't provide their SIN after you ask for it during their first 3 days, employers must be able to show that they "made a reasonable effort to get it." Without such documentation, you could be fined \$100 for each SIN you don't try to get.

**Solution:** Send a written request to any employee who fails to produce their SIN after repeated verbal requests that lists:

- The dates of previous requests;
- To whom each request was made;
- The date of the written request; and
- An express request for the employee's SIN.

Keep copies of each written request you make.

#### **Mistake 2. Not Filing a T4 for Employees who Fail to Furnish a SIN**

Some employers assume that they don't have to file a T4 for any employee who fails or refuses to provide their SIN unless and until they provide the information. This is a mistake that exposes you to risk of fines and late charges.

**Solution:** Calculate income and deductions of employees who refuse to produce a SIN as you would any other employee. File the T4 by the end of February. But if the employee hasn't responded to your request for a SIN or, if the employee has refused to show you their SIN, list all zeros (000-000-000) in the SIN field. Later, when and if you do get the SIN, file an amended T4 and list the SIN in Box 12.

The CRA also suggests that you include in your payroll program a function that verifies the validity of a SIN. **Don't** leave Box 12 blank if the SIN turns out not to be valid; instead, list the invalid SIN the employee provided. Even an incorrect number may enable the CRA to find a match so that it can correct the record and ensure the employee receives proper credit for the deductions.

#### **Mistake 3. Not Asking for a New SIN after an Employee's Name Changes**

It's not uncommon for employees to change their legal names once they start working for you, for example, after getting married or divorced. Such changes in legal name may render their SIN cards invalid. **Result:** The SIN you listed for them in Box 12 of the T4 is no longer accurate and needs to be changed.

**Solution:** Remind employees who change their names that they need to obtain a new SIN

confirmation letter and show you the card as soon as they receive it. There's no need for employers to amend previously issued T4s just because of an employee name change, as long as the actual **number** on the new SIN confirmation doesn't change.

## **Mistake 4. Not Verifying that Employees Whose SINs Start with '9' May Work in Canada**

It's become increasingly common for Canadian employers to hire individuals who are neither citizens nor permanent residents of Canada. Under the *Employment Insurance Act*, every person who works in Canada must have a SIN, including individuals who are neither Canadian citizens nor permanent residents and who wouldn't normally qualify for a SIN. To fix this problem, HRSDC created a special category of "900-series" SINs that all start with "9."

**Solution:** The work authorization of foreign individuals with a "9" SIN is often limited to a particular employer. So, in addition to the payroll implications, if a new employee shows up with a "9" SIN, your HR department will need to ensure that it has a valid work permit from Citizenship and Immigration Canada to avoid possible penalties under the *Immigration Act*. In addition, all 900-series SINs have an expiry date of up to 5 years.