

Make Sure Your 2020 T4 Slips Comply with CRA's New Reporting Rules



Thanks to COVID-19, end of year payroll processing will be a little trickier this year.

As your organization prepares its year-end filings for the 2020 tax year, be aware of the CRA's new T4 slip reporting requirements for employers. Here's are some FAQs providing a rundown of the new rules.

1. Whom Do the New Rules Cover?

Although the new T4 reporting rules are intended to validate COVID-19 relief payments, including the Canada Emergency Wage Subsidy (CEWS), Canada Emergency Relief Benefit (CERB) and Canada Emergency Student Benefit (CESB), they apply to all Canadian employers.

2. What Do the New Rules Require?

In addition to reporting employment income in Box 14, "Employment Income," or Code 71, "Indian (exempt income) – Employment," for the 2020 tax year, employers must report employment income and retroactive payments to employees related to COVID-19 on the T4 slip using new information codes.

3. What Are the New Codes?

The new reporting T4 codes align with defined 2020 periods relating to eligibility for CEWS, CERB and CESB payments, including:

- 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; and
- Code 60: Employment income – August 30 to September 26.

4. How Do You Select the Right Code?

Note that the code is based on the day the employee was actually paid, and not the period of work the payment covers. The new requirement means employers

should report income and any retroactive payments made during these periods.

CRA Example: Suppose an employer is reporting employment income for the period of April 25 to May 8, 2020, that's payable to the employee on May 14, 2020. Which code should the employer use? **Answer:** The employer should use Code 58 since that's the code corresponding to the payment date, even though the employee earned the income during dates corresponding to Code 57.

The Bottom Line

Year-end payroll reporting will be slightly different this year. Thanks to COVID-19, employers and payroll administrators will have to adjust their procedures and policies to comply with the new CRA T4 employment payment reporting rules. So, make sure you collect and properly report the necessary information to comply.