

# Payroll Trap to Avoid: Mingling Past & Current Year Source Deductions



As you start your year-end payroll process for 2015, keep your antenna tuned to a common pitfall involving current year remittances that can mess up your balances, undermine the accuracy of your calculations and result in filing delays and even CRA penalties.

## **The Balancing Process**

The year-end process involves taking all of the data generated by all payroll cycles during the year from 3 different sources:

1. Monthly statement of accounts from the CRA, i.e., PD7A or PD7A[TM]; (or MRQ, i.e., TPZ-1015 if Québec is the province of employment);
2. Your company's payroll register YTD; and
3. Your company's general ledger (GL).

You need to add everything up and ensure all the numbers balance using a triangulating process comparing figures from the payroll register YTD against both monthly CRA (or MRQ) statements and the GL.

## **The Trap**

You must balance remittance amounts on *current* accounts to CRA. Accordingly, these accounts should include *current* source deductions only, i.e., payroll remittances relating to the current tax year. The problem is that there may be situations when CRA demands you to remit payments in connection with a *previous* tax year. It's important that you keep any of these remittances relating to previous years must be segregated from current source deductions. If you treat a previous year deduction as a current source deduction, the totals in your register and GL won't balance with CRA's statements at year-end.

## **Example**

On March 19, 2015, Company A receives an assessment relating to CPP/EI contributions—a PIER assessment notifying you that it miscalculated the remittances for employee Dee Duckshin in 2014, and that it owes CRA \$2,300. The company remits the full amount on April 4, 2015. Even though this amount was remitted in 2015, it is in connection with a 2014 tax liability. So if Company A treats it as a 2015 remittance in its register and GL, its records won't match the CRA statements at year

end.

### **The Solution**

Make sure you pay and track CRA remittances for remittances related to previous tax years separately from regular source deductions for the current tax year. For a PIER report, CRA will send you a separate remittance form for any amounts it is demanding. Keep these forms separate from the PD7As.