

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 info center on our website for more resources at www.valentecpas.com.

- **Source deduction and payroll withholdings**
- **Other payments and remittance deadlines**
- **Reporting and filing changes**
- **Taxable benefits**
- **Audit issues and other changes**

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 2025. 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) | 2024 | 2025 |
|---|-------------|-------------|
| Maximum annual pensionable earnings | \$68,500.00 | \$71,300.00 |
| Annual basic exemption | \$3,500.00 | \$3,500.00 |
| Maximum contributory earnings | \$65,000.00 | \$67,800.00 |
| Contribution rate | 5.95% | 5.95% |
| Employee-employer maximum contribution | \$3,867.50 | \$4,034.10 |
| Additional maximum annual pensionable earnings | \$73,200.00 | \$81,200.00 |
| Employee and employer contribution rate | 4% | 4% |
| Maximum annual employee and employer contribution | \$188.00 | \$396.00 |

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) | 2024 | 2025 |
|--|-------------|-------------|
| Maximum annual insurable earnings | \$63,200.00 | \$65,700.00 |
| Employee premium rate | 1.66% | 1.64% |
| Employee annual maximum premium | \$1,049.12 | \$1,077.48 |
| Employer premium rate | 2.324% | 2.296% |
| Employer annual maximum premium (unreduced) | \$1,468.77 | \$1,508.47 |

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 – contact your insurance company to confirm wait times and eligibility for the reduced rates programs. <https://www.canada.ca/en/employment-social-development/programs/ei/ei-list/ei-employers/premium-reduction-program.html>

| PROVINCE OR TERRITORY | PERSONAL EXEMPTION RATES | |
|------------------------------|---------------------------------|-------------|
| | 2024 | 2025 |
| FEDERAL | \$15,705.00 | \$16,129.00 |
| ONTARIO | \$12,399.00 | \$12,747.00 |

If employees have exemption credits over and above the basic personal amount, it is recommended that new TD1 forms are completed each year, as provincial credits differ from federal. This year, the Federal basic personal amount varies based on total income, especially those with income exceeding \$173,205 for 2024 and \$177,882 for 2025. TD1 forms for 2025 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 INSURABLE EARNINGS | MAXIMUM 2024 | MAXIMUM 2025 |
|--------------------------------|---------------------|---------------------|
| ONTARIO | \$112,500.00 | \$117,000.00 |

Various earnings that are not insurable 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 insurable earnings. Special rules apply to companies in the construction industry. Dividends paid to active shareholders may be deemed insurable earnings. For proprietors in construction, labour charges on invoices may be deemed insurable earnings. Premium rates for 2025 and are available here: <https://www.wsib.ca/en/2025premiumrates>

| 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. 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 Exemption Allocation of the form. 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 | February 28, 2025 | ELECTRONIC IF 5 OR MORE SLIPS, PER TYPE OF SLIP INCLUDING AMENDED SLIPS. | JANUARY 15, 2025 UNLESS AN ACCELERATED REMITTER |
| EHT | MARCH 15, 2025 | PAPER OR ON-LINE | MARCH 15 TH , UNLESS PAYROLL EXCEEDS \$6 MILLION AND QUARTERLY PAYMENTS ARE REQUIRED |
| WSIB | MARCH 31, 2025 | ON-LINE | JANUARY 31, 2025 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, 2025 FOR CALENDAR YEAR FILINGS | ELECTRONIC IF 5 OR MORE 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. Failure to file electronically (if 5 or more) will result in penalties based on the number of slips filed. 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 the 2024 reporting year, the important change is inclusion of Box 16A to report the employee's second CPP contribution. This box will be used to report the 4% CPP(2) contribution on the additional yearly maximum pensionable earnings.

Additionally, there are new reporting codes for tax-exempt First Nations employees added in the 'Other information' section for the 2024. Code 94 – RPP contributions withheld from tax exempt income paid to an employee who is registered or entitled to be registered under the Indian Act. Code 95 – Union dues withheld from tax-exempt income paid to an employee who is registered or is entitled to be registered under the Indian Act.

In 2023, Box 45 was introduced to report the employee's access to dental plan due to the 'Dental Care Measures Act'. This year completion of this box is mandatory. The code is reported based on the plan the employee is eligible for, whether or not they sign up or use it, as at December 31, 2024. If the box is left blank or has an invalid option, the CRA will contact the filer to request resubmission.

New rules for stock option benefits require 2024 amounts to be separated into two periods for reporting purposes. Boxes 38,39 and 41 should be used for the dates January 1, 2024 to June 24, 2024, and Boxes 90,91 and 92 should be used for the dates June 25, 2024 to December 31, 2024, to assist with personal tax reporting the Capital Gains for the inclusion rate changes in 2024.

T4A CHANGES: The slip has been amended to include Box 015 to report a pension recipient's eligibility for company provided dental benefits. This reporting is only required if an amount is reported in Box 016.

TIPS & GRATUITIES POLICIES: Effective June 21, 2024, employer tip sharing policies must be written, displayed at work, and saved for three years post-termination. An employer must pay any tip or gratuity by cash, cheque, or direct deposit. Controlled tips are considered to be part of the employee's total remuneration and are therefore subject to CPP contributions and EI premiums, and reported on T4 slips as employment income. Direct tips, meaning the employer has no control over the tip amount or its distribution, are not subject to CPP contributions and EI premiums.

MEDICAL NOTES AND SICK LEAVE: Effective October 28, 2024, employers cannot require employees to provide a certificate from a qualified health practitioner (a medical note) for job-protected sick leave. Instead of sick notes, employers are encouraged to use other methods such as an attestation.

SOURCE DEDUCTION REMITTANCE PAYMENTS: Accelerated remitters (Schedule 2) must remit payment electronically or in person at their financial institution. Cheques nor cash payments are no longer accepted for those employers. If the source deductions exceed \$10,000 in any payment period, for any employer it must be submitted electronically – which includes a teller posting the payment at the bank if paying in person due to computer issues.

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TAXABLE BENEFITS UPDATE

AUTOMOBILE ALLOWANCES AND BENEFITS: The non-taxable reasonable per kilometer rates for business travel are: \$0.70 for 2024 for the first 5,000 kilometers and \$0.64 for any additional kilometers.

PERSONAL USE OF EMPLOYERS' VEHICLE: Due to increasing post assessment reviews of vehicle expenses, all drivers of company owned vehicles must 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 in box 14 and Code 34, in the "other information" area of the slip. This income is taxable and pensionable but not insurable. 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 benefits for 2024 are:

| | | | | | | | |
|-----------|----|-----------|----|-----------|----|-----------|----|
| Quarter 1 | 6% | Quarter 2 | 6% | Quarter 3 | 5% | Quarter 4 | 5% |
|-----------|----|-----------|----|-----------|----|-----------|----|

Where an employee owes an employer \$10,000 or less per calendar year, and the loan is for less than 60 days, it is no longer considered a taxable loan benefit (effective January 1, 2023). This does not apply to shareholder loans. When the loan is outstanding more than 60 days, the interest must be reported on the T4 slip. Interest paid to a shareholder must now be reported on a T5 slip.

GIFTS AND AWARDS: As we approach the gift giving season, keep in mind that cash gifts are always considered taxable income and must be reported in Box 14 of the T4 slip with appropriate deductions. Visit CRA's website to determine if gifts or awards are taxable here: <https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/payroll/benefits-allowances/gifts-awards-social-events/gifts-awards-long-service-awards.html#adminpolicy>

SOCIAL EVENTS: In-person events remain non-taxable if available to all employees, the cost is less than \$150 including HST, but not including transportation or overnight accommodation, each event is reasonable and the event is within the maximum annual limit (6 per employer paid combined in-person and virtual). Virtual events are limited to meals, beverages, and delivery totalling less than \$50 including taxes, unless also including entertainment, then the limit is \$100, before the amount is deemed a taxable benefit. Verify here: <https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/payroll/benefits-allowances/social.html>

THE EMPLOYER'S GUIDE TO TAXABLE BENEFITS: is located here: <https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/t4130/employers-guide-taxable-benefits-allowances.html> Remember to adjust for HST on 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 an eligible HST input tax credit (ITC) and cannot be claimed back from CRA.

AUDIT ISSUES AND OTHER CHANGES

WHAT CAN TRIGGER A PAYROLL AUDIT?

- Random Selection: The CRA routinely selects businesses for audits to maintain the integrity of the tax system (this can either be done by revenue, types of business, etc.).
- Discrepancies in Filings: Inconsistencies between filed payroll amounts and other financial records can raise red flags, including repeated errors on T4 slips, PIER reports, and over/late payments.
- Third-Party Tips: Tips from employees or other informants can prompt an audit.
- Associated Audits: If a related business or partner is audited, your business may also be reviewed.

Therefore, it is important to reconcile your payroll account and employee deductions before the last payment is due for 2024.

Our fees for assistance with audits, Tax discrepancy notices, PIER and post assessment reviews may be covered if you have paid the *Audit Shield Insurance* offered by our firm. Contact neal@valentecpas.com for more information.

The Ontario Government announced that the minimum wage in Ontario increases to \$17.20 per hour starting October 1, 2024.

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ONTARIO LABOUR STANDARDS CHANGES:

Changes introduced by Bill 149 effective 2024:

- Individuals performing work during a trial period for the purpose of training fall under the definition of “employee” under the ESA and accordingly, are entitled to compensation for any trial periods.
- Employers are not permitted to withhold or deduct from an employee’s wages when a customer of a restaurant, gas station or other establishment leaves the establishment without paying for the goods or services taken from, consumed at, or received at the establishment.
- Any alternate pay arrangement with respect to the payment of vacation pay (i.e., other than where an employer pays an employee vacation pay in a lump sum before an employee begins their vacation), must be “set out in an agreement” between the employee and the employer.

Changes introduced by Bill 149 that will take effect on a future date to be named by proclamation:

- Employers must include the expected compensation for a position, or the range of expected compensation for a position, in any publicly advertised job posting.
- Employers must disclose the use of artificial intelligence in screening, assessing, or selecting applicants for a position in any publicly advertised job posting.
- Employers are prohibited from including any requirements related to Canadian experience in any publicly advertised job posting or associated application form.
- Employers must retain copies of every publicly advertised job posting for three years after the posting is taken down.

For more information see: <https://www.ola.org/en/legislative-business/bills/parliament-43/session-1/bill-149>

Workplace Hazardous Materials Information System (WHIMIS): Every employer in Ontario is required to provide appropriate WHIMIS 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 Ontario and Canada: Ensure you have the correct notices posted in your workplace and are in compliance.

Visit: <http://www.ohrc.on.ca/en> and [Canadian Human Rights Commission - Canada.ca](http://www.canada.ca/en/department-of-human-resources-development/canadian-human-rights-commission/)

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! Paper statements will not be mailed to employers. Register on-line at: <https://www.wsib.ca/en/onlineservices> for all sources of WSIB information. Small businesses (1-99 full time employees) can sign up for the WSIB Health and Safety Excellence program and earn double the rebates plus \$1,000 toward a health and safety plan.

Employment standards do not apply to all industries in Ontario.

Visit: <https://www.ontario.ca/document/industries-and-jobs-exemptions-or-special-rules> for more clarification.

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 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