

# Top 10 Audit Adjustments by the CRA

Each year, the CRA provides a list of commonly requested adjustments to an employer's payroll as a result of wages and benefits not being correctly reported by the employer. Here is the top ten list for the 2015 reporting year:

- 1. Unreported payments for services to an independent worker (T4A)** – Employers are not reporting payments for services to sub-contractors on the prescribed T4A form.
- 2. Salary expenses** – Includes unreported salary and wages such as bonuses, commissions, cash payments, etc.
- 3. Reclassification of employment status** – Individuals operating as self-employed contractors when they should be treated as employees or vice versa.
- 4. Automobile standby and operating expenses** – Employees are not maintaining proper logbooks to separate personal and business driving so employers are not calculating the benefit correctly. Incorrect perception that if a vehicle doesn't meet the definition of an "automobile" there is no benefit to be reported.
- 5. Vehicle allowances** – Employers are giving flat-rate vehicle allowances to their employees and not reporting the benefits as income.
- 6. Personal and living expenses (employees or shareholders)** – Many corporate owners look at this type of expense as personal drawings and are therefore not reporting it as taxable income. These include appropriations of corporate assets for personal use. Some employees as part of their compensation agreement may have personal living expenses paid for by the employer unless these fall under a specific exemption this would be considered taxable income.
- 7. Travel expenses and allowances** – In order to be treated as non-taxable, travel expenses and allowances must be reasonable and clearly validated as business expenses that primarily benefit the organization.
- 8. Housing, low/free rent, board & lodging** – With the exception of special or remote worksites, most employees that receive free or subsidized housing from their employer would be deemed to receive a taxable benefit based on fair market value (FMV). In some instances, the value of the benefit may be reduced.
- 9. Parking** – Employers are not reporting the value of this benefit and when they do, they report a minimum amount and not the true FMV.
- 10. RRSP and Retiring Allowances** – Ensure proper reporting of eligible and non-eligible amounts and that the full value of the retiring allowance is reported on the T4, including amounts transferred to an RRSP.

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