# CLOSING A PAYROLL

Resource



The **Declaration** *for* **Payroll**

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NATIONAL PAYROLL INSTITUTE

# CLOSING A PAYROLL

**Businesses close for many reasons.** Whether you're closing for economic reasons, partnership dissolution, the selling of businesses, or a merger or acquisition, you will have to manage a change to your payroll accounts.

When a business ceases to be active, there is a deadline to complete final payroll administration. Final payments to terminated employees need to be processed and ROEs issued. Final reporting needs to be done, and tax slips need to be completed, issued to employees and filed with the government.

Each business situation is different, but here are four best practices you should consider no matter your circumstance:

1. **Ask for help**

   Closing down or dissolving a business has complexities. It is highly recommended to retain the counsel of a professional advisory service that is well versed in ceasing operations in your jurisdiction(s). The National Payroll Institute's member resource, **Payroll InfoLine** is also staffed by payroll experts who can help to answer your questions related to this process.

2. **Make all relevant stakeholders aware**

   The decision to close will inevitably impact many people. This includes employees, business partners, and government stakeholders. Develop a plan to notify all those players, whether through in-person meetings, digital communications, or other methods.

   From a payroll perspective, one of the key stakeholders to notify is the Canada Revenue Agency. You must file **Form RC145, Request to Close Business Number Program Accounts**, which will remove your business from the central registry of active businesses and flag the program accounts attached to that business number (BN) for closure once all final filings have been received and processed.

3. **Prepare for final reporting**

   Documentation will be needed. Tax slips and summaries are required. Most payroll systems can create a report that breaks down the year-to-date balance for each employee and the overall payroll. Additionally, you may need to track down certain payroll information in order to confirm final payments. We recommend using our **Request for Payroll Payments Form** to follow-up on this information.

4. **Consult our Closing a Payroll in Canada Checklist and Guidelines for help.**



# RESOURCE: CLOSING A PAYROLL IN CANADA CHECKLIST

| STEP | | ACTION |
|---|---|---|
| ☐ | 1 | **MEET WITH ACTIVE EMPLOYEES OR PROVIDE COMMUNICATION**<br>**Provide reasons for closing:**<br>• Bankruptcy/Insolvency<br>• Business sold<br>• Moving payroll to another country |
| ☐ | 2 | **NOTIFY INACTIVE OR FORMER EMPLOYEES**<br>• Salary continuance recipients<br>• Maternity and parental leave<br>• Employees receiving short- and long-term disability benefits<br>• Retirees and pensioners<br>• Employee Self Serve – access after termination |
| ☐ | 3 | **DETERMINE FINAL PAYMENTS**<br>• Working notice or pay in lieu of notice<br>• Vacation pay (time owing and banked vacation)<br>• Banked overtime<br>• Substitute holiday (or payout)<br>• Legislated severance (federal and ON only)<br>• Retiring allowance |
| ☐ | 4 | Remit all Canada Pension Plan and Quebec Pension Plan contributions, Employment Insurance or Quebec Parental Insurance Plan premiums, and income tax deductions withheld for the former employees within seven days of the day your business ends. |
| ☐ | 5 | Calculate the pension adjustment that applies to your former employees who accrued benefits for the year under your registered pension plan or deferred profit sharing plan.<br>For more information on how to calculate pension adjustments, see **T4084, Pension Adjustment Guide.** |
| ☐ | 6 | You may wish to confirm the labour standards of your employee's province or territory of employment to ensure that you have met their requirements for termination. |
| ☐ | 7 | Issue a Record of Employment (ROE) for each former employee within five calendar days after the end of the pay period in which an employee's interruption of earnings occurs to do so. |
| ☐ | 8 | Fill out and file all **T4** or **T4A** slips and summaries using electronic filing methods or on paper, and send them to the CRA within 30 days from the date your business ends. Give copies of the T4 or T4A slips to your former employees. |
| ☐ | 9 | Cancel the business number and all related CRA program accounts after the final returns and all amounts owing have been processed. To close your payroll program account, you can use the "Request to close payroll account" service in **My Business Account**. An authorized representative can use this service through **Represent a Client**. |

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| ☐ | **10** | Fill out and file all **RL-1** slips and summaries and submit by the 30th day after the day on which you stop operating your business. |
| ☐ | **11** | Cancel the business number and all related RQ program accounts after the final returns and all amounts owing have been processed. |
| ☐ | **12** | **NOTIFY:**<br>• Payroll software provider<br>• Bank<br>• Courts of existing garnishment orders<br>• Union<br>• Benefit/Pension provider |
| ☐ | **13** | Notify government agencies covered above. |
| ☐ | **14** | **CLOSING FINANCIAL STATEMENTS:**<br>• Balance General Ledger<br>• Complete all third-party remittances<br>• Complete all payroll balancing<br>• Consult internal/external auditors |

