

UNDERSTANDING REQUESTS FOR TAX DEDUCTION, EI, AND CPP INFORMATION FROM THE CRA

AUGUST 2025

WHY YOU MAY RECEIVE THIS REQUEST WHEN YOU DON'T OWE ANYTHING

The Canada Revenue Agency (CRA) periodically sends requests, such as the PD1114 form, to employers and organizations to ensure proper compliance with federal payroll tax requirements.

These requests typically ask for information regarding the calculation and remittance of the following for employees and office holders, including directors:

- Tax Deductions: Deductions of income tax from salaries, commissions, or other remuneration paid to employees or directors.
- Employment Insurance (EI): Mandatory contributions made by both employers and employees to the federal EI program.
- Canada Pension Plan (CPP): Statutory deductions from earnings to fund the CPP, with contributions from both the employee/director and the employer.

Receiving a PD1114 request does not necessarily mean the CRA suspects non-compliance; rather, it is standard practice to verify payroll activities, clarify

Many small business corporations will pay a small salary on an annual basis to their directors who are also corporate officers / shareholder(s) for services provided during the year.

This may be due to several reasons, that we will not get into here.

Often, there are no withholdings to report, so what do you do when CRA sends out a letter?

Note: if you did withhold tax and received a PD1114 request, this newsletter does not apply. See the end of the letter for more information.

reporting, and ensure correct remittance of statutory deductions.

The CRA may send this request if your organization has active payroll accounts, issues payments to directors, or has reported staff or directors on prior filings, even if no actual remittances have been made.

SPECIAL CONSIDERATIONS FOR DIRECTOR/SHAREHOLDERS

Some organizations, especially small corporations, may have directors (who are also large shareholders) registered on their payroll who receive annual compensation below the \$3,500 threshold.

In such cases, these directors are not subject to CPP, EI, or income tax withholdings.

- CPP Exemption: Annual earnings under \$3,500 are not pensionable and are exempt from CPP contributions.
- EI Exemption: Director that are also shareholders (especially if they control more than 40%) may be exempt from EI, and if so, then no EI premiums are required.
- No Tax Withholding: If a director's annual earnings do not trigger taxable income, income tax withholding may not be necessary.

It is important to maintain clear records of directors' compensation and keep the CRA informed of their payment status.

HOW TO FILE A NIL REMITTANCE

If your organization holds a payroll account but does not owe any remittances for a given period (e.g., all directors make less than \$3,500/year and no other employees are present), you are still required to file a nil remittance with the CRA to confirm your status.

Here are the steps to follow to file a NIL Remittance (as it was in August 2025).

- Access the CRA's My Business Account portal
- Select the appropriate payroll account
- Select "Remittances"
- Select "Provide a nil remittance"
- Select Start
- Enter the period it relates to
- Confirm that it is correct
- Submit

Filing a nil remittance is essential to avoid penalties or compliance inquiries.

Even if no payments are made, you must confirm your payroll status for each period in which the account is open.

REPORTING: NO EMPLOYEES SUBJECT TO WITHHOLDINGS UNTIL DECEMBER 31ST

If your organization anticipates no employees (including directors) will be subject to payroll withholdings until December 31st of the calendar year, you can indicate this status in your CRA payroll filings. In practice:

- Continue to file nil remittances for each reporting period mentioned above;

or

- When providing the period in the above steps, enter the entire year (YYYY-01-01 to YYYY-12-31)

In both cases:

- Document and retain evidence that no director or employee has exceeded the \$3,500 annual threshold.
- Notify the CRA if your payroll situation changes during the year (e.g., if a new employee is hired or director compensation increases).

At year-end, complete your T4 summaries and indicate "No employees subject to withholdings for the year" where applicable.

This maintains compliance and ensures your business or organization avoids unnecessary assessments or reconciliations.

SUMMARY

Receiving a CRA request regarding Tax Deduction, EI, and CPP (PD1114) is a routine part of payroll account administration.

For organizations with directors earning below \$3,500/year and no other employees, take the following steps:

- File nil remittances for each reporting period.
- Maintain clear payroll records.
- Notify the CRA of any changes in payroll status.
- Report accurately at year-end.

Proper compliance ensures smooth operations and prevents unnecessary complications with the CRA.

If you receive a request for a PD1114 and you **did** withhold tax, EI, or CPP then contact us, or visit:

<https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/payroll/remitting-source-deductions/how-when-remit-overview/request-tax-deductions-cpp-ei-information-remit-late.html>

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