

Practice with case studies

Workers

Reporting tips and additional Canada Pension Plan contributions

Pre-test question

Select **True** or **False**

If tips, gratuities or other earnings are not reported on a T4 slip, it is not necessary to report the earnings on a tax return.

True

Sorry, that is incorrect.

The individual is responsible for providing you with any amounts they earned that are not reported on their T4 slip because these amounts must be reported on their tax return.

False

That is correct.

The individual is responsible for providing you with any amounts they earned that are not reported on their T4 slip because these amounts must be reported on their tax return.

Instructions

1. Open the tax software
2. Review **Background information** and **Required slips** (tax slips, receipts, etc.)
3. Provide all required information for the appropriate sections of the tax software
4. Once completed, compare your results with the solution provided
5. Afterwards, refer to the **Takeaway points**

Background information

Situation

Sandra worked at ABC Ltd. and Le Gourmet at the same time. She informed the volunteer that she received tips while working at Le Gourmet for a total of \$2,000, which was not included on her T4 slip. Sandra would like to make additional Canada Pension Plan (CPP) contributions for the tips she earned.

Identification information

Name	Sandra Couture
Social insurance number (SIN)	000 000 000
Address	123 Main Street City, Province X0X 0X0
Date of birth	May 5, 1995
Marital status	Single

Required slips

T4 – Statement of Remuneration Paid (ABC Ltd.)

Employer's name – Nom de l'employeur ABC Ltd.		Canada Revenue Agency Agence du revenu du Canada	T4 Statement of Remuneration Paid Etat de la rémunération payée									
Year Année												
Employment income Revenu d'emploi		14	18,000.00	22	Income tax deducted Impôt sur le revenu retenu	700.00						
54	Employer's account number / Numéro de compte de l'employeur	10	Province of employment Province d'emploi	16	Employee's CPP contributions – see over Cotisations de l'employé au RPC – voir au verso	761.25	24	EI insurable earnings Gains assurables d'AE	18,000.00			
12	Social insurance number Numéro d'assurance sociale	28	Exempt – Exemption CPP/QPP EI PPIP RPC/RRQ AE RPAP	29	Employment code Code d'emploi		17	Employee's QPP contributions – see over Cotisations de l'employé au RRQ – voir au verso		26	CPP/QPP pensionable earnings Gains ouvrant droit à pension – RPC/RRQ	18,000.00
Employee's name and address – Nom et adresse de l'employé		18	Employee's EI premiums Cotisations de l'employé à l'AE	284.40	44	Union dues Cotisations syndicales	200.00					
Last name (in capital letters) – Nom de famille (en lettres moulées) First name – Prénom Initial – Initiale		20	RPP contributions Cotisations à un RPA	1,000.00	46	Charitable donations Dons de bienfaisance						
COUTURE SANDRA		52	Pension adjustment Facteur d'équivalence	1,800.00	50	RPP or DPSP registration number N° d'agrément d'un RPA ou d'un RPD						
123 Main Street City, Province X0X 0X0		55	Employee's PPIP premiums – see over Cotisations de l'employé au RPAP – voir au verso		56	PPIP insurable earnings Gains assurables du RPAP						
Other information (see over)		Box – Case		Amount – Montant		Box – Case		Amount – Montant				
Autres renseignements (voir au verso)		Box – Case		Amount – Montant		Box – Case		Amount – Montant				

T4 – Statement of Remuneration Paid (Le Gourmet)

Canada Revenue Agency / Agence du revenu du Canada

T4
Statement of Remuneration Paid / État de la rémunération payée

Year / Année:

Employer's name – Nom de l'employeur: **Le Gourmet**

Employment income / Revenus d'emploi: 14 22

Income tax deducted / Impôt sur le revenu retenu: 22

Employer's account number / Numéro de compte de l'employeur: 54

Province of employment / Province d'emploi: 10

Employee's CPP contributions – see over / Cotisations de l'employé au RPC – voir au verso: 16

EI insurable earnings / Gains assurables d'AE: 24

Social insurance number / Numéro d'assurance sociale: 12

Exempt – Exemption: 28 29

Employment code / Code d'emploi: 29

Employee's QPP contributions – see over / Cotisations de l'employé au RRQ – voir au verso: 17

CPP/QPP pensionable earnings / Gains ouvrant droit à pension – RPC/RRQ: 26

Employee's name and address – Nom et adresse de l'employé

Last name (in capital letters) – Nom de famille (en lettres moulées): **COUTURE**

First name – Prénom: **SANDRA**

Initial – Initiale:

123 Main Street
City, Province X0X 0X0

Employee's EI premiums / Cotisations de l'employé à l'AE: 18

Union dues / Cotisations syndicales: 44

RPP contributions / Cotisations à un RPA: 20

Charitable donations / Dons de bienfaisance: 46

Pension adjustment / Facteur d'équivalence: 52

RPP or DPSP registration number / N° d'agrément d'un RPA ou d'un RPDB: 50

Employee's PPIP premiums – see over / Cotisations de l'employé au RPAP – voir au verso: 55

PPIP insurable earnings / Gains assurables du RFAP: 56

Other information (see over)	Box – Case	Amount – Montant	Box – Case	Amount – Montant	Box – Case	Amount – Montant
T4 (21) Autres renseignements (voir au verso)	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Protected B when completed / Protégé B une fois rempli

Takeaway points

Steps to follow

1. Review their background information and required slips
2. Click **T4 and employment income** in the left-side menu
3. Click the + sign next to **T4 income (earned in any province except Quebec)** in the **T4 and T4E** section and enter the **Employer's name** and the amounts from the individual's T4 slips into the corresponding fields
4. Click **T4 and employment income** in the left-side menu and click the + sign next to **Tips** in the **Other** section to enter the total amount of tips received during the year that are not included on their T4 slip
5. Click **T4 and employment income** in the left-side menu and click the + sign next to **CPT20 – CPP Election for Other employment earnings** in the **CPT20** section
6. Select **B Employment received tips, gratuities, or other earnings** from the **Select the type of employment on which you elect to pay CPP contributions (CPT20)** drop-down menu

7. Enter the following, in order, into each of the **Other employment income, enter the gross amount earned** fields:
 - type of income (in this case, tips)
 - gross amount earned that the individual wants to make additional CPP contributions for

The tax software automatically calculates the additional CPP contributions applicable to the other employment income and reports the amount on line 42100 - CPP contributions payable on self-employment income and other earnings.

For more information refer to [UFile instructions](#).

Review your results

Solution to Reporting tips and additional CPP contributions.

Federal	
Sandra Couture	
◆ Total income	
10100 Employment income	\$22,000.00
10400 Other employment income	\$2,000.00
15000 Total income	\$24,000.00
◆ Net income	
20600 Pension adjustment	\$1,800.00
20700 Registered pension plan deduction	\$1,000.00
21200 Annual union, professional, or like dues	\$200.00
22200 Deduction for CPP or QPP contributions on self-employment	\$397.73
22215 Deduction for CPP and QPP enhanced contributions	\$147.77
23600 Net income	\$22,254.50
◆ Taxable income	
26000 Taxable income	\$22,254.50
◆ Non refundable tax credits	
30000 Basic personal amount	\$15,000.00
30800 CPP or QPP contributions through employment	\$731.48
31000 CPP or QPP contributions on self-employment	\$283.28
31200 Employment Insurance premiums through employment	\$347.60
31260 Canada employment amount	\$1,368.00
33500 Total	\$17,730.36
33800 Total @ 15%	\$2,659.55
35000 Non refundable tax credits	\$2,659.55
◆ Refund or balance owing	
42900 Basic federal tax	\$678.63
40500 Federal foreign tax credit (T2209)	\$0.00
40600 Federal tax	\$678.63
41700 Line 40600 - 41600	\$678.63
42000 Net federal tax	\$678.63
42100 CPP contributions payable on self-employment and other earnings	\$681.00
42800 Provincial or territorial tax	\$135.27
43500 Total payable	\$1,494.90
43700 Total income tax deducted	\$1,180.00
◆ Payments and credits	
45300 Canada workers benefit (CWB) (schedule 6)	\$1,518.00
48200 Total credits	\$2,698.00
48400 Refund	\$1,203.10