

Tax Tip

Week of February 28, 2011

CRA Penalty on TD1s

When individuals start working for a new employer, they will be asked to sign CRA form TD1 which advises the employer of various deductions and credits that employees can claim on their tax return. If the employee does not sign the form, they will be deemed to qualify for only the basic personal credit which is \$10,527. Current employees must advise their employer to a change in their circumstances that impacts the deductions or credits on the TD1

One of the more unreasonable rules related to TD1s is the penalty for individuals who circumstances change and do not adjust their TD1 accordingly. According to CRA, the employee should complete a new Form TD1 within seven days of any change that may reasonably be expected to result in a change to their personal tax credits for the year. Employees who do not complete new forms may be subject to a penalty of \$25 for each day the form is late. The minimum penalty is \$100, which increases by \$25 per day to the maximum of \$2,500.