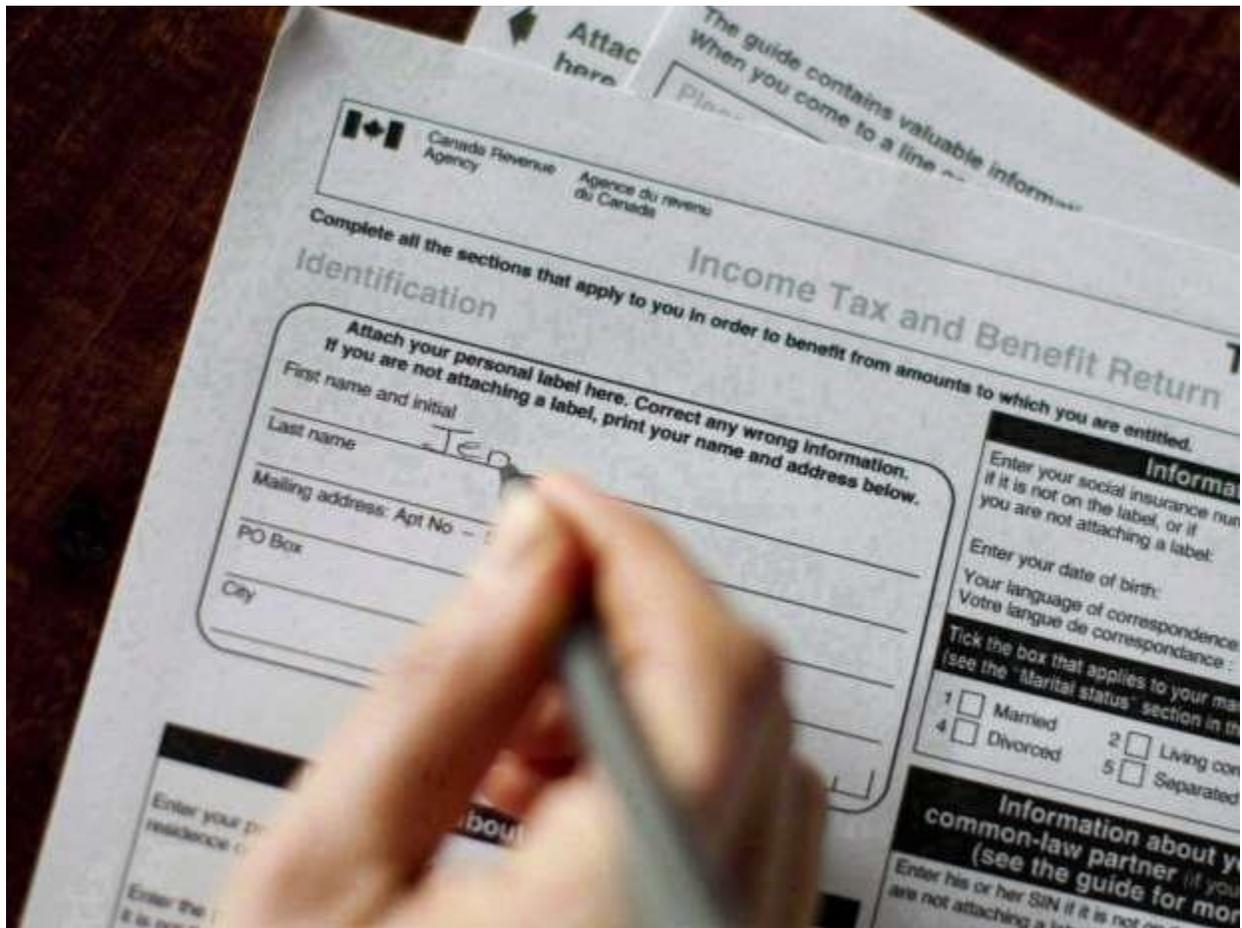


# Why the number on your summer job paycheques is less than you expected — and what to do about it

[JAMIE GOLOMBEK](#) | August 5, 2016 11:47 AM ET

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THE CANADIAN PRESS/Chris Young Depending on your level of earnings, you may actually end up with a significant tax refund come next April.

***If you're a cash-strapped student that would rather have your tax return show up on summer paycheques, here's what you need to do***

If you're a student who's been fortunate enough to land a summer job this year, you've likely noticed by now that you're getting significantly less each paycheque than you were promised when you signed your employment contract. The main reason for this, of course, is taxes, along with other payroll deductions such as CPP contributions and EI premiums.

But just because your employer is withholding tax from each pay, doesn't mean that you will actually owe any taxes in 2016. In fact, depending on your level of earnings, both in the summer and for any part-time work during the school year, you may actually end up with a significant tax refund come next April.

That's because the federal basic personal amount for 2016 is \$11,474, meaning if you earned under this amount for the year, there will be no tax owing when you file your return and you would be entitled to a refund of all the taxes withheld by your employer.

But wouldn't it be simpler if the employer, knowing that you were going to earn less than the basic personal amount during the summer months, simply didn't withhold any taxes at all? That way you could have more money each paycheque and not have to wait until next spring to get your money back.

Indeed, an employer wrote to the Canada Revenue Agency asking this very question. The employer's summer student was employed for three months over the summer and was paid semi-monthly (i.e. six pay periods). Let's say the student's salary per pay period was \$1,500 amounting to a total summer salary of \$9,000. The CRA was asked whether the employer could withhold tax as if the salary for that period were the annual salary for the year.

The CRA's response was a definitive "no." It stated that income tax is required to be withheld on "notional remuneration" for the year, which is based on the maximum number of pay periods possible in a year. In our example, the employer was required to withhold on the basis that the student earns \$36,000 annually (\$1,500 x 24 semi-monthly payments). As the CRA wrote, "The Regulations do not make an allowance for reduced income tax withholding where the term of employment is less than a year ... the Regulations provide for a notional calculation of annual remuneration based upon the maximum possible number of such pay periods in a year."

While it may be too late to do anything about it for this year, there are two things students should keep in mind for next summer that can improve their cash flow. The first is make sure that a properly completed Form TD1, "Personal Tax Credits Return," along with its provincial (or territorial) equivalent, is completed when you start your summer job. This form lists all the credits to which you may be entitled and includes not only the basic personal amount but also the tuition, education and textbook amounts. (The education and textbook amounts will be eliminated for 2017). A properly completed TD1 form will allow your payroll department to reduce your tax deductions at source.

Secondly, if you feel the withholding requirements "place undue hardship" on yourself as a cash-strapped student, you can make an application to have all or part of the withholding tax waived. This is done by completing Form T1213, "Request to Reduce Tax Deductions at Source," which must be sent to the CRA and, once approved, will authorize your employer to reduce the amount of tax withheld at source.

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