

## **SECTION 4**

### **COMPENSATION**

#### **4.10 RECOVERY OF SALARY OVERPAYMENT**

**AUTHORITY:** TREASURY BOARD MINUTE 367/11

**ADMINISTRATION:** PEI PUBLIC SERVICE COMMISSION, CIVIL SERVICE DEPARTMENTS, AGENCIES AND COMMISSIONS, HEALTH PEI, PUBLIC SCHOOLS BRANCH, LA COMMISSION SCOLAIRE DE LANGUE FRANCAISE DE I'LE DU PRINCE EDOUARD.

## **1. PURPOSE**

1.01 The purpose of this policy is to outline the procedure to be used should an employee have a salary overpayment to be repaid. This policy is in place to ensure that the outstanding overpayments are received in an equitable, consistent and timely manner.

## **2. APPLICATION**

2.01 Policies and information in this section apply to all those administering or receiving pay through the Civil Service, Health PEI, Public School Branch and La Commission scolaire de langue française payrolls.

## **3. POLICY**

3.01 Employees will be requested to repay a minimum of 10% of gross earnings up to a maximum of \$300.00 bi-weekly until such time the overpayment is repaid.

3.02 Employees may request a repayment in excess of the minimum.

3.03 Employee may request special consideration that would result in a repayment amount less than the policy as outlined in 3.01. This amount would be negotiated with the HR Manager and must be reasonable in nature to ensure a timely repayment schedule.

## **4. PROCEDURES**

4.01 Payroll offices will contact the PSC Corporate HRMS/ Payroll office to identify the employee with the overpayment providing details as to the circumstances which created the overpayment.

4.02 Corporate HRMS/Payroll office will provide direction on processing the employee's pay and will create an arrears amount for the employee.

4.03 Payroll offices will communicate to the employee the nature of the overpayment and will provide an explanation as to why it occurred. The employee will also be informed on the handling overpayments in relation

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to Canada Revenue Agency (CRA) reporting and the impact on income reporting.

- 4.04 Should the amount owing not be repaid immediately, the payroll department will make arrangements to have the employee repay the agreed upon amount. This will continue until such time the overpayment is repaid or the overpayment is determined uncollectible.
- 4.05 The departmental payroll office will have a Salary Repayment Form (Attachment 5.01) completed and signed by the employee. A copy of the form will be sent to the PSC Corporate HRMS/ Payroll office and another copy will be maintained on the employee personnel file.
- 4.06 Departmental payroll staff will advise terminated employee immediately upon discovery of any salary overpayments. If the overpayments remain unpaid after 30 days, these will be transferred to Accounts Receivable except in the case where the casual employee has recall rights. If the employee with casual recall rights does not return in the following year, the overpayment will be transferred to Accounts Receivable at that time.
- 4.07 Any overpayments determined to be uncollectible will be forwarded to the Finance departments in the various sectors and will be moved to Accounts Receivable. The overpayments will then fall under the Accounts Receivable policies.

## **5. ATTACHMENTS**

- 5.01 Salary Repayment Form

ATTACHMENT 5.01

**SALARY REPAYMENT AUTHORIZATION**

I, \_\_\_\_\_, Employee # \_\_\_\_\_ have been advised that I have received a salary overpayment in the amount of \_\_\_\_\_.

**Salary Repayment Policy**

1. Employees will be requested to repay a minimum of 10% of Gross earnings up to a maximum of \$300.00 biweekly until such time the overpayment is repaid.
2. Employees may request to have amounts in excess of the policy deducted from their pay.
3. Employees at any time can come in and pay the gross amount balance (taxes will be adjusted for an administrative error for the current year).

**Handling Overpayments – CRA Reporting (T4)**

Overpayments usually occur for two reasons - the employee was paid but did not perform duties or there was an administrative error.

**Employee did not perform duties (i.e. paid regular salary when out on WCB leave)**

1. Employees will be required to repay the **gross** amount of the overpayment.
2. The amount the employee repaid will be reported on Box 77 of the T4 slip in the year which they repaid the money.
3. The employee may claim this amount when filing their tax return (using line 22900) on the year the repayment is repaid. (i.e. if amount repaid in 2021, claim with 2021 tax return)

**Administrative Errors (i.e. employee paid after termination or while on LOA – paid regular, sick, maternity or vacation time in error)**

1. If the full overpayment is repaid the employee will repay the gross amount. Taxes, CPP and EI will be adjusted if applicable to reflect the lower gross pay which could result in an adjustment to employees net pay amount.

2. If the employee has no earnings in the year that they repay, the employee will be required to repay the gross amount of the overpayment. Once the repayment for a calendar year is complete, an amended T4 will be provided for each year impacted. A copy of the T4 will be sent to CRA notifying them of the amendment.
3. Employees, when provided with an amended T4, can request from CRA an amendment to their tax returns for these year(s).

**I have been advised of the reasons for the overpayment, and the salary repayment policy and CRA guidelines for handling salary repayments have been explained to me. I, \_\_\_\_\_, authorize (Employer Name) to deduct \_\_\_\_\_ ( indicate % or \$ amount), from my pay until such time the overpayment is repaid in full. Should I terminate my employment prior to the full payment of the amounts owed, I authorize the Employer to deduct any amounts owing from my final pay.**

\_\_\_\_\_  
Date

\_\_\_\_\_  
Employee Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Witness