

## **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.

<b>Sub-section 4.10 Recovery of Salary Overpayment</b>	<b>Date: 22 January 2018</b>	<b>Page</b> <b>1 of 2</b>
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## **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

<b>Sub-section 4.10 Recovery of Salary Overpayment</b>	<b>Date: 22 January 2018</b>	<b>Page</b> <b>2 of 2</b>
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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, \_\_\_\_\_, 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.

#### **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. pay continued while on WCB; employee paid after termination or while on LOA).**

1. Employees will be required to repay the **gross** amount of the overpayment.
2. Each calendar year, the employer will provide the employee with a letter confirming the tax year(s) the overpayment was included in the employee's earnings, the date, the reason for the overpayment and the amount of repayment received.
3. The employee may claim a deduction on their personal income tax and benefits return on line 229 in the year the amount is repaid. (i.e. if amount repaid in 2013 then when filing 2013 return, will claim deduction)

#### **Administrative Errors**

1. If the full overpayment is repaid in the calendar year in which the overpayment occurred, the employee will repay the net amount. (gross less tax, CPP and EI)
2. If the repayment is in another tax year, the employee will be required to repay the gross amount of the overpayment. Once the repayment for each calendar year included in the overpayment is complete, an amended T4 will be provided for each year impacted.
3. Employees who are provided with an amended T4 can amend their tax returns for the years included in the overpayment.

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**