

FREE GUIDE

✓ CRA-COMPLIANT

# HOW TO LEGALLY PAY YOUR KIDS & LOWER YOUR TAXES

A 5-Step CRA Checklist for Canadian Business Owners

**\$1,012+**

Tax saved/year  
@ 50% bracket

**\$364+**

RRSP room  
per child/year

**100%**

CRA-compliant  
strategy

## WHAT'S INSIDE:

- Step-by-step CRA payroll setup
- Defensible pay rates by age group
- Documentation checklist (audit-ready)
- T4 filing guide + free tax tool links
- Real FAQ answers from business owners

## WHY THIS MATTERS

### Tax Deductible

Wages paid become a business expense, reducing your taxable income.

### RRSP Room

Kids build retirement contribution room from their very first paycheck.

### Financial Literacy

Teaches real money skills and tax concepts from a young age.

### 100% Legal

Fully CRA-compliant when tasks are real, documented, and rates are fair.

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## STEP 1: DETERMINE IF YOUR KIDS CAN WORK FOR YOU

Your children can be legitimately paid if ALL of the following apply:

- ✓ **Real work:** Age-appropriate tasks — cleaning, organizing, admin, documented marketing.
- ✓ **Business need:** Work must be necessary for your business, not invented busy-work.
- ✓ **Legitimate biz:** You earn income from rental, e-commerce, service business, etc.
- ✓ **Reasonable rate:** Pay must match what you'd pay an unrelated stranger for the same task.

- **RED FLAG:** Don't pay kids for 'being in photos' or 'team building' unless it is clearly documented marketing work with a formal shot list and deliverables.

### AGE-APPROPRIATE WORK EXAMPLES:

#### Light Cleaning

Making beds, wiping surfaces, organizing towels

#### Admin Tasks

Filing, labelling, data entry, sorting mail

#### Social Media

Photos/videos for documented marketing campaigns

#### Organizing

Inventory, storage, product prep and sorting

## 2 STEP 2: SET UP PAYROLL (CRA Business Number Required)

Before paying your kids, you need these three things in place:



### CRA Business Number (BN)

Register at [canada.ca/revenue-agency](https://canada.ca/revenue-agency) — or reuse an existing BN from another business.



### Payroll Program (RP) Account

Sits under your BN. Call CRA at 1-800-959-5525 to activate or create a new RP account.



### Separate Business Bank Account

Optional but strongly recommended. Keeps bookkeeping clean and shows CRA you're serious.

**TIMING:** Do this BEFORE paying your kids — or retroactively for 2025 if you've already made payments.

## 3 STEP 3: DOCUMENT EVERYTHING (Keep Records 6 Years)

CRA may audit you years later — these four record types are your proof:



### JOB DESCRIPTION

Write it out: "Light Airbnb cleaning — making beds, wiping surfaces, organizing towels."



### PAYMENT RECORDS

Date, amount, method (e-transfer preferred), plus child signature or initials.



### TIME LOG / TIMESHEETS

Log date, hours, tasks done, parent signature, and child initials every session.



### INVOICES

Keep receipts for tools or training related to the work your child performs.

**BONUS TIP:** Take a photo of your child holding their pay cheque — not required, but great visual proof.

## 4 STEP 4: DETERMINE REASONABLE PAY RATES

CRA standard: "Would you pay an unrelated employee this rate?" — it must be defensible.

AGE RANGE	SAFE RATE	TYPICAL TASKS	STATUS
Ages 10–12	\$8–\$12 / hr	Light cleaning, simple organizing	✓ SAFE
Ages 13–15	\$12–\$15 / hr	Admin, photography, sorting	✓ SAFE
Ages 16+	\$15+ / hr	Min. wage or above (your province)	✓ SAFE

### WORKED EXAMPLE — Defensible calculation:

Total pay: \$100 | Job: 4-hour clean | 2 kids splitting the work

Combined rate: \$25/hr → Per child: \$12.50/hr ✓ FULLY DEFENSIBLE

**X RED FLAGS:** \$500/month for 2 hours = \$250/hr (audit trigger). Paying above minimum wage for light tasks. Inconsistent rates with no documented reason.

## 5 STEP 5: FILE T4s & TAX RETURNS (Deadline: Feb 28)

Three filings required by end of February each year:

### 1 File T4 Slips with CRA

Log in to CRA My Business Account → File a Return → Web Forms → T4. Enter each child's SIN, name, address. Box 14 = total wages paid. Boxes 16/18/22/26 = 0.00. Dental/vision = Not eligible.

### 2 Give T4 Copies to Your Kids

Print a copy for each child's records — even if \$0 tax is owing. They need this to file their return.

### 3 File Their Tax Returns — FREE

Use Wealthsimple Tax ([wealthsimple.com/invite/D9KHOW](https://wealthsimple.com/invite/D9KHOW)). Create an account per child, enter Box 14 amount, submit via NETFILE. About 10 minutes each.

**WHY FILE EVEN AT \$0 TAX?** → Creates RRSP contribution room equal to 18% of earned income. Example: \$2,025 income = \$364.50 RRSP room created. This room rolls forward forever.

**THE PAYOFF — After completing all 5 steps:**

- Legitimate business expense that directly reduces your taxable income
- Your kids have real earned income — building life-long financial literacy
- RRSP contribution room starts building from their very first paycheck
- CRA compliance is airtight with proper records and documentation
- You've modelled responsible, wealth-building behaviour for your family

**\$2,025**Example pay  
to kids/year**~\$1,012**Tax saved  
@ 50% bracket**\$364.50**RRSP room  
per child**QUICK FAQ****Q: My kids are 9–10. Is that too young?**

Age matters less than whether the work is REAL and age-appropriate. Cleaning and organizing are defensible; vague or made-up roles are not.

**Q: I paid cash last year with no records. Now what?**

Reconstruct records if the work genuinely happened — have them sign an acknowledgement. Going forward, always use e-transfer for clear proof.

**Q: Can I deduct more than I actually paid?**

No. Only deduct the exact wages paid. Inflating the amount is fraud.

**Q: What if we incorporate later?**

This strategy works even better inside a corporation. Your clean bookkeeping foundation makes the transition simple.

**RESOURCES TO BOOKMARK**

- **CRA Business Enquiries:** [1-800-959-5525](tel:1-800-959-5525)
- **CRA My Business Account:** [canada.ca/en/revenue-agency/services/e-services/e-services-businesses/business-account.html](https://canada.ca/en/revenue-agency/services/e-services/e-services-businesses/business-account.html)
- **Wealthsimple Tax (Free):** [wealthsimple.com/invite/D9KHOW](https://wealthsimple.com/invite/D9KHOW)

**DISCLAIMER:**

*For educational purposes only. Tax laws vary by province. Always consult a qualified CPA before implementing any strategy. I am not a tax professional.*

**■ Want More Structure In Your Business & Vision?**

If you're building a business while raising a family and want clarity, structure, and long-term strategy:

- **Visit:** [go.learnwithlourdes.blog](https://go.learnwithlourdes.blog)