

California Payroll Conference

September 11 and 12, 2014

An Introduction to Payroll in Canada

Presented by:
Natasha Smyth, CPM
Vice President
OnPayroll.ca Corp.



An Introduction to Payroll in Canada

1. Canada
2. The Government Agencies
3. The Hiring Process
4. Employee vs. Independent Contractor
5. Determining the Province of Employment
6. Pay, Benefits and Retirement Plan
7. Pay Calculations
8. Remittances
9. Preparation for Year End



**10 PROVINCES
3 TERRITORIES
(over 185 tax jurisdictions)**

Canadian Government Agencies



Canada Revenue
Agency



Service Canada

Statistics Canada

Canada Labour Code

R.S.C., 1985, c. L-2

Canadian Government Agencies Cont.

- Provincial and territorial employment standards

ie.



MINISTRY OF LABOUR



Commission
des normes
du travail



- Workers' Compensation Boards

ie.



Hiring in Canada

- ☐ Name and address
- ☐ Social insurance number
- ☐ Regular hours of work
- ☐ Birth date
- ☐ Date of hire/start date
- ☐ Wage rate or salary
- ☐ Federal TD1 Form
- ☐ Provincial TD1 Form
- ☐ Work location
- ☐ Benefits information

Employment Standards

- Minimum age
- Minimum wage
- Hours of work
- Leave information
- Overtime
- Records retention
- Statutory holidays
- Vacation time and pay
- Terminations
- Timing of payments
- Pay advice format and content

Privacy Legislation

Every province and territory has privacy legislation governing the collection, use and disclosure of personal information held by government agencies. These acts provide individuals with a general right to access and correct their personal information.

~Office of the Privacy Commissioner of Canada website.

Employees vs. Independent Contractor

Criteria used to define status:

- Subordination in the performance of work
- Financial or economic criteria
- Ownership of tools
- Integration of tasks carried out by worker
- Specific result of the work
- Attitude of the parties wrt the relationship

RQ Publications:

IN-301-V-Employee or Self-Employed Person

CRA Publications:

RC4110 - Employee or Self Employed?

CPT1 - Application for ruling

Province of Employment Determination



- Where is the employee required to report for work to your place of business?
- Where is the province of territory where your business is located and from where you pay your employee's salary?



Benefit Plans

- Extended Health and Dental – covers vision, dental and prescriptions and other services
- Life, LTD, AD&D

Retirement Plans

- Registered Retirement Savings Plans (RRSP)
- Employee contribution subject to annual maximum

Sample Pay Calculation

**For one employee bi-weekly in Ontario working
40 hrs/week at \$25.00/hr**



Government
of Canada

Gouvernement
du Canada

[Canada.gc.ca](#) | [Services](#) | [Departments](#) | [Français](#)

Canada Revenue Agency



Canada

[Individuals and families](#)

[Businesses](#)

[Charities and giving](#)

[Representatives](#)

[Home](#) > [Payroll Deductions Online Calculator](#)

Payroll Deductions Online Calculator

[What is new for CPP?](#)

How to use PDOC for

[Salary Calculation](#)

[Commission Calculation](#)

[Pension Calculation](#)

[Verify CPP Contributions and EI
Premiums](#)

[FAQ](#)

Need help?

[Contact Us](#)

Payroll Deductions Online Calculator

To calculate provincial payroll deductions for Quebec, download the WINRAS program from [Revenu Québec](#).

Select the type of calculation

- ☒ Salary
- ☐ Commission (Use only if the employee incurs expenses and Form TD1X has been completed)
- ☐ Pension
- ☐ Verify CPP contributions and EI premiums

[Begin](#)

Date modified: 2014-08-14

<http://www.cra-arc.gc.ca/esrvc-srvce/tx/bsnss/pdoc-eng.html>

Payroll Deductions Online Calculator

Result

Employee's name:	Sally May		
Employer's name:	Canadian Employer		
Pay period frequency:	Biweekly (26 pay periods a year)		
Date the employee is paid:	2014-09-26 (YYYY-MM-DD)		
Province of employment:	Ontario		
Federal amount from TD1:	Minimum - 11,138.00 (Claim code 1)		
Provincial amount from TD1:	Minimum - 9,670.00 (Claim code 1)		
Salary or wages income		2,000.00	
Total cash income			2,000.00
Taxable income for the pay period		2,000.00	
Pensionable earnings for the pay period		2,000.00	
Insurable earnings for the pay period		2,000.00	
Federal tax deduction	231.77		
Provincial tax deduction	117.59		
Total tax deductions		349.36	
CPP deductions		92.34	
EI deductions		37.60	
Total deductions			479.30
Net amount			1,520.70

3 Types of Deductions

- Statutory
- Mandatory
- Voluntary

Statutory Deductions

- Canada Pension Plan (CPP)
- Employment Insurance (EI + Quebec Parental Insurance Plan in QC)
- Federal and Provincial Income Taxes

Mandatory Deductions

- Legal (Garnishees, Family Support, Income Taxes)
- Company compulsory – ie Benefit Plan Contributions
- Union contract

Voluntary Deductions

- Registered Retirement Savings Plans
- Employee Loan Repayments
- Voluntary Group Life
- Employee Share Purchase Plans
- Computer Purchase Plans
- Canada Savings Bonds
- Charitable Donations

Calculating Canada Pension Plan Contributions (CPP/QPP)

FOR 2014	
Year's Maximum Pensionable Earnings	\$ 52,500.00
Year's Basic Exemption (same for everyone)	\$ 3,500.00
Contributory Earnings	\$ 49,000.00
C/QPP Rate	4.95% / 5.175%
C/QPP Year's Maximum Employ ^{EE} Contribution	\$ 2,425.50 / 2535.75
C/QPP Year's Maximum Employ ^{ER} Contribution	\$ 2,425.50 / 2535.75

CPP Basic Exemption

Pay Period Type	Exemption
Monthly	\$ 291.66
Semi-monthly	\$ 145.83
Biweekly (26)	\$ 134.61
Biweekly (27)	\$ 129.62
Weekly (52)	\$ 67.30
Weekly (53)	\$ 66.03

(annual exemption/ # pay periods)

CPP Contributions (applies to everyone outside QC)

Contributions must be deducted if an employee:

- Has pensionable earnings
- Has reached age 18 and is under age 70.
- Is between the ages of 60 and 70*, and receiving CPP/QPP retirement pension. (*After 65 an employee can submit a CPT30 form to the employer to elect **to stop deductions**)
- Is not receiving disability benefits from the CPP/QPP plan

QPP Contributions (applies to everyone in QC)

Contributions must be deducted if an employee:

- Has pensionable earnings
- Has reached age 18 (no age cap)
- Is not receiving a disability pension from the CPP/QPP plan

Calculating C/QPP Contributions

C/QPP contributions are pro-rated:

- In the year an employee turns 18
- In the year an employee turns 70 (CPP only)
- In the year an employee dies

Pro-Ration Example – CPP

Employee died in February 2014

2014 contribution \$2,425.50

Number of eligible months 2

2/12ths of \$2,425.50 = \$ 404.24

Employment Insurance (EI), Québec EI & Québec Parental Insurance Plan

FOR 2014	FEDERAL EI	QUEBEC EI	QPIP
Year's Max Insurable Earnings	\$ 48,600.00	\$48,600.00	\$69,000.00
Year's Max Employ ^{EE} Contributions	\$ 913.68	743.58	385.71
EI/QPIP Rate	1.88%	1.53%	0.559%
Employer rate EI 1.4 x Employee Rate	2.632%	2.142%	-
Employer rate – QPIP	-	-	0.782%
Year's Max Employ ^{ER} Contributions	\$ 1,279.15**	\$1,041.01 **	\$539.58

****Employment Insurance Premium Reduction**

- Employer premium rate of 1.4 x employee contribution can be reduced if there is a short term disability program in place that meets certain criteria – including sharing benefit reduction savings with employee.
- Will require a second business number to report those employees on premium reduction plan.
- Plan no longer needs to be approved annually by HRSDC

Québec Parental Insurance Plan (QPIP)

- provides temporary financial maternity, paternity, parental, and adoption benefits to eligible Québec residents who take time off work and have an interruption of earnings.
- For Québec residents only, QPIP coverage only applies to the above benefits rather than EI. EI continues to cover other benefits such as regular, sickness and compassionate care.

Income Tax Calculations

- Table method
- Formula method
- Payroll Deductions Online Calculator (PDOC) – except QC
- WinRAS –QC only

Special Taxing Considerations

Bonus method

Bonus pay

Pay in lieu of notice

Vacation pay (no time taken)

Retroactive pay method

A variation of the bonus method

Lump sum Tax rates

Retiring allowance

Severance

Commission Method

Depends on commissions paid with or without expenses incurred

Non-Taxable Items:

- Registered pension plan contributions
- Employee RRSP contributions
- Exemptions allowed by CRA, RQ (Fed and Prov)
- Union dues - except QC

Sample Income Tax Rates

Federal – effective Jan 2014

FROM	TO	RATE
\$ 0	\$ 43,953.00	15%
\$ 43,953.01	\$ 87,907.00	22%
\$ 87,907.01	\$ 136,270.00	26%
\$ 136,270.01	and over	29%

Provincial BC – effective Jan 2014

FROM	TO	RATE
\$ 0	\$ 37,606.00	5.06%
\$ 37,606.01	\$ 75,213.00	7.7%
\$ 75,213.01	\$ 86,354.00	10.5%
\$ 86,354.01	\$ 104,858.00	12.29%
\$104,858.01	\$ 150,000	14.7%
\$150,000.01	and over	16.8%

Net Pay Determination

Gross Earnings

-less

Statutory deductions

Non-statutory deductions

= NET PAY

Payroll Deductions Online Calculator

Employer Remittance Summary

Employee's name:	Sally May
Employer's name:	Canadian Employer
Pay period frequency:	Biweekly (26 pay periods a year)
Date the employee is paid:	2014-09-26 (YYYY-MM-DD)
Province of employment:	Ontario

Canada Pension Plan (CPP)

Employee CPP contributions	92.34
Employer CPP contributions	92.34

Subtotal of Canada Pension Plan (CPP)	184.68
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Employment Insurance (EI)

Employee EI contributions	37.60
Employer EI contributions	52.64

Subtotal of Employment Insurance (EI)	90.24
---------------------------------------	-------

Tax deductions	349.36
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For this calculation, remit this amount	624.28
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Other employer costs:

Vacation accrual ie 2 weeks is 4% = \$80.00

WCB ie. assume rate of 2% = \$40.00

CRA & RQ Remittance Frequency

Weekly:

- 1st to 7th** - due three business days after the 7th
- 8th to 14th** - due three business days after the 14th
- 15th to 21st** - due three business days after the 22nd
- 22nd to end** - due three business days after the last day of the month

Semi-monthly:

- 1st to 15th** - due on 25th of month
- 16th to last day** - due on 10th of month following

Monthly - due on 15th of month following

Quarterly - due on 15th of month following the end of the Quarter

Additional Taxing Considerations

- Employer Education taxes - MB,NL,QC
 - Employer Health Taxes - MB,NL,ON,QC
 - Employer Training Tax – QC
 - Employer Taxes - NT/Nunavut
-
- Employee Medical Premiums - BC

Terminating in Canada

- ☐ Notice or pay in lieu
- ☐ Comply with timing of final pay requirements
- ☐ Calculate outstanding vacation dollars owing
- ☐ Reconcile taxable benefits
- ☐ Issue Record of Employment (ROE)

RECORD OF EMPLOYMENT (ROE)

1 SERIAL NO. W00000000	2 SERIAL NO. OF ROE AMENDED OR REPLACED	3 EMPLOYER'S PAYROLL REFERENCE NO. 125946																																																																																																																		
4 EMPLOYER'S NAME AND ADDRESS Division 27 355 North River Rd 2nd Floor Ottawa, ON Canada		5 CRA BUSINESS NUMBER (BN) 000 000 000R0000																																																																																																																		
7 POSTAL CODE X1X1X1		6 PAY PERIOD TYPE B - Bi-weekly																																																																																																																		
9 EMPLOYEE'S NAME AND ADDRESS Employee Name 123 Way St Ottawa, ON X1X1X1		8 SOCIAL INSURANCE NO. 000-000-000																																																																																																																		
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20 COMMUNICATION PREPARED IN <input checked="" type="checkbox"/> English <input type="checkbox"/> French		21 TELEPHONE NO. (555) 555-5555																																																																																																																		

Calculating Employment Insurance for Record of Employment Purposes

- Québec has assumed weekly numbers can be obtained from ROE for QPIP program
- Earnings that are not subject to EI and therefore not reported on the ROE are reported on a separate form

Calculating Employment Insurance for Record of Employment Purposes

INSURABLE EARNINGS

- Non Cash taxable benefits are not Insurable
- Retirement Allowances are not Insurable
- Self employment – and related parties are not insurable

Calculating Employment Insurance for Record of Employment Purposes

INSURABLE HOURS

- Hours worked and paid
- Deemed hours
- Paid leave hours

Year End Processes

- Process any adjustments -Taxable benefits, pension adjustments, manual cheques
- Update employee records-address, tax exemptions (if any changes)
- Update benefit rates
- Update WCB rate
- If you have a reduced EI rate –notify HRSDC if there are any changes
- Watch for CRA/RQ remittance frequency change (late Nov./early Dec.)

Year End Processes cont.

- Reconcile your tax (CRA/RQ) account
- Reconcile your WCB account
- File WCB annual return – due date varies
- File provincial tax authority filings
- File the following by Feb 28th:
 - RL 1/ RL 2 slip for employees
 - RLZ-1.S-V Summary for RQ
 - T4/ T4A slip for employees
 - T4 Summary for CRA

Some Useful Web Sites

Canada Revenue Agency – www.cra.gc.ca

(Business registration, Rates, GST/HST)

Revenu Québec– www.revenu.gouv.qc.ca/eng/ministere/index.asp

HRSDC (EI) – www.hrsdc.gc.ca

Service Canada – www.servicecanada.gc.ca

Privacy Commissioner – www.privcom.gc.ca

**WCB – www.awcbc.org/en/linkstoworkerscompensationboardscommissions.asp
(links to all Provinces)**

Canadian Payroll Association (CPA) – www.payroll.ca

Some Terminology

Payroll Account Number – the employer’s “account number” with the CRA. Used to remit statutory deductions, tax forms and ROE

US equivalent = Federal Employer Identification Number

T4 – Reports to the CRA and the employee all relevant income and deduction information for the taxation year.

US equivalent = W2 Wage and Tax Statement

RL-1 – Reports to the RQ and the employee all relevant income and deduction information for the taxation year.

T4A – Reports to the CRA for other Taxable Income – (including Independent Contractors)

TD1 and TP-1015.3-V – federal and provincial forms for employees to claim credit amounts and reduce tax at source

US equivalent = W4

P.I.E.R report – year end variances

Some Terminology cont.

PD7A / PD7A-RB – remittance forms for CRA submitted with payroll remittances. PD7A is used by regular remitters, PD&A-RB is used by accelerated remitters.

US equivalent = Form 8109 – Federal Tax Deposit Coupon

ROE – Record of employment: an HRSDC form completed by the employer when an employee has an interruption of earnings. Used by employee to claim employment insurance or Quebec Parental Insurance Plan benefits.

US equivalent = none

RRSP – Registered retirement savings plan: a plan that an employee contributes to, to save money for retirement. Contributions and interest earned are tax exempt until withdrawn. Some employers provide a match. Contributions are subject to an annual maximum.

US equivalent = 401(k) plan

PCP – Payroll Compliance Practitioner

CPM – Certified Payroll Manager

An Introduction to Payroll in Canada

**Presented by
Natasha Smyth, CPM
Vice President**



**1-800-955-0806 x227
nsmyth@onpayroll.ca
North Vancouver, BC CANADA**



CALIFORNIA PAYROLL CONFERENCE 2014
A WEALTH OF KNOWLEDGE

Thank you for your attention