
The employer’s source for payroll administration and deductions

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A First Reference compliance & best practices guide
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About this guide

The most important thing employers can do is ensure that their employees get paid accurately and on time. It’s necessary to understand all the elements that comprise an employee’s pay.

All employers of one or more employees will have payroll obligations. In addition, employers that decide to provide employees with any benefits or allowances may have to report certain benefits or allowances in employees’ incomes and deduct certain source deductions from those benefits/allowances.

A good payroll accounting system is essential to help control payroll and benefits costs. Payroll preparation services, such as those offered by chartered banks or service companies dedicated to payroll accounting, are often contracted to provide this important service at a reasonable cost. Just be sure to have a plan and budget limits in place. This is one area where many organizations get into trouble.

Both federal and provincial legislation outline employer responsibilities for payroll and benefits. Employers must ensure they understand their payroll and benefits obligations under employment standards, income tax legislation, pension legislation, the Canada Pension Plan, the Employment Insurance Act and other related laws and regulations, including government policies.

The key to controlling payroll and benefits obligations is understanding the legal and policy requirements and making all payments and filing year-end reports, slips and summaries when they’re due to avoid getting hit with costly penalties. Reading this guide will:

- Help employers understand what is required to start payroll administration
- Provide employers with information about the documents required when hiring or terminating employees
- Help employers understand payroll obligations in Canada and Quebec
- Help employers understand how to determine what must be deducted at source and why
- Help employers keep up to date with current payroll rates for the year

The point of this guide is to provide an overview of major payroll and benefits policies and legal requirements every employer, human resources professional and payroll practitioner should be aware of when handling an organization’s payroll as outlined below.

This guide is comprehensive enough to help employers, human resources professionals and payroll practitioners understand their general payroll obligations and stay up to date with current payroll rates. However, it may not cover all the particulars for a specific jurisdiction or exhaustive applications of one of the payroll obligations. First Reference provides other resources that go into in-depth analysis and commentaries on the subject of payroll. See the information at the end of this guide.
About the author

Yosie Saint-Cyr, LLB, was called to the Quebec bar in 1988 and is still a member in good standing. She practised business, employment and labour law until 1999. For over 15 years, Yosie has been the Managing Editor of the Human Resources and Compliance Collection from First Reference and is also the managing editor of Accessibility Standards PolicyPro. She also contributes regularly to Slaw, Canada’s online legal magazine, CanLII Connects and CPA eSource. Yosie is one of Canada’s best known and most respected HR authors, with an extensive background in employment and labour law across the country.

What must employers do first to meet their payroll tax obligations?

What is an employer?
The Canada Revenue Agency generally defines an employer as someone who:

- Pays salaries or wages
- Pays tips and gratuities
- Pays bonuses and vacation pay
- Provides benefits and allowances to employees, or
- Needs to report, deduct and remit amounts from other types of payments

In Quebec, Revenu Québec defines an employer as someone who:

- Pays salary or wages (the definition of salary and wages is very broad) to an employee or a former employee
  - Pays a retiring allowance, or
  - Pays a death benefit to the heirs of a deceased employee

What is an employee?

An individual is considered an employee if, under a written or verbal contract, they undertake for a limited time to do work for a salary, wage or remuneration under the direction or control of an employer.

According to both the Canada Revenue Agency and Revenu Québec, the following general criteria determine an employee’s status as an employee:

- Subordination in the performance of work
- Financial or economic criterion
- Ownership of tools
- Integration of the tasks carried out
- Specific result of the work
- The parties’ attitude regarding their relationship

Setting up payroll administration

Business payroll number

Employers must obtain an employer registration number from the Canada Revenue Agency. All employers are required to register with CRA, Taxation and have a Business Number (BN) assigned. A BN is used for reporting all deductions of income tax, CPP and EI premiums to CRA, as well as annual payroll information, GST and corporate tax returns.
To obtain a BN for payroll, employers must go to the CRA Business Registration Online (BRO) webpage at www.cra-arc.gc.ca/bro or call the business enquiries line at 1-800-959-5525.

When hiring employees in Quebec, employers must also register for source deductions to obtain an identification number. To register, employers must complete form **LM-1-V, Application for Registration** (available at www.revenuquebec.ca/en/sepf/formulaires/lm/lm-1.aspx), or use the Revenu Québec Files online service (at www.revenuquebec.ca/en/sepf/services/sgp_inscription/default.aspx). Employers can also obtain an identification number when making their first payment as a new employer. As a rule, employers without an establishment in Quebec are not required to register for source deductions purposes.

If an employer is located in Ontario, he or she must obtain an Employer Health Tax (EHT) number. An EHT number can be obtained by applying to the Ontario Ministry of Revenue, Employer Health Tax.

Employers must also obtain a Workers’ Compensation firm number. The application must be made within a certain number of days of hiring the first employee, generally 10 days, but it depends on the jurisdiction. A firm number can be obtained by applying to the Workers’ Compensation Board of the employer’s province or territory.

**Pay periods**

When a BN payroll number is obtained, employers must establish a regular pay period and a regular payday for employees. This information is set under Employment/Labour Standards Acts in each jurisdiction.

**New Brunswick**: Not more than 16 days between pay periods (all wages earned up to and including a day that is not more than seven calendar days prior to date of payment).

**Newfoundland and Labrador**: Semi-monthly (all wages earned up to a day not more than one week prior to date of payment). All wages must be paid at least half monthly and within seven days of the end of the pay period.

**Nova Scotia**: Semi-monthly or more frequently and within five working days after expiration of each pay period.

**Prince Edward Island**: The interval between pays must not be more than 16 days (all wages earned up to and including a day that is not more than five working days prior to date of payment). However, the employer is not required to comply with the above rule if the payments are otherwise made under the terms of a collective agreement or in accordance with an order of the board.

**Ontario**: The Act requires an employer to establish a recurring pay period and a recurring payday.

**Alberta**: Monthly (within 10 days of period end).
**British Columbia**: Semi-monthly (within eight days of period end). Note that employees covered by a collective agreement that deals with this matter are exempt from this provision.

**Manitoba**: Semi-monthly (within 10 working days of period end).

**Saskatchewan**: On regularly scheduled pay days, either monthly, semi-monthly or every 14 days. Only monthly salaried employees can be paid on a monthly basis. All other employees must be paid at least semi-monthly.

**Quebec**: Employers must designate regular pay periods of no longer than 16 days.

**Northwest Territories**: The pay is required monthly or more frequently. The employee must receive their pay within 10 days after each pay period.

**Nunavut**: The pay is required monthly or more frequently. The employee must receive their pay within 10 days after each pay period.

**Yukon**: The pay is required semi-monthly or more frequently. The employee must receive their pay within 10 days after each pay period.

Employees working under **federally-regulated** employers must be paid on a regular payday as determined by their employer. All wages, including overtime and statutory holiday pay, are owed no later than 30 days from which they were earned.

Employers may establish a pay period more frequently than what is legislated.

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**Payroll records**

Employers must also set up a pay administration record for each employee. The pay administration record must contain information on each employee such as their name/address/date of birth, date the employee started working for employer, regular rate of pay/overtime rate and any changes to the pay rate, regular and overtime hours worked, job title, deductions at source, job description, SIN, copies of TD1 forms, vacations earned and taken, times off, leaves of absence, temporary layoffs, termination notice when it happens, disciplinary measures, performance reviews, any benefits received by employee and employment contracts, among other things.

These records must be kept by the employer for a certain period of time, usually three years from the date each record is made. But this period varies depending on the jurisdiction and is found under Employment/Labour Standards Acts. However, it is recommended to keep payroll records for the same length of time set in the **Income Tax Act**, six years from the date each record is made.

**Confidentiality of payroll records**

Carefully limit access to such records since they contain employees’ personal information. Restrict sharing of such information to those who need to know, such as the employee his- or herself upon request, the employee’s supervisor or manager, a benefit provider or government agencies such as the CRA or Revenu Québec.