

The Great Canadian Guide to Small Business Payroll



Wagepoint

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YOUR GUIDE TO SMALL
BUSINESS PAYROLL

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Starting a small business is a lot of work, and there are a lot of little things you need to do to make sure that you've got everything covered.

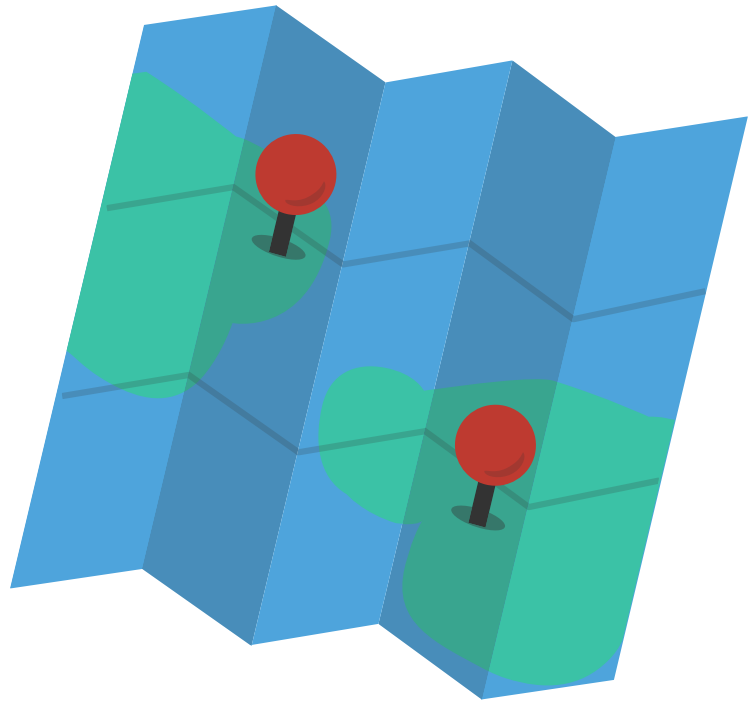
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Business Registration

WHAT YOU NEED TO
KNOW TO REGISTER
YOUR BUSINESS AND
YOUR EMPLOYEES FOR
PAYROLL

By Leena Thampan
Illustration by Kirk Wallace

Before you can start paying your employees and enjoy that “responsible employer” feeling, there are a few things you need to take care of from a government standpoint.

It's the kind of things you don't want to get wrong because the Canada Revenue Agency can come down on you with some pretty hefty fines.

Step 1: Verify Your Compliance With the Provincial Labour Department

Each province has its own set of rules and compliance requirements, which is why a great first step is to contact the Labour Department in your province.

The Labour Department can inform you about the specific employment standards legislations that apply in your province, and there are differences you need to be aware of when you are running a business.

Here's a list of all the labour departments in Canada:

British Columbia

Ministry of Labour and Citizens' Services

Employment Standards Branch

Toll free: 1-800-663-3316

Outside British Columbia: (250) 612-4100

Website: www.labour.gov.bc.ca/esb

Alberta

Employment and Immigration

Employment Standards Branch

Toll free: 1-877-427-3731

Fax: (780) 422-4349

TDD/TDY: 780-427-9999 (in Edmonton)

Website: www.employment.alberta.ca/SFW/1224.html

Saskatchewan

Advanced Education, Employment and Labour

Labour Standards

Telephone: (306) 787-2438 (Regina)

Toll free: 1-800-667-1783

Fax: (306) 787-4780 (Regina)

Website: <https://www.saskatchewan.ca/business/employment-standards>

Manitoba

Manitoba Labour and Immigration

Employment Standards

Telephone: (204) 945-3352 (Winnipeg)

Toll free: 1 800 821-4307 (outside Winnipeg)

Fax: (204) 948-3046

Website: www.gov.mb.ca/labour/standards

Ontario

Ministry of Labour

Employment Standards Branch

Telephone: (416) 326-7160 (Greater Toronto Area)

Toll free: 1 800 531-5551

TTY: 1-866-567-8893

Website: www.labour.gov.on.ca/english/es/

Quebec

Commission des normes du travail

Telephone: (514) 873-7061

Toll free: 1 800 265-1414

Website: www.cnt.gouv.qc.ca/en/home/index.html

New Brunswick

Department of Post-Secondary Education,
Training and Labour

Employment Standards Branch

Telephone: (506) 453-2725 (Fredericton or outside New Brunswick)

Toll free: 1-888-452-2687

Website: www2.gnb.ca

Nova Scotia

Labour and Workforce Development

Labour Standards Division

Telephone: (902) 424-4311

Toll free: 1-888-315-0110

Fax: (902) 424-5640

Website: www.gov.ns.ca/lwd/labourstandards/

Prince Edward Island

Communities, Cultural Affairs and Labour

Employment Standards Branch

Telephone: (902) 368-5552

Toll-free: 1-800-333-4360

Fax: (902) 368-5476

Website: www.gov.pe.ca/labour/

Newfoundland and Labrador

Human Resources, Labour and Employment

Labour Relations Agency

Telephone: (709) 729-2743/729-2742

Toll free: 1-877-563-1063

Website: www.hrle.gov.nl.ca/lra/

Northwest Territories

Education, Culture and Employment

Employment Standards

Telephone: (867) 873-7486

Toll free: 1-888-700-5707

Fax: (867) 873-0483

Website: www.ece.gov.nt.ca

Yukon

Department of Community Services

Labour Services Office

Telephone: (867) 667-5944

Toll free: 1 800-661-0408, extension 5944

Website: www.community.gov.yk.ca/index.html

Nunavut

Department of Justice

Labour Standards Office

Telephone: (867) 975-7293

Toll Free: 1-877-806-8402

Fax: (867) 975-7294

Website: www.nucj.ca/LSO/#en (Note: Minimal information on website)

Labour Canada

Employment and Social Development Canada

Toll Free: 1-800-641-4049

Labour offices across Canada

Website: www.labour.gc.ca/eng/standards_equity/index.shtml

See the Helpful Resources page at the end of this eBook to access the link to a comprehensive table of employment standards by province. It provides information on the minimum wage, vacation laws, employee termination requirements and more.

Step 2: Register for Your CRA Program Accounts

You should never operate a business without completing and registering the right paperwork with the federal government.

Business number (BN): The BN is a unique nine-digit number assigned to your company, which makes it easier for you to work with other businesses and organizations across Canada, including the CRA. In Quebec, this is called a Quebec Remittance Account number.

- This BN forms the basis for all other program accounts like payroll, corporation income tax, etc.
- In order to correctly register for a BN and the relevant program accounts, you should have the following information on hand: the name of your business, the physical location and mailing address, your legal business structure, your national and international (if applicable) gross sales and the fiscal year-end.

Program Accounts: After you get a BN, the next step is picking the correct program accounts that apply to your business.

- There are four major program accounts, and each account follows a similar format: GST/HST account (RT), payroll account (RP), import-export (RM), and corporation income tax (RC).
- Some of these program accounts may or may not be applicable to your business. You can visit the CRA website to learn more about the different types of program accounts.

There are a couple of ways to register for a BN and the program accounts that apply to your business.

The Business Registration Online (BRO) program is a one-stop online self-serve application you can use to register for a BN and program accounts in Ontario, Nova Scotia and British Columbia.

The other alternative is to fill in Form RC1, Request for a Business Number and mail or fax it in to the Tax Centre closest to you.

You can also register for a BN over the phone by calling 1-800-959-5525; however, you'll need to provide them with all the information requested on Form RC1.

Setting up Your Employees

The title for this section is a bit misleading because you don't have to actually register / set up your employees with the government. But, if you need to pay your employees, there are a few pieces of information you will need them to provide.

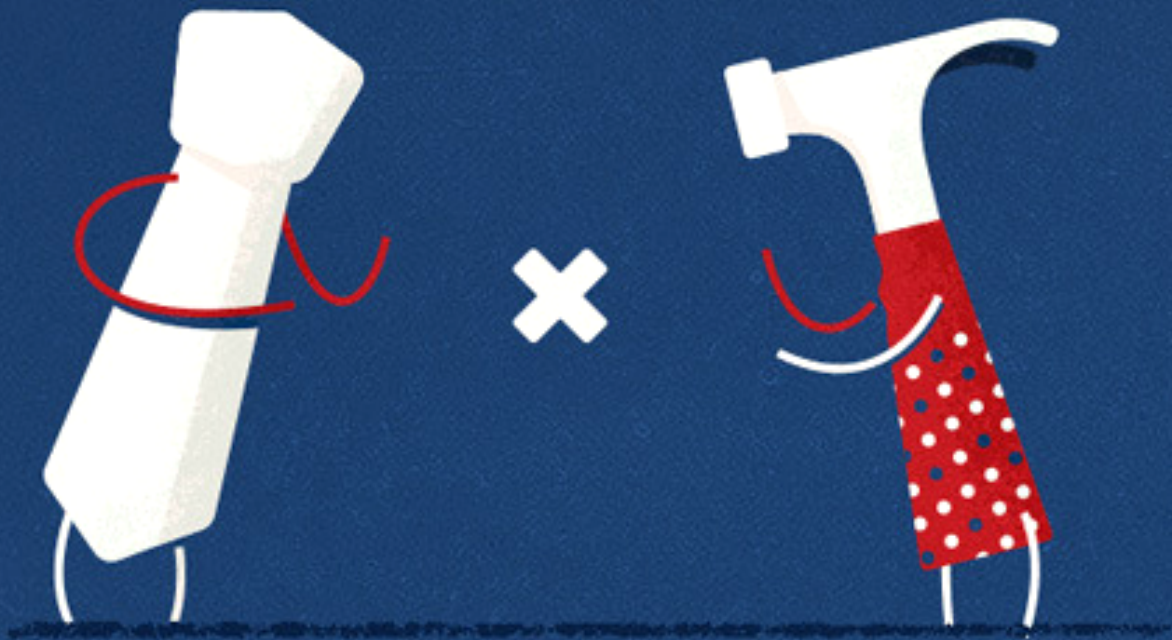
Social Insurance Number (SIN): As the employer, you are legally responsible to collect your employee's SIN and record that number on file within three (3) days of their hire date. If you don't receive this information from your employee, you have to notify Service Canada within six (6) days of their hire date.

Federal and Provincial TD1 forms: You should also maintain a record of your employees' Federal and Provincial TD1 forms, which will help you determine the amounts that need to be withheld for source deductions.

Even without a SIN and TD1 forms, the employer is legally expected to collect and remit taxes on behalf of the employee. You would just use the basic claim amounts when calculating the source deductions.

Key Takeaways

- Each province has its own employment standards legislation, which is why you should always contact the Labour Department in your province to understand the guidelines in which you should operate your business.
- Register for a Business Number either via the BRO program or by completing the Form RC1 and sending it in via mail or fax. You can also phone in the details by calling 1-800-959-5525, but make sure you have the information requested on the Form RC1 handy.
- There are four major program accounts, and if you have employees to pay, you should register to get a payroll account.
- You are legally required to maintain a record of your employees' SIN and TD1 forms, both federal and provincial; however, you are expected to collect and remit the tax amounts owed even if you have not received that information from your employee as yet.



Employees vs. Contractors

ARE YOU HIRING
EMPLOYEES OR
CONTRACTORS FOR
YOUR BUSINESS?

By Leena Thampan
Illustration by Kirk Wallace

Your business is taking off, and it is time for you to bring on some extra help to keep up that momentum.

You're scanning through resumes and talking to your network so that you only hire the best talent. But even before you make that hire, the first thing you want to consider is if you should be hiring an employee or a contractor.

This is the moment you've been waiting for - your first hire, and you want to make sure that you get everything done correctly, which is why you should really understand what the differences are between an employee and a contractor.

Employees vs. Contractors

The CRA determines a worker's status by looking at:

- The intent of the relationship – if the written agreement is a “contract of service” (which signalling employer-employee relationship) or a “contract for services” (signalling a business relationship).
- The amount of control the worker has in the job. The more that the employer controls the worker, the less likely it is that the person is a contractor.

SHOULD YOU HIRE EMPLOYEES OR CONTRACTORS	
EMPLOYEES	CONTRACTORS
Work hours you set, rarely work with other companies too (unless they're part time and have another job), use your tools and equipment in their work.	Set their own hours, work with other clients, use their own tools / equipment.
Are employed by your company, which means you have legal and financial obligations to them.	Are an independent business in their own right.
Are paid a salary, either monthly, fortnightly or bi-weekly.	Charges either an hourly rate or a monthly fee, which they invoice to the company. Payment is according to pre-agreed invoice terms.
The company is responsible for withholding and remitting all federal and provincial taxes, workers compensation (if applicable), CPP and EI on the employee's behalf.	Are responsible to pay their own federal and provincial taxes.
Can receive overtime, bonuses or other benefits in kind, which are all taxable deductions.	Not entitled to overtime, but will charge extra if work takes longer than expected and this is due to the client.

Consequences of Misclassifying Employees as Contractors

When you are starting out, you might think it's a smart idea to save money by hiring contractors because you don't have to worry about paying taxes, vacation, statutory holiday pay or benefits.

But if you end up hiring a contractor who is actually your employee (based on CRA's legal definition), you'll end up paying hefty penalties for misclassification.

Some of the things you'll have to account for in terms of fines:

- Back pay wages you should have paid, including any overtime and minimum wage requirements.
- Penalties for late filing federal and provincial taxes, as well as back pay the taxes owed to the government.
- Benefits like health insurance, etc. and pay workers' compensation for any misclassified employees who were injured on the job.

Determining Your Worker's Status With the CRA

If you are still unsure whether you are hiring your first employee or contractor, you can use the CRA's Guide RC4110 to determine a worker's employment status.

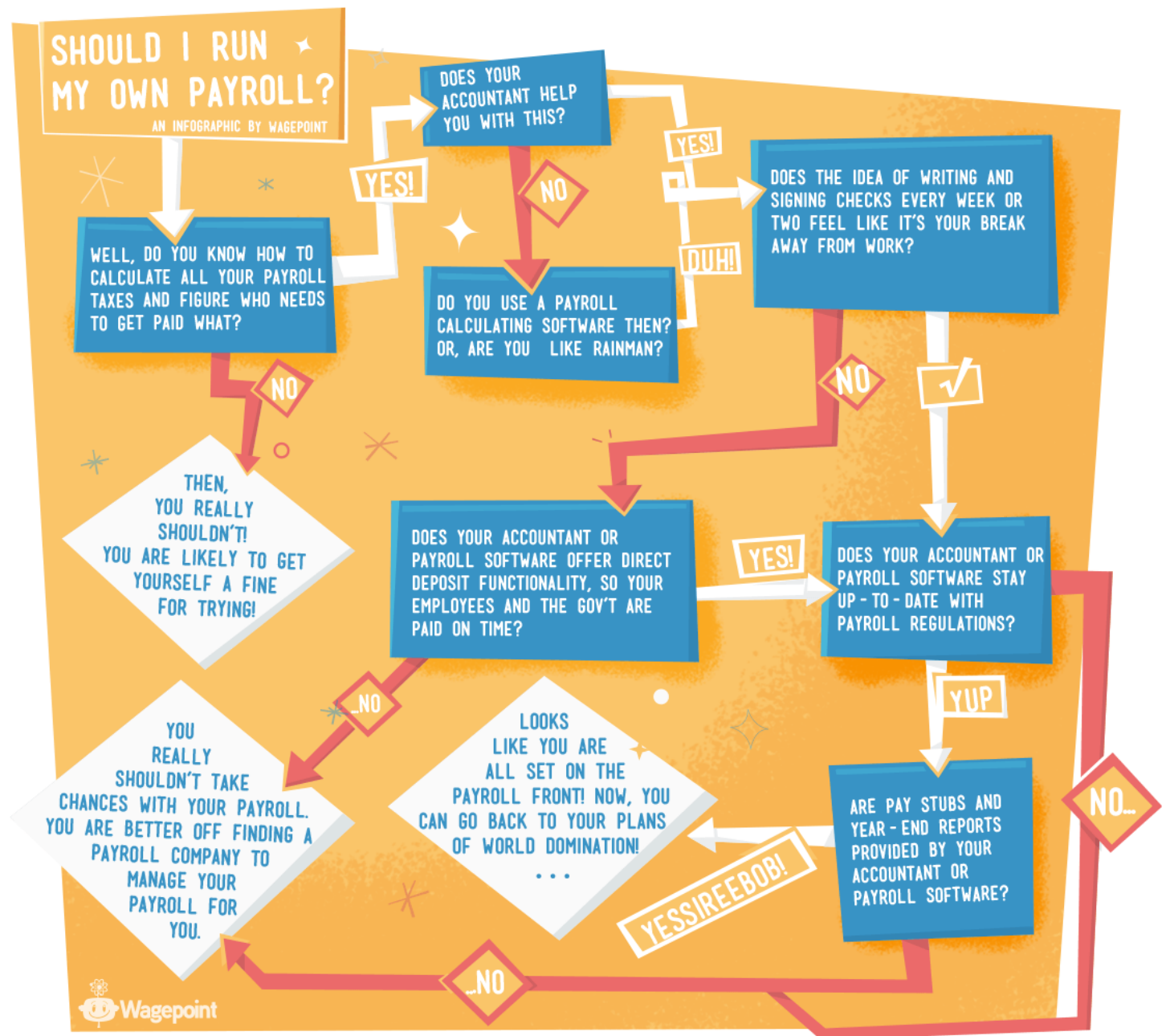
Key Takeaways

It is better to stay compliant with the CRA by fully understanding the differences between employees vs contractors.

- The CRA looks at two things when determining a worker's employment status - the intent of the relationship, and the amount of control the worker has on the job.
- Avoid hefty penalties by using the CRA's RC4110 guide to determine if you have hired an employee or a contractor.

SHOULD I RUN MY OWN PAYROLL?

Use this fun infographic to find out what kind of business owner you are and the type of small business payroll solutions that will suit you.





Payroll Tax Deadlines

LEARN THE BASICS OF
PAYROLL
REMITTANCES AND
WHEN THEY'RE DUE

By Michelle Mire

Illustration by Cassy Collins

As an employer in Canada, the Canada Revenue Agency (CRA) requires that you remit (file) payroll taxes accurately and on time.

In this post, we'll outline the types of payroll deductions you need to make, along with which kind of remittance schedule you'll need to follow. As advocates of simple, fast, friendly payroll, we'll do our best to try to make this as painless as possible.

Who Wrote the Book on Payroll Remittances (Source Deductions)?

That would be the CRA.

The definitive guide is called T4001 Employers' Guide – Payroll Deductions and Remittances and is available in HTML or as a PDF. (See the Helpful Resources section at the end of this book to find a handy link to this guide.)

On the first read through, it's kind of like putting together Swedish furniture. But, don't worry, our job as payroll experts is to help you get your payroll remittances (source deductions) completed correctly and on-time in order to keep you and the government happy.

What Are Payroll Deductions and Remittances?

“As an employer, you have to remit the CPP contributions, the EI premiums, and income tax deducted from your employees' income, along with your share of CPP contributions and EI premiums.” – CRA

What does this mean? In English, it means that as an employer, an entity that pays salaries and provides benefits to employees, you are required to calculate, deduct and remit the following source deductions each time you issue payroll:

Deductions (withholdings) based on the income earned by each employee, including:

- Canadian Pension Plan (CPP) contributions – 4.95% up to a yearly maximum.
- Employment Insurance (EI) premiums – up to a yearly maximum.
- Income tax – based on provincial or territorial rates, which are determined by whether or not the employee reports to your business establishment. (For more information, see the important notes in the next section.)

Your share (the employer's portion) of:

- Employer CPP contributions – must match the amount deducted from each employee's contribution.
- Employer EI premiums – 1.4X the amount deducted from each employee's premium.

Important Notes on CPP, EI and Income Tax Deductions

There are no age requirements or restrictions for EI or income tax.

- Employers may be able to reduce their employer EI premiums by offering short-term disability coverage.

CPP must be deducted for any employee:

- Aged 18-70 (Employees aged 65-70 may submit Form CPT30, Election to Stop Contributing to the Canada Pension Plan, or Revocation of a Prior Election to be considered exempt.)

- Engaged in pensionable employment – any role for which a pension fund has been established.
- Who is not considered disabled.

Employment income and the establishment of the employer

- Wages, salaries and commissions are all considered employment income.
- The establishment of the employer is any place or premises in Canada that is owned, leased or rented by the employer and where one or more employees report to work or from which one or more employees are paid.
 - It does not have to be a permanent, fixed location (such as in the case of construction sites and similar transient/changeable locations) and there is no minimum for the amount of time that the employee has to report to this location.
 - If employees work from home, the location is determined by the territory or province in which the payroll is issued.
- The CPP and EI tables cited in this post are valid for 2016 and subject to renewal and/or revision by the CRA in 2017.

Calculating Payroll Tax Deductions

On its website, the CRA provides a Payroll Deductions Online Calculator (PDOC). However, the instructions are a page long.

There Has Got to Be a Better Way...

You're right. That's why simple, online payroll solutions, like Wagepoint, were created specifically for small businesses. When you use online payroll software like ours, we calculate the deductions for you – saving you time and preventing frustration.

Knowing Which Remittance Schedule to Follow

As a business, your remittance schedule for payroll deductions is determined by your average monthly withholding amount (AMWA) – the sum of all the payroll deductions you paid to the CRA within a calendar year, averaged on a monthly basis.

A two-year history of your AMWA is used to classify you as a new, regular, accelerated or quarterly remitter.

NEW REMITTER

- You are a new remitter if you are a new employer or have never made remittance payments before.
- As a new remitter, your payments are due the 15th day of the month following the one in which you made the deductions.
- Note: As of 2016, small businesses may qualify as quarterly remitters.

REGULAR REMITTER

- You are considered a regular remitter (non-accelerated remitter) if you are a new employer with less than two year's of AMWA history or have a two-year AMWA of less than \$25,000.
- Remittances / payments for regular remitters are due the 15th day of the month following the one in which you made the deductions.

ACCELERATED REMITTER

- There are two categories of accelerated remitters.
- Threshold 1 – Employers with two-year AMWA of \$25,000 – \$99,999.99.
- Threshold 2 – Employers with a two-year AMWA greater than \$100,000.
- Accelerated remitters have to follow a different remittance schedule from the other three types. See below for details.

QUARTERLY REMITTER

- Small businesses may qualify as quarterly remitters if they have an AMWA of less than \$3,000 in the previous two years and also have a perfect compliance history with the CRA.
- Remittances / payments for quarterly remitters are due on or before April 15, July 15, October 15, and January 15 for payrolls processed in the previous quarters.
- Quarterly remitters are subject to annual reviews by the CRA in order to retain this status. If your status is changed, you will be notified by mail.

Accelerated Remitters Due Dates

Remittances/payments for Threshold 1 remitters are due the 25th day of the same month for payroll processed in the first 15 days of the month. For payroll processed after the 16th day of the month, remittances/payments are due by the 10th day of the following month.

Remittances/payments for Threshold 2 remitters are due no later than the third working day (not counting Saturdays, Sundays, or public holidays) after the 1st-7th, 8th-14th, 15th-21st and 22nd-last day of the month. In other words, no later than the 3rd business day after the week in which the payroll was processed.

Threshold 2 remitters are also required to make remittances/payments through a financial institution at least one full day before the due date in order to prevent fines.

Making Your Remittance Payments On Time

The process of remitting payments includes the use of:

- Form PD7A, Remittance Voucher – Statement of Account for Current Source Deductions for regular, quarterly and monthly remitters.
- Form PD7A(TM), Remittance Voucher – Statement of Account for Current Source Deductions, or Form PD7A-RB, Remittance Voucher for accelerated remitters.

Payment methods include:

- Online or by phone.
- By Visa® Debit or Interac® using the CRA's My Payment service.
- Pre-authorized debit.
- Third-party service providers, like a payroll company.
- At a financial institution, using a personalized remittance voucher.
- By mail to Canada Revenue Agency, 875 Heron Road, Ottawa ON K1A 1B1 – cheque only, do not send cash.

If You're an Employer in Quebec

Quebec has its own provincial pension plan, the Quebec Pension Plan (QPP), provincial income tax and the Quebec Parental Insurance Plan/Provincial Parental Insurance Plan (QPIP/PPIP). If you have employees in Quebec, you must deduct these payments and remit them to Revenu Québec. However, EI and federal tax deductions go to the CRA. Fun, right? Remember, if you use the right payroll software, this can be done automatically.

Best Practices to Prevent Remittance Errors and/or Penalties

Your payroll deductions (source deductions) must be held in trust in a separate account from your normal operating account. Missed or late payments will result in fines along with daily compound interest on any outstanding balance of \$500 or more.

The CRA's current penalty structure is:

- 3% if your payment is 1-3 days late.
- 5% if your payment is 4-5 days late.
- 7% if your payment is 6-7 days late.
- 10% if your payment is more than 7 days late or if you fail to pay at all.
- 20% for repeat failures and violations.

In general, if you notice a problem or have questions, it's best to contact the CRA directly by connecting to an agent online or calling 1-800-959-5525.



Compliance Checklist

8 STEPS TO ENSURE AN
ACCURATE &
COMPLIANT YEAR-END
PAYROLL FILING

By Leena Thampan
Illustration by Kirk Wallace

There are 8 simple steps you can take to ensure an accurate and compliant year-end payroll filing for your company.

We outline 8 steps that works for anyone - whether you are a payroll DIYer, if you are working with your accountant or even if you are using a payroll software to manage your company's payroll.

By following these steps, both you and your employees can minimize any of the surprises or stressors that typically come year-end - overpayment of CPP / EI, incorrect SIN or employee details, missed remittances (God forbid!) among other things.

1. Statutory Holiday Payouts



In Canada, there are nine general holidays that apply to all companies federally, but in addition to that, there are certain holidays that apply to specific provinces.

As an employer, you are legally required to pay out statutory holiday pay for employees who work on that holiday, but those requirements can vary based on your province.

A good first step is to ensure that your company's payroll calendar accounts for those holidays, and then if your employees meet eligibility requirements, you should make sure that they have been paid out for those holidays.

2. Employee Details



As an employer, you are legally required to collect and record your employees' SIN within three (3) days of their hire date. So, a mid-year check is a great time to make sure that all those employee records are up-to-date.

And while we are on the subject of SINs, you also want to make sure you have their first and last names spelled correctly and their most current address on hand.

If you are using online payroll solutions for your company, your employees should be able to access and update their personal details like their address, birth date, etc. all online, which is a lot easier than you making those edits individually.

3. Business Number and/or Quebec Remittance Account Number



One of the first steps of setting up your business is to register your company with the government. Through the registration process, you get a unique business number for your company.

This 9-digit business number forms the basis for all your program accounts with the government, including your payroll account.

All your tax remittances are paid out to the payroll account, associated to your company, so it's a piece of information you never want to get wrong. While we strongly recommend checking this during and immediately after setting up with your payroll provider or bookkeeper, it's something you can always check again at this midpoint in the year.



4. Workers Compensation Account numbers and Rates

This may or may not apply to your company specifically, but if you are required to register your company for Workers Compensation, you will be assigned an account number and a rate (%) by the Workers Compensation Agency in your province.

In addition to checking the account number and the rates, you should also make sure that all the applicable employees are enrolled in the program from a payroll standpoint. In our app, it is as simple as assigning the right Workers Compensation rate to a specific employee within their Job tab.

This is also a good time to make sure that you are fully caught up on all WSIB / CSST reporting. Because these agencies typically deal with the company directly, the employer is responsible for completing and submitting these reports, usually on a quarterly basis. You should always confirm your reporting frequency with the Workers Compensation board in your province.

Most payroll providers can provide a report of all the remittances that have been made on your behalf, which is a handy report to accurately complete your WSIB / CSST reports.



5. Statement of Account From the CRA / Revenu Quebec

Assuming your bookkeeper or payroll provider is handling government remittances on your behalf, they should be able to provide you with a Receiver General Report that outlines all the remittances that have been paid out to date.

You should compare the Receiver General Report with the Statement of Account you receive from the CRA / Revenu Quebec.

This will help you spot any missed remittances, over or underpayments and catch up your payments well before you rack up any serious penalties.



6. Remittance Frequency

Most companies typically fall in the New or Regular Remitter frequency, where your remittances have to be paid by the 15th of the month following the month you paid your employees.

Once your Average Monthly Withholding Amounts (AMWA) start to increase, your company might be required to remit taxes more frequently than a New or Regular Remitter.

It's really important that you notify your bookkeeper or update the frequency in your payroll software as soon as you receive the notice from the government. The penalties can be pretty severe for missed remittances.



7. Provincial Taxes

Stating the obvious here, but any notices you get from the government are important.

Don't forget to update your company's Employment Insurance (EI), Quebec Parental Insurance Plan (QPIP), Health Services Fund (HSF) or Employer Health Tax (EHT) rates

If you get reduced rates for EI, QPIP, HSF or EHT, you have to notify your bookkeeper or payroll provider immediately so that there are no discrepancies at year-end.



8. Year-to-date (YTD) and Accrued Vacation amounts

The YTD amounts are mostly applicable for companies who are switching payroll providers or systems. The YTD amounts have to be entered for all employees who are on payroll, especially if they have been paid previously in the year. These amounts all tally up at the end of the year and are reflected in the T4s / T4As.

Another thing to bear in mind is if the YTD amounts are incorrect, you might end up overpaying taxes and other source deductions like CPP or EI.

You should also check accrued vacation amounts to make sure that the amounts match up to what they should be for your employees. Typically, vacation is accrued at 4% of your gross annual wages, but some employees might be accruing vacation at a higher percentage, say 3-weeks, which works out to 6% of annual gross wages. You should also ensure that any time taken as vacation time was reported and deducted from their balances.

By following these eight steps, your year-end reporting should run smoothly for you and your employees. Plus, you'll really minimize the risk of any penalties or discrepancies, and that's always a good thing!

HELPFUL RESOURCES AND LINKS

- [Employment standards by province](#)
- [The Business Number and your CRA Program Accounts](#)
- [Business Registration Online \(BRO\) service](#)
- [Form RC1 - Request for a Business Number](#)
- [List of CRA Tax Centres](#)
- [CRA's Guide RC4110 - Determine a Worker's Employment Status](#)
- [T4001 Employers' Guide - Payroll Deductions and Remittances](#)
- [T4032 Payroll Deductions Tables](#)
- [CPP contribution rates and maximums](#)
- [EI premium rates and maximums](#)
- [Which provincial or territorial tax tables should you use?](#)
- [Payroll Deductions Online Calculator](#)
- [Average monthly withholding amount \(AMWA\)](#)
- [Remittance Vouchers](#)
- [Late remitting/Failure to remit](#)
- [List of General Holidays in Canada](#)

DISCLAIMER

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