



Payroll

Administration

Version Fall 2025

Table of Contents

1. PAYROLL COMPLIANCE	5
2. Canada Pension Plan	7
• 2.1. Who Must Contribute to the Canada Pension Plan	8
3. Employment Insurance	10
4. Record of Employment	11
5. CALCULATING NET EARNINGS	12
• 5.1. Employment Income	12
• 5.2. Allowances	12
• 5.3. Expenses	12
• 5.4. Benefits	12
6. OBNOARDING EMPLOYEE	13
• 6.1. Internal Forms	14
• 6.1.1. Authorization for Hiring	14
• 6.1.2. Union Membership	15
• 6.1.3. Benefit Enrollment Forms	15
• 6.1.4. Confidentiality Agreement	15
• 6.2. Required Federal and Provincial/Territorial Forms	15
• 6.2.1. Tax Credits (TD1)	16
• 6.2.2. Tax Credits (TP-1015.3-V - Québec)	17
• 6.3. Entering Employee Information into Sage50	17
• 6.3.1. Review Questions	24
• 6.4. Content Review Highlights	25
• 6.5. Review Questions (Sample)	25
• 6.6. Example Evaluations	26
7. Payroll Accounting	27
• 7.1. Journal Entries	27
• 7.1.1. Accounting Recap	27
• 7.1.2. Journal Entries	27

8. REVIEW QUESTIONS	24
• 8.1. New Employee Information	29
9. TERMINOLOGY	30
• 9.1. Pensionable Earnings	30
• 9.2. Insurable Earnings	30
10. RATES FOR 2025	31
• 10.1. CANADA / QUEBEC PENSION PLAN (CPP / QPP)	31
• 10.2. CPP2 CONTRIBUTION RATES MAXIMUMS	32
11. REFERENCES	33
12. Errors and Errata	34

ABOUT THE AUTHOR

From 2005 to 2022 Alexander Bobkov (Alex) has successfully operated his own accounting firm, offering bookkeeping, accounting, and payroll services to a diverse clientele in the National Capital Regions. With a rich educational background that spans from a college diploma in Business Management to a Master's degree in Business Administration, he brings both academic insight and practical expertise from his work. For the past five years, Alexander has focused specifically on the IT and payroll sector. This study guide reflects his long-standing goal: to help professional business managers to build a solid foundation in payroll administration while easing the anxiety often associated with its complexity. Designed to be clear, practical, and empowering, the guide equips readers with the skills needed to confidently perform essential payroll functions encountered in day-to-day operations.

PAYROLL COMPLIANCE

Membership or participation in the Canada Pension Plan (CPP) and Employment Insurance Plan (EI) is compulsory for certain types of employment. As a person responsible for the payroll you need to know which employees must participate in these plans, what amounts to withhold from employees and how much the employer will have to remit or send to the Canada Revenue Agency (CRA).

Payroll plays a pivotal role in administering statutory deductions, specifically the collection and remittance of Canada Pension Plan (CPP) contributions and Employment Insurance (EI) premiums. These mandatory deductions, along with the employer's matching portion, must be accurately submitted to the Canada Revenue Agency (CRA) within prescribed timelines.

This chapter outlines the essential criteria used to identify pensionable and insurable earnings, and provides detailed guidance on calculating both employee deductions and employer contributions for regular and non-regular pay periods.

In accordance with federal legislation, CPP contributions are the **first deduction** applied to employment income, followed by EI premiums. Because these deductions are mandated by statute, they are classified as **statutory deductions**, underscoring their legal significance and the employer's obligation to ensure full compliance.

Learning Objectives

Upon completion of this chapter, you should be able to explain:

1. The requirements and calculations for Canada Pension Plan contributions
2. The requirements and calculations for Employment Insurance premiums
3. What Service Canada uses the information on a Record of Employment for

This chapter will cover the following topics:

1. Identify the following Canada Pension Plan components:
 - Who must contribute to the Canada Pension Plan
 - Types of employment subject to Canada Pension Plan contributions
 - Types of employment not subject to Canada Pension Plan contributions
 - Payments and benefits subject to Canada Pension Plan contributions

- Payments and benefits not subject to Canada Pension Plan contributions

1. Calculate Canada Pension Plan contributions at an individual level

2. Identify the following Employment Insurance components:

- Who must pay Employment Insurance premiums
- Types of employment subject to Employment Insurance premiums
- Types of employment not subject to Employment Insurance premiums
- Payments and benefits subject to Employment Insurance premiums
- Payments and benefits not subject to Employment Insurance premiums

1. Calculate Employment Insurance premiums at an individual level

2. Describe the purpose of a Record of Employment

3. Identify when the Record of Employment must be completed

Canada Pension Plan

Objective of this section is to enable you to identify the following Canada Pension Plan components:

- Who must contribute to the Canada Pension Plan
- Types of employment subject to Canada Pension Plan contributions
- Types of employment not subject to Canada Pension Plan contributions
- Payments and benefits subject to Canada Pension Plan contributions
- Payments and benefits not subject to Canada Pension Plan contributions
- Calculate Canada Pension Plan contributions at an individual level

The **Canada Pension Plan** (CPP) is a federally legislated social insurance program established under the Canada Pension Plan Act. Its primary purpose is to provide financial protection to contributors and their families in the event of retirement, disability, or death. The program is funded through mandatory payroll deductions from employees, which are matched equally by employers. These employee contributions are specifically referred to as Canada Pension Plan contributions.

In addition to the CPP, employers may offer private or non-government pension plans, which may also involve payroll deductions from employees. The specific payroll withholding requirements for these supplementary pension plans will be discussed in more detail in the later chapters; it is important to note that the CPP is often one of multiple retirement savings vehicles available within an organization's compensation structure.

Note

Employers located in Quebec are responsible for deducting Québec Pension Plan (QPP) contributions, instead of CPP contributions, from their Québec employees and remitting those contributions to Revenu Québec (RQ).

The Canada Pension Plan (CPP) was designed as an income replacement program for individuals who have been in pensionable employment during their working life. A CPP retirement pension is a monthly benefit paid to people who have contributed to the Canada Pension Plan. The pension is designed to replace about 25 percent of the earnings on which a person's contributions were based. Individuals can apply for their CPP retirement pension when they turn 60.

There are three Canada Pension Plan benefits:

- retirement pension
- disability benefits (for contributors with a disability and their dependent children)
- survivor benefits (including the death benefit, the survivor's pension and the children's benefit)

The CPP operates throughout Canada while the province of Québec administers its own program for workers in Québec called the **Québec Pension Plan** (QPP). The two plans work together to ensure that all contributors are protected, no matter where the individual lives. Québec Pension Plan requirements will be covered later in this course.

Who Must Contribute to the Canada Pension Plan

The CPP is a **contributory plan**. This means that all costs are covered by the financial contributions paid by employees, employers and self-employed workers, and from revenue earned on CPP investments. The CPP is not funded through general tax revenues.

Canada Pension Plan contributions must be withheld from employees who:

1. CPP contributions must be withheld from employees who have reached the age of 18 but are under the age of 70.
2. CPP contributions must be withheld from employees who are in pensionable employment.
3. CPP contributions must be withheld from employees in pensionable employment who are not considered to be disabled by either Service Canada or Retraite Québec.
4. CPP contributions must be withheld from employees who are 65 years of age but are under the age of 70 and are in receipt of the Canada or Québec Pension Plan retirement pension, but have not filed an election to stop paying CPP contributions.

In principle, employees who do not fall within the categories listed previously would not make CPP contributions. However, it is not always clear what constitutes pensionable earnings and pensionable employment. To clarify eligibility, the CRA has developed a list of the types of employment that are not subject to CPP contributions. This information can also be found in the Employers' Guide - Payroll Deductions and Remittances - T4001, which is published by the CRA.

The following types of employment are excluded by legislation and therefore do not constitute pensionable employment. Payments arising from such employment are not subject to CPP contributions:

- employment in agriculture, or an agricultural enterprise, horticulture, fishing, hunting, trapping, forestry, logging, or lumbering, by an employer:
 - who pays the employee less than \$250 in cash remuneration in a calendar year; or
 - employs the employee for a period of less than 25 working days in the same year on terms providing for payment of cash remuneration—the working days do not have to be consecutive
- employment of a casual nature other than for the purpose of the employer's usual trade or business
- employment of a person, other than as an entertainer, in connection with a circus, fair, parade, carnival, exposition, exhibition, or other similar activity, if that person is:
 - not regularly employed by that employer, and
 - employed by that employer for less than seven days in a year
- employment of a person by a government body as an election worker, if that person:
 - is not a regular employee of the government body, and
 - works for less than 35 hours in a calendar year
- employment as a teacher on exchange from a foreign country
- employment of a spouse or common-law partner if the employer cannot deduct the remuneration paid as an expense under the Income Tax Act
- employment of a member of a religious order who has taken a vow of perpetual poverty. This applies whether the remuneration is paid directly to the order or paid by the member to the order.
- employment for which no cash remuneration is paid, where the employee is the child of, or is maintained by, the employer
- employment of a person who helps the employer in a disaster or in a rescue operation if the employee is not regularly employed by the employer

Employment Insurance

Objective of this section is to enable you to identify the following Employment Insurance components:

- Who must pay Employment Insurance premiums
- Types of employment subject to Employment Insurance premiums
- Types of employment not subject to Employment Insurance premiums
- Payments and benefits subject to Employment Insurance premiums
- Payments and benefits not subject to Employment Insurance premiums
- Calculate Employment Insurance premiums at an individual level

Employment Insurance (EI) is a federally legislated social insurance program established under the Employment Insurance Act. It provides temporary financial support to individuals who are unemployed while seeking new employment or engaging in skill development. In addition to regular benefits, EI offers special provisions for workers who take leave due to significant life events such as illness, pregnancy, caring for a newborn or newly adopted child, supporting a critically ill or injured person, or tending to a family member facing a serious health condition with a risk of death.

The EI program is funded through payroll contributions made by employees, known as Employment Insurance premiums. Employers also contribute by paying a premium that is calculated based on their employees' deductions.

While Employment Insurance is a government-mandated program, it may not be the only insurance plan available in the workplace. Many organizations offer private or non-government insurance options such as life and disability coverage, which are funded by employers, employees, or both. Although this chapter focuses specifically on the federally legislated EI program, additional information about private insurance plans will be covered in the later chapters.

Record of Employment

The **Record of Employment** (ROE) is the form used by Service Canada to determine an individual's qualification to collect Employment Insurance benefits when their employment is interrupted, how much the benefit will be and how long they will collect it. As payroll is responsible for completing the ROE, the form will be illustrated in this chapter, along with an explanation of what payroll information must be tracked for ROE reporting purposes.

CALCULATING NET EARNINGS

Employment Income

Allowances

Expenses

Benefits

OBNOARDING EMPLOYEE

In the context of Canadian payroll administration, onboarding an employee refers to the formal process of integrating a new hire into both the organizational and payroll systems. It ensures that the employee is properly registered, legally compliant, and ready to be paid accurately and on time.

Key Steps on Onboarding an Employee:

- Collect Required Personal Information: Includes full legal name, address, date of birth, and Social Insurance Number (SIN). The SIN is

critical for tax reporting to the CRA (Canada Revenue Agency).

- Obtain Federal & Provincial Tax Forms: New employees must complete Form TD1 (Federal and possibly a Provincial version) to declare tax

credits and determine income tax withholdings.

- Set Up Banking Info for Direct Deposit: Employees usually provide a void cheque or bank form to set up electronic payments.
- Register the Employee in the Payroll System: Involves entering all personal and job-related data, assigning a payroll ID, and verifying

employment status (e.g. full-time, part-time, contract).

- Enroll in Benefits or Pension Programs: If applicable, the employee may be signed up for group insurance, retirement savings plans (like

RRSP or pension plans), and other benefits. These deductions must be accurately reflected in payroll.

- Assign Statutory Deductions that Employers must withhold and remit
 - CPP (Canada Pension Plan)
 - EI (Employment Insurance)
 - Income Tax (based on TD1 form)
- Confirm Employment Agreement & Start Date

Compliance & Record Keeping

- Employers in Canada are responsible for keeping accurate records of employee data, pay stubs, deductions, and remittances for

at least 6 years.

- If audited by CRA, these documents must be readily available.
- Employers must also provide T4 slips by end of February each year to summarize annual earnings and deductions for tax filing.

Employment Standards Requirements

Each province/territory, as well as the federal government, sets minimum employment standards, including:

- Minimum wage
- Minimum age (may also be governed by other legislation)
- Required pay statement information: - Employee name - Pay period date - Rates of pay and hours worked - Gross earnings - Itemized deductions - Net pay

Internal Forms

Typical commencement package forms include:

- Authorization for hiring
- Direct deposit agreement
- Union membership application
- Benefits enrollment (e.g., health/dental, pension)
- Confidentiality agreement

Authorization for Hiring

This internal document includes:

- New employee's basic info
- Start date, department, salary

- Probation details
- Hiring authority's signature

Important: Employer must obtain a valid SIN. A SIN starting with 9 must have a valid expiry date and associated work permit.

Union Membership

For unionized workplaces:

- Amount of union dues to be deducted
- Employees signature authorization for deduction
- Exemptions may apply, but dues equivalent still required

Benefit Enrollment Forms

Forms cover group insurance and pension plans:

- Employee indicates coverage type
- Signatures authorize payroll deductions

Confidentiality Agreement

A legally binding agreement protecting sensitive company info:

- Defines proprietary data
- Outlines responsibilities, penalties, and timeframe

Required Federal and Provincial/Territorial Forms

Purpose: Determine correct income tax withholdings.

Forms:

- TD1 (Federal)
- TD1 (Provincial/Territorial)

- TP-1015.3-V (Québec employees)

Provincial/territorial withholding is based on *province of employment* , but tax liability is based on *province of residence* .

Adjustments:

- Request extra withholding via TD1 or TP-1015.3-V
- Request reduction using CRA Form T1213 or RQ Form TP-1016-V

Essential Info on All Forms:

- Employee name
- Date of birth
- Social Insurance Number

Tax Credits (TD1)

1. Basic personal amount
2. Canada caregiver (infirm children)
3. Age amount
4. Pension income
5. Tuition
6. Disability
7. Spouse/common-law partner amount
8. Eligible dependant
9. Caregiver for infirm spouse or dependant
10. Caregiver for dependant age 18+
11. Transfers from spouse
12. Transfers from dependant
13. Total

Additional Instructions:

- Fill out TD1 only if claiming more than basic credit
- Québec employees must always complete TP-1015.3-V

Tax Credits (TP-1015.3-V - Québec)

- Basic amount
- Transfer from spouse
- Amount for dependants
- Impairment in mental/physical function
- Age amount, retirement income, living alone
- Career extension

Deductions:

- Remote area housing
- Deductible support payments

Entering Employee Information into Sage50

To enter a new employee into the Sage 50 Payroll module (Canada edition), start by navigating to the Employees & Payroll section in the Home window. Right-click the Employees icon and choose “Add Employee” to begin creating employee’s record. Input the employee’s full legal name. Then, proceed to fill in the personal and payroll details across several tabs: the Personal tab for birth date and contact info, the Taxes tab to select the appropriate provincial tax table, the Income tab to configure their pay frequency, and the Deductions tab to define benefit or pension deductions. You’ll also want to enter their bank details for direct deposit. For compliance, be sure to complete and store signed TD1 forms (Federal and Provincial) separately, as Sage50 does not automatically generate these. You’ll also need to set up EI, CPP, and Income Tax deductions and link them to remittance vendors in the system. Once all information is reviewed for accuracy, save and close the record to finalize setup. If you prefer a guided approach, Sage50 also offers an Employee Wizard to walk you through these steps.

Important

To maintain accuracy and compliance in Sage 50 Payroll, carefully verify that all employee information entered into the system, including full legal name, Social Insurance Number (SIN), residential address, and compensation details, matches the data provided on official documentation such as the signed employment contract and government-issued identification (e.g. driver's licence, Employment Contract). Double-checking these entries helps prevent administrative errors and ensures that payroll records remain consistent with legal and regulatory standards.

Employee Records

File Edit View Report Help *Type a question for help* Help Search

Select: [v] [Filter] [Previous] [Next] [First] [Last]

Employee:

Entitlements	Direct Deposit	Memo	Additional Info	T4 and RL-1 Reporting
Personal	Work Details	Taxes	Income	Deductions
WSIB & Other Expenses				
Street 1:	<input type="text" value="1554 Carling Ave"/>	SIN:	<input type="text" value="000 000 000"/>	
Street 2:	<input type="text"/>	Birth Date:	<input type="text" value="1985-05-25"/> [Calendar] [Info]	
City:	<input type="text" value="Ottawa"/>			
Province:	<input type="text" value="Ontario"/> Code: <input type="text" value="ON"/> [v]			
Postal Code:	<input type="text" value="K1Z 7M4"/>			
Phone 1:	<input type="text"/>			
Phone 2:	<input type="text"/>			
Email:	<input type="text"/> [Email Icon]			
Language Preference:	<input type="text" value="English"/> [v]			

☐ Inactive Employee 4/4 payroll fields filled [Info]

Employee Records

File Edit View Report Help

Type a question for help Help Search

Select:

Employee: Felix Chan

Entitlements	Direct Deposit	Memo	Additional Info	T4 and RL-1 Reporting
Personal	Work Details	Taxes	Income	Deductions
WSIB & Other Expenses				

Hire Date: 2024-01-01

Gender: Unknown

Employment Type: Part-Time

Job Category: <None>

Work Email:

☐ Same as Personal Email

☐ Sync with Sage HR

Terminate:

ROE Code:

Date Last Paid:

☐ Inactive Employee 4/4 payroll fields filled

Save and Close

Create Another

Employee Records

File Edit View Report Help

Type a question for help Help Search

Select:

Employee: Felix Chan

Entitlements Direct Deposit Memo Additional Info T4 and RL-1 Reporting
Personal Work Details Taxes Income Deductions WSIB & Other Expenses

Tax Table: Ontario

Personal Tax Credits

	Federal	Provincial
Basic Personal Amount	0.00	0.00
Other Indexed Amounts	0.00	0.00
Non-Indexed Amounts	0.00	0.00
Total:	0.00	0.00

Tax	Historical Amount
Income Tax	0.00
Tax (Que)	0.00
EI Premiums	0.00
CPP Contributions	0.00
QPP Contributions	0.00
QPIP Premiums	0.00

Tax Deduction

☒ Calculate Tax

Additional Federal Tax: 0.00

Additional Quebec Tax:

☒ Calculate EI

Rate: 1.4

☒ Calculate CPP/QPP

☐ Calculate QPIP

* YTD amounts as of 2024-01-01

☐ Inactive Employee 4/4 payroll fields filled

Save and Close

Create Another

Employee Records

File Edit View Report Help

Type a question for help Help Search

Home

Print

Save

Undo

Redo

Eraser

Calculator

Help

Select:

Employee:

Felix Chan

Entitlements

Direct Deposit

Memo

Additional Info

T4 and RL-1 Reporting

Personal

Work Details

Taxes

Income

Deductions

WSIB & Other Expenses

Pay Periods Per Year:

24

*YTD amounts as of 2024-01-01

Use	Income	Unit	Amount per Unit	Hours per Period	Pieces per Period	Historical Amount	YTD Amount *
✓	Advances	Period	--	--	--	0.00	--
✓	Loans	Period	--	--	--	0.00	--
✓	Benefits	Period	0.00	--	--	0.00	--
	Benef. (Que)	Period	--	--	--	--	--
✓	Vac. Owed	Period	--	--	--	0.00	--
✓	Vac. Paid	Period	--	--	--	0.00	--
✓	Regular	Hour	20.00	0.00	--	0.00	--

Vacation Rate:

0.0 %

Net Pay: 0.00

☒ Retain Vacation

Historical Net Pay: 0.00

☐ Calculate Vacation on Vacation Paid

Record wage expenses in: ☒ The payroll linked accounts ☐

☐ Inactive Employee 4/4 payroll fields filled

Save and Close

Create Another

Employee Records

File Edit View Report Help

Type a question for help Help Search

Home

Print

Save

Undo

Redo

Eraser

Calculator

Help

Select:

Filter

Previous

Next

First

Last

Employee:

Felix Chan

Entitlements

Direct Deposit

Memo

Additional Info

T4 and RL-1 Reporting

Personal

Work Details

Taxes

Income

Deductions

WSIB & Other Expenses

Use	Deduction	Amount per Period	Percent per Period	Rate per Hour	Percent of Hourly Rate	Historical Amount	YTD Amount *
✓	Deduction 1	0.00	--	--	--	0.00	--
✓	Deduction 2	0.00	--	--	--	0.00	--
✓	Deduction 3	0.00	--	--	--	0.00	--
✓	Deduction 4	0.00	--	--	--	0.00	--
✓	Deduction 5	0.00	--	--	--	0.00	--
	Deduction 6	0.00	--	--	--	0.00	--
	Deduction 7	0.00	--	--	--	0.00	--
	Deduction 8	0.00	--	--	--	0.00	--
	Deduction 9	0.00	--	--	--	0.00	--
	Deduction 10	0.00	--	--	--	0.00	--
	Deduction 11	0.00	--	--	--	0.00	--

* YTD amounts as of 2024-01-01

☐ Inactive Employee
 4/4 payroll fields filled

Save and Close

Create Another

Employee Records

File Edit View Report Help Type a question for help Help Search

Select:

Employee:

Entitlements	Direct Deposit	Memo	Additional Info	T4 and RL-1 Reporting
Personal	Work Details	Taxes	Income	Deductions
				WSIB & Other Expenses

WSIB

WSIB Rate: %

User-Defined Expenses

Expense	Amt. per Period	Percent per Period	Historical Amount
User Exp 1	0.00	--	0.00
User Exp 2	0.00	--	0.00
User Exp 3	0.00	--	0.00
User Exp 4	0.00	--	0.00
User Exp 5	0.00	--	0.00

* YTD amounts as of 2024-01-01

☐ Inactive Employee 4/4 payroll fields filled Save and Close Create Another

Review Questions

1. What is the significance of accurately entering the “Date Hired” field when setting up a new employee profile in Sage 50?

Accurately entering the “Date Hired” in Sage 50 is a critical step in ensuring the integrity of payroll records and overall HR compliance. This field defines the employee’s official start date, which determines pay cycle alignment, benefit entitlement periods, and the correct application of mandatory deductions such as CPP and EI. It also plays a pivotal role in historical payroll reporting—including audit readiness and the generation of year-end T4 slips. Furthermore, the hire date is essential when preparing a Record of Employment (ROE), as it establishes the starting point for the employee’s insurable earnings and service duration.

2. Within the scope of Payroll Administration, how should the department ethically and legally respond when a supervisor requests access to an employee's date of birth for the purpose of workplace recognition, given that this personal information is already held by payroll?

Under Canadian payroll administration and the Personal Information Protection and Electronic Documents Act (PIPEDA), sharing an employee's date of birth — even for positive intentions like workplace recognition, is not legally or ethically appropriate.

PIPEDA requires employers to:

- Limit the collection, use, and disclosure of personal information to what is necessary for clearly identified business purposes.
- Obtain meaningful consent before using personal data for any purpose beyond what it was originally collected for—such as payroll or benefits administration.
- Protect employee privacy by restricting access to personal information on a strict need-to-know basis.

In this case, using the date of birth for celebrations or acknowledgments is outside the scope of payroll processing. Even if the Payroll department holds this information, it cannot be disclosed to supervisors or other staff.

Content Review Highlights

- Consent is required for personal info collection
- TD1 and TP-1015.3-V are used to calculate source deductions
- Claim amounts may differ between federal and provincial forms
- Employers must keep the forms on file (do not send to CRA/RQ)

Review Questions (Sample)

1. What does an offer letter signature signify?
2. What documents are included in a commencement package?
3. Name three common internal forms
4. What must payroll verify on a hiring form?
5. What must be checked for SINs starting with "9"?

6. True/False: Union dues can be deducted without consent.

7. What authorizes benefit premium deductions?

Example Evaluations

Gloria Meyer (Alberta): - Claimed: Basic, eligible dependant, transferred tuition - Appears accurate

Luc Laframboise (Québec): - Claimed: Basic, spouse, dependant in school, tuition transfer - Appropriate provincial and federal claims made

Ingrid Johansson (Alberta, Single Parent): - Claimed credits for two children - **Overclaimed** dependant credit – only one is eligible - Needs correction on federal and AB TD1 forms

ONBOARDING EMPLOYEE EXERCISE

Using MS Forms, create a questionnaire for gathering all required information for onboarding a new employee at Quebec-based company for the payroll purposes.

Payroll Accounting

Journal Entries

Accounting Recap

$$\Sigma \text{ Total Debits} = \Sigma \text{ Total Credits}$$

$$\text{Assets} = \text{Liabilities} + \text{Equity}$$

$$^{(1)} \text{Assets} = \text{Liabilities} + \text{Equity}$$

Furthermore, we know that:

$$\text{Equity} = \text{Revenue} - \text{Expenses}, \text{ which leads us to:}$$

$$\text{Assets} = \text{Liabilities} + (\text{Revenues} - \text{Expenses})$$

Accounting equation (1)

Payroll accounting is a critical component of the Canadian Payroll Administration system. It involves the systematic recording, analysis, and reporting of payroll transactions to ensure that all financial aspects of employee compensation are accurately reflected in the organization's financial statements. Payroll accounting includes the management of employee wages, tax withholdings, benefit deductions, and other payroll-related expenses. The system is designed to automate these processes, ensuring accuracy and compliance with Canadian payroll regulations.

Journal Entries

Journal entries are a key part of payroll accounting, as they document the financial impact of payroll transactions on the organization's accounts. Each payroll run generates a series of journal entries that reflect the distribution of wages, taxes, and deductions across various accounts. These entries are essential for maintaining accurate financial records and ensuring that the organization's financial statements reflect the true cost of employee compensation. The Canadian Payroll Administration system automates the generation of these journal entries, reducing the risk of errors and ensuring compliance with accounting standards.

DR Payroll Expenses \$10,500.00

CR Payroll Payable (\$10,500.00)

Mar. 15, 2025

DR Account	CR Account	Amount
Payroll Expenses		\$10,500.00
	Payroll Payable	\$10,500.00

*To record accrual of payroll expenses
for the period.*

REVIEW QUESTIONS

This section contains review questions for the material covered in the course. These questions are designed to test your understanding and help reinforce the concepts learned.

New Employee Information

Which one of the following is correct?

1. Choice A
2. **Choice B**
3. Choice C

TERMINOLOGY

Pensionable Earnings

Insurable Earnings

RATES FOR 2025

CANADA / QUEBEC PENSION PLAN (CPP / QPP)

CANADA / QUEBEC PENSION PLAN (CPP / QPP)

Description	CPP	QPP
Yearly maximum pensionable earnings	\$71,300	\$
Annual maximum contributory earnings	\$67,800	\$
Annual maximum contribution	\$3,500	\$
Employee contribution rate	5.95%	
Employer contribution rate	5.95%	
Basic exemption (Annual)	\$3,500	
Basic exemption (Monthly, 12)	\$291.67	\$
Basic exemption (Weekly, 52)	\$67.31	\$
Basic exemption (Weekly, 53)	\$66.04	\$
Basic exemption (Semi-monthly, 24)	\$145.83	\$

Description	CPP	QPP
Basic exemption (Bi-weekly, 26)	\$134.61	\$

CPP2 CONTRIBUTION RATES MAXIMUMS

CPP2 Contribution Rates Maximums

Description	Amount
Additional maximum annual pensionable earnings	\$81,200
Employee and employer contribution rate	4%
Maximum employee and employer contribution	\$396
Maximum annual self-employed contribution	\$792

REFERENCES

[Payroll Deductions Online Calculator](#)

[CPP Maximum contributory earnings](#)

[Second additional CPP contributions](#)

Errors and Errata

Glossary

· [Index](#)

sys variables

Python 3.12.3

5

