



Payroll

Administration

Version Fall 2025

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ABOUT THE AUTHOR

Alexander Bobkov (Alex) is the author of this comprehensive and practical study guide for Payroll Administration, drawing on nearly two decades of hands-on experience in the accounting field. From 2005 to 2022, Alexander 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 to a Master's degree in Business, he brings both academic insight and practical expertise to his work. For the past five years, Alexander has focused specifically on the payroll sector. This study guide reflects his long-standing goal: to help professional bookkeepers and 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.

PREFACE

Through this material, students will gain a comprehensive understanding of core payroll principles and practices. They will explore legislative compliance requirements and the role of key regulatory bodies that govern payroll operations in Canada.

Students will learn how to:

- Accurately calculate net pay for salaried, hourly, commissioned, and contract employees.
- Identify and meet payroll-related obligations for businesses.
- Navigate the administrative aspects of human resource management that intersect with payroll responsibilities.
- Apply payroll procedures using computerized payroll software through practical, hands-on exercises.
- Payroll's responsibilities from hiring through to termination.
- Payroll compliance legislation in practical scenarios.
- Individual pay calculation process.

Learning Outcomes

The material of this study guide aim to make students to be be able to:

- Calculate regular individual pay
- Calculate non-regular individual pay
- Calculate termination payments
- Complete a Record of Employment (ROE)
- Apply federal and provincial legislation to payroll, including: - The Canada Pension Plan Act - The Employment Insurance Act - The Income Tax Act - Employment Standards legislation - Workers' Compensation Acts - Québec-specific legislation

Recommended Course Material

Material Structure Overview

1. Introduction to Canadian Payroll
2. Labour and Employment Standards
3. Accounting for Payroll
4. Calculating Gross Pay
5. Pensionable, Insurable, and Taxable Earnings
6. Calculating Net Pay
7. Calculating Employer's Source Deduction Remittances
8. Termination of Employment:
 - Record of Employment (ROE)
 - Termination Payments
 - Retirement Pay

In other words, the material covers the foundational knowledge and technical skills needed to confidently perform payroll tasks in a variety of employment settings.

INTRODUCTION

Outcomes

Applying federal and provincial payroll legislation, regulations, and policies to ensure compliance with the legal framework governing payroll in Canada.

- CPP/QPP
- EI
- Income Tax (Federal, ON and QC)

Calculating regular individual pay

Calculating non-regular individual pay

Calculating termination pay

Completing a Record of Employment (ROE)

Payroll Legal Framework

The Canadian Payroll Administration system is designed to ensure compliance with the legal framework governing payroll in Canada. This includes adherence to federal and provincial regulations regarding employee compensation, deductions, and reporting requirements. The system is built to handle various payroll scenarios, including different employment types, tax calculations, and benefit deductions, while ensuring that all transactions are accurately recorded and reported in accordance with the law.

TERMINOLOGY

PAYROLL COMPLIANCE AND REGULATIONS

Learning Objectives

By the end of this chapter, you will have a foundational understanding of payroll compliance and regulations in Canada. This includes the various stakeholders involved, the objectives of payroll, and the legal frameworks that govern payroll processes. You will also learn how to differentiate between federal and provincial/territorial jurisdictions, and how they affect payroll administration. Additionally, you will understand the Canada Revenue Agency's criteria for determining whether an individual is classified as an employee or self-employed.

This chapter will cover the following topics:

1. Identify four uses of the term payroll
2. Describe payroll's objectives
3. Describe who payroll's stakeholders are
4. Differentiate between federal and provincial/territorial jurisdictions
5. Explain how each stakeholder affects payroll processes and procedures
6. Apply the Canada Revenue Agency's factors for determining whether an individual is an employee or self-employed

Introduction

Payroll is a necessary function in every organization that has employees, as each employee expects to be paid for the work they perform. While the amount of maximum remuneration that an employee receives for their work is not legislated by any government (unless the employee is a federal or provincial/territorial civil servant), there is legislation in place at both the federal and provincial/territorial levels that governs many aspects of processing employees' pay, their taxable benefits and observing their rights as employees.

It is important to note that for the scope of this course, the payroll includes the function of paying employees for work performed for employers. Self-employed workers or contractors, who submit invoices for the work they perform and receive payment through accounts payable and not

payroll, are not employees. This chapter illustrates how to determine if an employee-employer relationship exists. Once an employee-employer relationship has been established, the correct method of payment for services can be determined.

Both the federal and the Québec governments provide factors that can be used to determine whether an employee-employer relationship exists. It is crucial to know how to determine the type of relationship that exists between the worker and the organization and to ensure that any payments made comply with legislation.

What are the Payroll's Objectives?

The primary objective of the payroll function in every organization is to pay employees accurately and on time, in compliance with legislative requirements, for a full annual payroll cycle.

Every employee expects to receive their pay on the day it is due in the manner arranged with their employer, either by cheque or direct deposit. In addition to ensuring that employees have been paid, payroll practitioners must also be able to communicate payroll information to all stakeholders.

Payroll is the process of paying employees in exchange for the services they perform. The term payroll can refer to:

- the department that administers the payroll
- the total number of people employed by an organization
- the wages and salaries paid out in a year
- a list of employees to be paid and the amount due to each

Legislation refers to laws enacted by a legislative body. In Canada there are many legislative sources that payroll practitioners must comply with at two separate levels – the federal and the provincial/territorial governments. Later in the chapter we will explore the compliance requirements for the various pieces of legislation from these sources.

Compliance is the observance of official requirements. For payroll practitioners, this means performing payroll functions according to federal and provincial/territorial legislative and non-governmental stakeholder requirements.

The legislative requirements are termed statutory. This means they are enacted, created, or regulated by statute, a law enacted by the legislative branch of a government. Fines and penalties can be imposed if an organization is not in compliance with the legislative requirements in each jurisdiction.

When dealing with federal and provincial/territorial government agencies, payroll practitioners must know the many pieces of legislation that regulate their work and the compliance

requirements associated with each. Payroll practitioners are responsible for ensuring their organization is compliant with all payroll related legislation, thus eliminating the potential for any fines or penalties.

In payroll, there are also compliance requirements from other non-government stakeholders, for example, union collective agreements or group insurance policies. Payroll practitioners must therefore ensure the organization is compliant with all stakeholder requirements.

What are the Responsibilities of Payroll Function?

The responsibilities of the payroll practitioner will differ depending on the size of the organization, the number of jurisdictions in which they pay, the reporting structure under which they work, and whether there are other related departments, such as human resources, finance and administration in the organization.

Small and medium-sized organizations may have payroll practitioners whose positions include other functions that, in a larger organization, would fall under other departments. This payroll practitioner may be required to handle multiple tasks, such as employee recruitment, human resource policy development, benefits administration, accounts payable, accounts receivable, budgets and/or administration. These practitioners must have excellent knowledge of all areas for which they are responsible and be aware of the resources available to provide advice and information.

Larger organizations may have a distinct payroll department with specific payroll positions, in addition to separate human resources, accounting and administration groups. Even in a multi-departmental organization, payroll practitioners must have knowledge of the various stages of the life cycle of an employee. From hiring through termination of employment, many of these stages will impact how to produce the employee's pay and prepare required reports.

The payroll department in a large organization may have:

- payroll administrators who are responsible for entering payroll data into the system

and making required payroll remittances

- payroll coordinators who are responsible for preparing the payroll journal entries and

reconciling the payroll related accounts

- payroll managers who manage the payroll function, the payroll staff and represent

payroll at the management level

Content Knowledge

Payroll practitioners should know the following to effectively perform their duties:

- Payroll Compliance Legislation: the Income Tax Act, the Employment Insurance

Act, the Canada Pension Plan Act, Employment/Labour Standards, privacy legislation, Workers' Compensation and provincial/territorial payroll-specific legislation

- Payroll Processes: the remuneration and deduction components of payroll and how

to use these components to calculate a net pay in both regular and non-regular circumstances

- Payroll Reporting: how to calculate and remit amounts due to government agencies,

insurance companies, unions and other third parties. In addition, payroll reporting includes accounting for payroll expenses and accruals to internal financial systems and federal and provincial/territorial year-end reporting.

DETERMINING ANNUAL AND PAY PERIOD EARNINGS



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: ▼ 🔍 ⏪ ⏩ ⏴ ⏵

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"/>  
City:	<input type="text" value="Ottawa"/>			
Province:	<input type="text" value="Ontario"/>	Code:	<input type="text" value="ON"/> ▼	
Postal Code:	<input type="text" value="K1Z 7M4"/>			
Phone 1:	<input type="text"/>			
Phone 2:	<input type="text"/>			
Email:	<input type="text"/> 			
Language Preference:	<input type="text" value="English"/> ▼			

☐ 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				

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:

Entitlements

Direct Deposit

Memo

Additional Info

T4 and RL-1 Reporting

Personal

Work Details

Taxes

Income

Deductions

WSIB & Other Expenses

Tax Table:

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:

Additional Quebec Tax:

☒ Calculate EI

Rate:

☒ 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

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:

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 ℹ️ 💾 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

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?

- **a.** Choice A
- **b.** Choice B
- **c.** Choice C

TD1

TD1 - 2025 Personal Tax Credits Return

Last name

First name and initial(s)

Date of birth (Year/Month/Day)

Employee number

Address

Postal Code

1. Basic personal amount - Every resident of Canada can enter a basic personal amount of \$16,129. However, if your net income from all sources will be greater than \$177,882 and you enter \$16,129, you may have an amount owing on your income tax and benefit return at the end of the tax year. If your income from all sources will be greater than \$177,882 you have the option to calculate a partial claim. To do so, fill in the appropriate section of Form TD1-WS, Worksheet for the 2025 Personal Tax Credits Return, and enter the calculated amount here. ^

2. Canada caregiver amount for infirm children under age 18 - Only one parent may claim \$2,687 for each infirm child born in 2008 or later who lives with both parents throughout the year. If the child does not live with both parents throughout the year, the parent who has the right to claim the "Amount for an eligible dependant" on line 8 may also claim the Canada caregiver amount for the child. ^

3. Age amount - If you will be 65 or older on December 31, 2025, and your net income for the year from all sources will be \$45,522 or less, enter \$9,028. You may enter a partial amount if your net income for the year will be between \$45,522 and \$105,709. To calculate a partial amount, fill out the line 3 section of Form TD1-WS. ^

4. Pension income amount - If you will receive regular pension payments from a pension plan or fund (not including Canada Pension Plan, Quebec Pension Plan, old age security, or guaranteed income supplement payments), enter whichever is less: \$2,000 or your estimated annual pension income. ^

5. Tuition (full-time and part-time) - Fill in this section if you are a student at a university or college, or an educational institution certified by Employment and Social Development Canada, and you will pay more than \$100 per institution in tuition fees. Enter the total tuition fees that you will pay if you are a full-time or part-time student. ^

6. Disability amount - If you will claim the disability amount on your income tax and benefit return by using Form T2201, Disability Tax Credit Certificate, enter \$10,138. ^

7. Spouse or common-law partner amount - Enter the difference between the amount on line 1 (line 1 plus \$2,687 if your spouse or common-law partner is infirm) and your spouse's or common-law partner's estimated net income for the year if two of the following conditions apply:

- You are supporting your spouse or common-law partner who lives with you
- Your spouse or common-law partner's net income for the year will be less

than the amount on line 1 (line 1 plus \$2,687 if your spouse or common-law partner is infirm)

In all cases, go to line 9 if your spouse or common-law partner is infirm and has a net income for the year of \$28,798 or less. ^

8. Amount for an eligible dependant - Enter the difference between the amount on line 1 (line 1 plus \$2,687 if your eligible dependant is infirm) and your eligible dependant's estimated net income for the year if all of the following conditions apply:

- You do not have a spouse or common-law partner, or you have a spouse or

common-law partner who does not live with you and who you are not supporting or being supported by

- You are supporting the dependant who is related to you and lives with you
- The dependant's net income for the year will be less than the amount on

line 1 (line 1 plus \$2,687 if your dependant is infirm and you cannot claim the Canada caregiver amount for infirm children under 18 years of age for this dependant)

In all cases, go to line 9 if your dependant is 18 years or older, infirm, and has a net income for the year of \$28,798 or less. ^

9. Canada caregiver amount for eligible dependant or spouse or common-law partner - Fill out this section if, at any time in the year, you support an infirm eligible dependant (aged 18 or older) or an infirm spouse or common-law partner whose net income for the year will be \$28,798 or less. To calculate the amount you may enter here, fill out the line 9 section of Form TD1-WS. ^

10. Canada caregiver amount for dependant(s) age 18 or older - If, at any time in the year, you support an infirm dependant age 18 or older (other than the spouse or common-law partner or eligible dependant you claimed an amount for on line 9 or could have claimed an amount for if

their net income were under \$18,816) whose net income for the year will be \$20,197 or less, enter \$8,601. You may enter a partial amount if their net income for the year will be between \$20,197 and \$28,798. To calculate a partial amount, fill out the line 10 section of Form TD1-WS. This worksheet may also be used to calculate your part of the amount if you are sharing it with another caregiver who supports the same dependant. You may claim this amount for more than one infirm dependant age 18 or older. ^

11. Amounts transferred from your spouse or common-law partner - If your spouse or common-law partner will not use all of their age amount, pension income amount, tuition amount, or disability amount on their income tax and benefit return, enter the unused amount. ^

12. Amounts transferred from a dependant - If your dependant will not use all of their disability amount on their income tax and benefit return, enter the unused amount. If your or your spouse's or common-law partner's dependent child or grandchild will not use all of their tuition amount on their income tax and benefit return, enter the unused amount. ^

13. TOTAL CLAIM AMOUNT - Add lines 1 to 12. Your employer or payer will use this amount to determine the amount of your tax deductions. ^

CALCULATING NET PAY

Salary

Commission

Pension

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

[CPP Maximum contributory earnings](#)

[Second additional CPP contributions](#)

REFERENCES

Payroll Deductions Online Calculator

Errors and Errata

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Glossary

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Canadian Payroll Administration

Python 3.12.3

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