





Payroll

Administration

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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 employeeemployer

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.

Payroll 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.

Responsibilities and Functions of Payroll

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.

Technical Skills

The technical skills required by payroll professionals include proficiency in computer programs such as payroll software and financial systems, spreadsheets, databases and word processing.

Organizations often change their payroll and business systems to meet new technology requirements and corporate reporting needs. It is important for payroll personnel to have the ability to be adaptable to changing systems. As a payroll practitioner, you must be prepared and willing to embrace continuous learning.

Personal and Professional Skills

The following personal and professional skills will assist payroll practitioners in dealing with the various stakeholders involved in the payroll process:

- written communication skills, such as preparing employee emails and memos, management reports, policies and procedures and correspondence with various levels of government
- verbal communication skills, to be able to respond to internal and external stakeholder inquiries
- the ability to read, understand and interpret legal terminology found in documents such as collective agreements, benefit contracts and government regulations
- excellent mathematical skills to perform various calculations
- problem solving, decision-making, time management and organizational skills

Behavioural and Ethical Standards

Behaviour and ethics are two areas that build on the skills that an effective payroll practitioner must have. Effective payroll professionals should be:

- trustworthy, as the potential for fraud is ever present
- conscientious, with a keen attention to detail
- discreet, due to the confidential nature of information being handled
- tactful in dealing with employees who can be very sensitive when discussing their financial issues
- perceptive, able to understand all sides of an issue
- able to work under the pressures of absolute deadlines
- able to use common sense in order to recognize problems quickly and apply sound solutions
- able to remain objective and maintain a factual perspective when dealing with questions and inquiries

Payroll Stakeholders

Stakeholders are the individuals, groups and agencies, both internal and external to the organization, who share an interest in the function and output of the payroll department. Stakeholders can be considered customers of the payroll department and payroll practitioners can take a proactive customer service approach to serving these individuals and groups.

Payroll management stakeholders are the federal and provincial/territorial governments, the internal stakeholders and the external stakeholders. Internal stakeholders include employees, employers and other departments within the organization. External stakeholders include benefit carriers, courts, unions, pension providers, charities, third party administrators and outsource/software vendors.

Government Stakeholders

Government legislation provides the rules and regulations that the payroll function must administer with respect to payments made to employees. For this reason, it is important for the payroll practitioner to understand both the scope and the source of payroll-related legislation.

Canada is ruled by a federal government with ten largely self-governing provinces and three territories controlled by the federal government. Payroll practitioners have to be compliant not

only with the federal government legislation, but with the provincial and territorial governments' legislation as well.

As a result, payroll practitioners and their organizations are affected by the enactment of legislation at both the federal and provincial/territorial level.

The federal parliament has the power to make laws for the peace, order and good government of Canada. The federal cabinet is responsible for most of the legislation introduced by parliament, and has the sole power to prepare and introduce tax legislation involving the expenditure of public money.

The provincial/territorial legislatures have power over direct taxation in the province or territory for the purposes of natural resources, prisons (except for federal penitentiaries), charitable institutions, hospitals (except marine hospitals), municipal institutions, education, licences for provincial/territorial and municipal revenue purposes, local works, incorporation of provincial/territorial organizations, the creation of courts and the administration of justice, fines and penalties for breaking provincial/territorial laws.

Both the federal and provincial/territorial governments have power over agriculture, immigration and certain aspects of natural resources. Should their laws conflict, federal law prevails.

In the case of old age, disability, and survivor's pensions, again both the federal and provincial/territorial governments have power. In this instance, if their laws conflict, the provincial/territorial power prevails.

The federal government cannot transfer any of its powers to a provincial/territorial legislature, nor can a provincial/territorial legislature transfer any of its powers to the federal government. The federal government can, however, delegate the administration of a federal act to a provincial/territorial agency, and a provincial/territorial legislature can delegate the administration of a provincial/territorial act to a federal agency.

As all provinces and territories (except Québec) have delegated the administration of the collection of income tax deductions to the federal government, the Canada Revenue Agency (CRA) collects income tax withheld from employees under both federal and provincial/territorial requirements. Québec collects its provincial income tax directly.

Federal Government

The Constitution Act of 1867 outlined the division of legislative power and authority between federal and provincial/territorial jurisdictional governments. The exclusive legislative authority of the Parliament of Canada extends to all matters regarding:

- regulation of trade and commerce

- Employment Insurance
- postal service
- fixing and providing salaries and allowances for civil and other officers of the Government of Canada
- navigation and shipping
- ferries between a province and any British or foreign country or between two provinces
- criminal law, except the Constitution of Courts of Criminal Jurisdiction, but including the Procedure in Criminal Matters
- anything not specifically assigned to the provinces under this Act

The Canada Labour Code is legislation that consolidates certain statutes respecting labour. Part I deals with Industrial Relations, Part II deals with Occupational Health and Safety and Part III deals with Labour Standards. The primary objective of Part III is to establish and protect employees' and employers' rights to fair and equitable conditions of employment. Part III provisions establish minimum requirements concerning the working conditions of employees under federal jurisdiction in the following industries and organizations:

- industries and undertakings of inter-provincial/territorial, national, or international nature, that is, transportation, communications, radio and television broadcasting, banking, uranium mining, grain elevators, and flour and feed operations
- organizations whose operations have been declared for the general advantage of Canada or two or more provinces, and such Crown corporations as Canada Post Corporation, and the Canadian Broadcasting Corporation (CBC)

Provincial/Territorial Governments

Under the Constitution Act of 1867, the exclusive legislative authority of the provinces and territories exists over:

- all laws regarding property and civil rights, which give the provinces/territories the authority to enact legislation to establish employment standards for working conditions
- employment in manufacturing, mining, construction, wholesale and retail trade, service industries, local businesses and any industry or occupation not specifically covered under federal jurisdiction

The existing divisions between federal and provincial/territorial control impact payroll when dealing with employment/labour standards. Employment/labour standards are rules legislated by each provincial/territorial jurisdiction that dictate issues such as hours of work, minimum wage, overtime, vacation pay and termination pay requirements.

Example:

The Gap is a retail business with stores across Canada. The workers in each store are governed under the employment/labour standards legislated in the jurisdiction in which they work. For example, the minimum general hourly wage in effect January 1, 2020 (which is governed by provincial/territorial employment/labour standards) is higher in Ontario than in Prince Edward Island. An employee working in Ontario would receive a higher hourly minimum wage than an employee with the same position in Prince Edward Island.

Employers must follow the employment/labour standards legislated by the jurisdiction in which their employees work, unless they are governed by federal labour standards. Federal labour standards apply to certain industries and organizations, regardless of where the employees work.

The person or persons performing the payroll function must clearly understand under which employment/labour standards jurisdiction the employees of the organization fall. Organizations may have some employees who fall under federal jurisdiction and another group of employees who fall under provincial/territorial legislation.

Internal Stakeholders

Internal stakeholders are those individuals or departments closely related to the organization that the payroll department is serving. This group includes employers, employees and other departments in the organization.

Employers - Management may require certain information from payroll to make sound business decisions.

Employees - Employees require that their pay is received in a timely and accurate manner to meet personal obligations. Employees must also be assured that their personal information is kept confidential.

Other departments - Many departments interact with payroll, either for information or reporting. According to the Canadian Payroll Association's 2020 National Payroll Week (NPW) Payroll Professional Research Survey, fifty-five percent of payroll practitioners report through the finance department and thirty-two percent report through the human resources department. Information such as general ledger posting, payroll and benefit costs and salary information must flow between payroll, human resources and finance in formats needed for their various requirements.

In addition, other departments such as contracts and manufacturing often need payroll information for budgeting, analytical and quality purposes.

External Stakeholders

External stakeholders are organizations that are neither government nor internal stakeholders, yet have a close working relationship with the payroll function. Compliance with external stakeholder requirements is also a responsibility of the payroll department. In most cases, compliance will require that payroll request a cheque from accounts payable and send it to the external organization along with supporting documentation.

Benefit Carriers are insurance companies that provide benefit coverage to employees. Payroll is responsible for deducting and remitting premiums for the insurance coverage to the carriers and for providing reports on employee enrolment and coverage levels.

Courts and the CRA require payroll to accurately deduct and remit amounts ordered to be withheld through garnishments, third party demands, requirements to pay and support deduction orders.

Unions require that payroll accurately deduct and remit union dues and initiation fees, and to ensure that the terms of the collective agreement are adhered to. It is estimated that just under one-third of the workforce in Canada belongs to a trade union. Payroll professionals must be familiar with the role and activities of trade unions and the responsibilities of the employer and the payroll department in a unionized environment.

Pension Providers are third party pension plan providers that may require payroll to provide enrolment reports on participating employees and length of service calculations, and to remit employee deductions and employer contributions

Charities have arrangements with some organizations to facilitate employee donations through payroll deductions. Payroll is responsible for remitting these deductions to the charity.

Third Party Administrators are organizations that affect the administration of the payroll function. Examples of these external stakeholders are banking institutions or benefit organizations that offer Group Registered Retirement Saving Plans (RRSP). Payroll is responsible for deducting any employee contributions and remitting employer and employee contributions to the plan administrator.

Outsource/Software vendors are payroll service providers or payroll software vendors that work with the payroll department to ensure the payroll is being processed accurately and efficiently.

Legislation

The Employee-Employer Relationship

In all situations, it is necessary to establish whether the relationship between the worker and the organization is one of an employee and an employer or if the worker is self-employed. This relationship determines the requirement for statutory withholdings and the requirement for compliance with related legislation. The Canada Revenue Agency (CRA) has established factors to assist in determining whether or not this relationship exists. It is not up to the worker to decide whether or not they are an employee, subject to statutory withholdings.

Payroll can take a proactive role in communicating the importance of determining the existence of the employee-employer relationship to all areas of the organization. When an employee-employer relationship exists, payroll has a compliance responsibility related to statutory withholdings, which requires that all employees have the appropriate statutory deductions withheld from their pay and remitted to the government.

Where an employee-employer relationship exists, the CRA requires the employer to:

- register with the Canada Revenue Agency for a Business Number (BN)
- withhold the statutory deductions of income tax, Canada Pension Plan (CPP) contributions, and Employment Insurance (EI) premiums on amounts paid to employees
- remit the amounts withheld as well as the required employer's share of CPP contributions and EI premiums to the Canada Revenue Agency
- report the employees' income and deductions on the appropriate information return
- give the employees copies of their T4 slips by the end of February of the following calendar year

Information on the factors to consider when determining whether an employee-employer relationship exists can be found in the Canada Revenue Agency guide, Employee or Self-Employed? - RC4110. The guide is available on the CRA's website, <https://www.canada.ca/en/revenue-agency.html>.

Contract of Service (Employment)

A **contract of service** is an arrangement whereby an individual (the employee) agrees to work on a full-time or part-time basis for an employer for a specified or indeterminate period of time.

Under a contract of service, one party serves another in return for a salary or some other form of remuneration.

Contract for Service (Subcontracting)

A **contract for service** is a business relationship whereby one party agrees to perform certain specific work stipulated in the contract for another party. It usually calls for the accomplishment of a clearly defined task but does not normally require that the contracting party do anything him/herself. A person who carries out a contract for service may be considered a contract worker, a self-employed person or an independent contractor.

A business relationship is a verbal or written agreement in which a self-employed individual agrees to perform specific work for a payer in return for payment. There is no employer or employee. The self-employed individual generally does not have to carry out all or even part of the work himself. In this type of business relationship, a contract for services exists.

The self-employed individual is required to produce a given result within a period of time in the manner he deems most appropriate. While performing the work, he is not under the orders or control of the person for whom he is doing the work and he can use his own initiative in matters that are not specified or determined at the outset. The payer is not normally involved in the performance of the work and, therefore, has no control over it.

Under a contract for service, a self-employed individual assumes the chance of profit and risk of loss. By agreeing, before he is engaged, to establish the overall cost of the work to be done, owning his tools and instruments and being solely responsible for the manner in which the work is done, the self-employed individual assumes all risk of loss resulting from events that occur during the course of the work which were not, or could not, be foreseen when the contract was negotiated. If, on the other hand, the work is completed sooner or more easily than expected, the contractor's profit will be greater.

A contract for service is often used when an organization wishes to have work done which does not fall within its usual scope of operations. The relationship between a payer and a self-employed individual and that between an employer and their employees are sometimes quite similar. The main difference between the two relationships is that, in a contract for service, the party paying for the service is entitled to dictate what is to be done or what result is to be achieved; whereas, in a contract of service, the employer is also entitled to stipulate the manner in which the work is to be done.

Under a contract for service, the person for whom the work is being done exercises general supervision. He can and should see that the work is completed in accordance with the agreement, but it is not up to him to give orders to the self-employed individual regarding the manner in which the work is to be done. The mere fact that a self-employed individual receives general instructions from the project manager concerning the work to be done does not mean that he can be considered an employee.

An employee-employer relationship is deemed to exist where the organization exercises, or has the right to exercise, direct control over the individual. If the organization is unsure as to whether or not a relationship exists, the Canada Revenue Agency (CRA) form Request for a CPP/EI Ruling - Employee or Self-Employed? - CPT1 should be submitted to the CRA. A sample of the CPT1 form is provided at the end of this section.

Independent contractors or self-employed individuals are not considered employees of the organization provided no employee-employer relationship exists. Persons who are truly selfemployed individuals will submit invoices and be paid through accounts payable. However, the submission of an invoice to accounts payable is not sufficient to determine if the individual is self-employed.

Factors Determining the Type of Contract

The CRA uses a two-step approach to examine the relationship between the worker and the payer for relationships outside the province of Québec. The approach used for relationships in the province of Québec will be discussed in a later chapter.

Step 1: The first step is to establish what the intent was when the worker and the payer entered into the working arrangement. Did they intend to enter into an employee-employer relationship (contract of service) or did they intend to enter into a business relationship (contract for service). The CRA must determine not only how the working relationship has been defined but why it was defined that way.

Step 2: The CRA then considers certain factors when determining if a contract of service or a contract for service exists. In order to understand the working relationship and verify that the intent of the worker and the payer is reflected in the facts, they will ask a series of questions that relate to the following factors:

- the level of control the payer has over the worker
- whether or not the worker provides the tools and equipment
- whether the worker can subcontract the work or hire assistants
- the degree of financial risk taken by the worker
- the degree of responsibility for investment and management held by the worker
- the worker's opportunity for profit
- any other relevant factors, such as written contracts

The CRA will look at the answers independently and then together and consider whether or not they reflect the intent that was originally stated. Considered individually, the response to each of these questions is not conclusive; however, when weighed together, certain conclusions may be

drawn. When there is no common intent, the CRA will decide if the answers are more consistent with a contract of service or a contract for service. Each of these factors will be discussed in the material and indicators showing whether the worker is an employee or self-employed will be provided.

Control

The ability, authority or right to exercise control over a worker concerning how the work is done and what work is done is one of the factors considered, as is the degree of independence held by the worker. Both the payer's control over the worker's daily activities and the payer's influence over the worker will be examined. The relevant factor is the payer's right to exercise control. Whether the payer actually exercises this right is irrelevant.

Worker is an *Employee* when:

- The relationship is one of subordination.
- The payer will often direct, scrutinize, and effectively control many elements of how the work is performed.
- The payer controls both the results of the work and the method used to do the work.
- The payer determines what jobs the worker will do.
- The worker receives training or direction from the payer on how to do the work.

Worker is a *Self-Employed* when:

- Individual usually works independently, does not have anyone overseeing them.
- The worker is usually free to work when and for whom they choose and may provide their services to different payers at the same time.
- The worker can accept or refuse work from the payer.
- The working relationship between the payer and the worker does not present a degree of continuity, loyalty, security, subordination, or integration.

Tools and Equipment

Ownership of tools and equipment is not, in itself, a determining factor relating to establishing the type of contract in effect. The fact that workers use their own equipment when performing their work is not sufficient to conclude that they are self-employed. Self-employed individuals often supply the tools and equipment necessary to complete a contract, making their ownership

commonly associated with a business relationship; however employees can also be required to provide their own tools.

In an employee-employer relationship, the employer generally supplies the equipment and tools required by the employee. In addition, the employer covers the following costs related to their use: repairs, insurance, transport, rental and operation (for example, fuel).

In some trades, however, it is normal for employees to supply their own tools. This is generally the case for auto mechanics, painters and carpenters. Similarly, employed computer scientists, architects and surveyors sometimes supply their own software and instruments.

In a business relationship, workers generally supply their own equipment and tools and cover costs related to their use. When workers purchase or rent equipment or large tools that require a major investment and costly maintenance, it usually indicates that they are selfemployed individuals as they may incur a financial loss when replacing or repairing their equipment.

The relevance of the ownership of tools and equipment is in the size of the investment along with the cost of repair, replacement and insurance.

The worker is an employee when:

- The payer supplies most of the tools and equipment.
- The payer retains the right of use over the tools and equipment provided to the worker.
- The worker supplies the tools and equipment and the payer reimburses the worker for their use

The worker is a self-employed individual when:

- The worker provides the tools and equipment required and is responsible for the cost of repairs, insurance and maintenance and retains the right over the use of these assets.
- The worker supplies his or her own workspace, is responsible for the costs to maintain it, and does substantial work from that site.

Subcontracting Work or Hiring Assistants

As subcontracting work or hiring assistants can affect a worker's chance of profit or risk of loss, this can help determine the type of business relationship.

The worker is an employee when:

- The worker cannot hire helpers or assistants.

- The worker must perform the services personally.

The worker is a self-employed individual when:

- The worker does not have to perform the service personally.
- They can hire another party to complete the work, without consulting with the payer.

Financial Risk

The CRA will examine if there are any fixed ongoing costs incurred by the worker or any expenses that are not reimbursed. Employers will usually reimburse employees for any expenses incurred in the performance of their job. Self-employed individuals can have financial risk and incur losses as they usually have ongoing monthly expenses whether or not work is being performed. Both employees and self-employed individuals may be reimbursed for business or travel expenses, however it is the expenses that are not reimbursed that are examined.

The worker is an employee when:

- The worker is not usually responsible for any operating expenses.
- The worker is not financially liable if he or she does not fulfill the obligations of the contract.
- The payer determines and controls the method and amount of pay.

The worker is a self-employed individual when:

- The worker is financially liable if he or she does not fulfill the obligations of the contract.
- The worker does not receive any protection or benefits from the payer.
- The worker hires helpers to assist and pays them.
- The worker advertises the services offered.

Responsibility for Investment and Management

If the worker is required to make an investment in order to provide the services, this is evidence that a business relationship may exist. Another factor indicating the existence of a contract for service is if the worker is responsible for making the business decisions that affect their profits or losses.

The worker is an employee when:

- The worker has no capital investment in the business.
- The worker does not have a business presence.

The worker is a self-employed individual when:

- The worker has capital investment, manages his or her staff, hires and pays individuals to help perform the work, and has established a business presence.

Opportunity for Profit

A business relationship likely exists where the worker can realize a profit or incur a loss as this indicates the worker controls the business aspects of the services rendered. Selfemployed individuals have the ability to accept contracts as they wish. They can negotiate the rate for their work and can accept more than one contract at the same time. In order to carry out the terms and conditions of their contract, they often incur expenses which they must manage to increase their profit.

Employees normally do not have a chance of profit or a risk of loss. While some employees who are paid by commission have an opportunity to increase their earnings based on their sales, this is not a profit as it is not an excess of income over expenses. As well, employees generally do not share in profits or suffer losses incurred by the business they work for.

The CRA will look at the degree to which the worker can control their revenues and expenses. They will also look at the method of payment. Employees are typically guaranteed their earnings according to an established rate (hourly, daily, weekly, annual) and pay frequency. While self-employed individuals may be paid on an hourly basis, if they are paid a flat rate for the work performed, it generally indicates a business relationship, especially if they incur expenses while performing the services.

The worker is an employee when:

- The worker is not in a position to realize a business profit or loss.
- The worker is entitled to benefit plans that are normally only offered to employees.

The worker is a self-employed individual when:

- The worker is compensated by a flat fee.
- The worker can hire and pay a substitute.

The worker is an employee when:

The worker is a self-employed individual when:

Review Summary

The primary objective of the payroll function in every organization is to ensure that employees are paid accurately and on time, in full compliance with legislative requirements, throughout the entire annual payroll cycle. This function is critical to maintaining employee satisfaction, legal integrity, and operational efficiency.

Payroll itself is the process of compensating employees for the services they perform. It encompasses calculating wages, deducting taxes and benefits, and distributing payments. Ensuring accuracy in this process is essential to avoid financial discrepancies and maintain trust within the organization.

Legislation refers to the laws enacted by a legislative body that govern payroll practices. These laws may include tax regulations, labor standards, and employment rights, all of which must be adhered to by the payroll department. Compliance, in this context, means observing and fulfilling these official requirements to avoid legal penalties and ensure ethical operations.

A payroll practitioner's knowledge base includes a thorough understanding of payroll compliance legislation, payroll processes, and payroll reporting. In addition to technical expertise, practitioners must also possess strong personal and professional skills to manage responsibilities effectively and adapt to evolving regulatory environments.

Stakeholders are the individuals, groups, and agencies—both internal and external to the organization—who have a vested interest in the function and output of the payroll department. Their involvement and expectations influence how payroll is managed, ensuring that it aligns with organizational goals and legal obligations.

Payroll management stakeholders include federal and provincial/territorial governments, internal stakeholders, and external stakeholders. Internal stakeholders consist of employees, employers, and other departments within the organization, all of whom rely on accurate and timely payroll services. External stakeholders encompass benefit carriers, courts, unions, pension providers, charities, third-party administrators, and outsource or software vendors. These entities interact with payroll data and processes, often requiring coordination and compliance.

The federal parliament holds the authority to enact laws for the peace, order, and good government of Canada. It exercises control over industries and undertakings that are inter-provincial, national, or international in nature, as well as organizations deemed to serve the general advantage of Canada or multiple provinces, including Crown corporations. In contrast, provincial and territorial legislatures have jurisdiction over direct taxation for regional purposes and laws concerning property, civil rights, and employment in sectors such as manufacturing, mining, construction, wholesale and retail trade, service industries, and local businesses. Any industry or occupation not specifically under federal jurisdiction falls within provincial or territorial control.

Employers are required to adhere to the employment and labour standards legislated by the jurisdiction in which their employees work, unless they are governed by federal labour standards. Where legislation mandates employer compliance, financial penalties or legal action may be imposed to enforce adherence and promote accountability.

A contract of service is an arrangement in which an individual, referred to as the employee, agrees to work either full-time or part-time for an employer over a specified or indeterminate period. This type of contract establishes an employer-employee relationship, where the employer typically has control over the work performed and the conditions under which it is carried out.

In contrast, a contract for service defines a business relationship where one party agrees to perform specific tasks or services outlined in the contract for another party. This arrangement is more independent in nature and does not constitute an employer-employee relationship. Instead, it reflects a client-contractor dynamic.

To determine the nature of the relationship between a worker and a payer—particularly outside the province of Québec—the Canada Revenue Agency (CRA) applies a two-step approach. One of the key factors considered is the payer's right to exercise control over the worker, including how the work is done and what tasks are performed. The degree of independence the worker holds is also evaluated, but the central issue is whether the payer has the authority to direct the work.

Another factor the CRA examines is the ownership of tools and equipment. The significance lies in the size of the investment made by the worker, as well as the costs associated with repair, replacement, and insurance. The CRA also considers whether the worker incurs fixed ongoing costs or unreimbursed expenses, which may indicate a greater level of independence.

Finally, the CRA assesses the extent to which the worker can control their revenue and expenses. A higher degree of financial control typically suggests a contract for service, while limited control may point to a contract of service. These factors collectively help determine the correct classification of the working relationship for tax and legal purposes.

Review Questions

What is the primary objective of the payroll department?

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

List four definitions of payroll.

List the three types of payroll management stakeholders and provide an example of each.

Explain the difference between legislation and regulation.

What are two examples of sources of information that you use (or could use) to keep up-to-date on payroll compliance changes?

List three external stakeholders and explain their compliance requirements.

Indicate the jurisdiction the following employees fall under:

- Canada Post Corporation
- An insurance company
- A uranium mining company
- Canadian Broadcasting Corporation
- A retail department store with locations in every province
- A chartered bank.

What is the difference between a contract of service and a contract for service?

What are the factors that the Canada Revenue Agency (CRA) considers when determining if a contract of service or a contract for service exists?

Please consider the following scenario.

You are a payroll professional working for a large manufacturing company. Your organization has had many change initiatives over the last number of years including three mergers and two large group terminations. Your company endorses the use of consultants rather than growing the number of permanent employees.

Write a memo to your supervisor, who is the Chief Financial Officer of the company, to explain why your role must coordinate with the Accounts Payable Department to ensure that these payments are being handled correctly. Please prepare your answer in a separate document.

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

Select:

Employee:

Entitlements

Direct Deposit

Memo

Additional Info

T4 and RL-1 Reporting

Personal

Work Details

Taxes

Income

Deductions

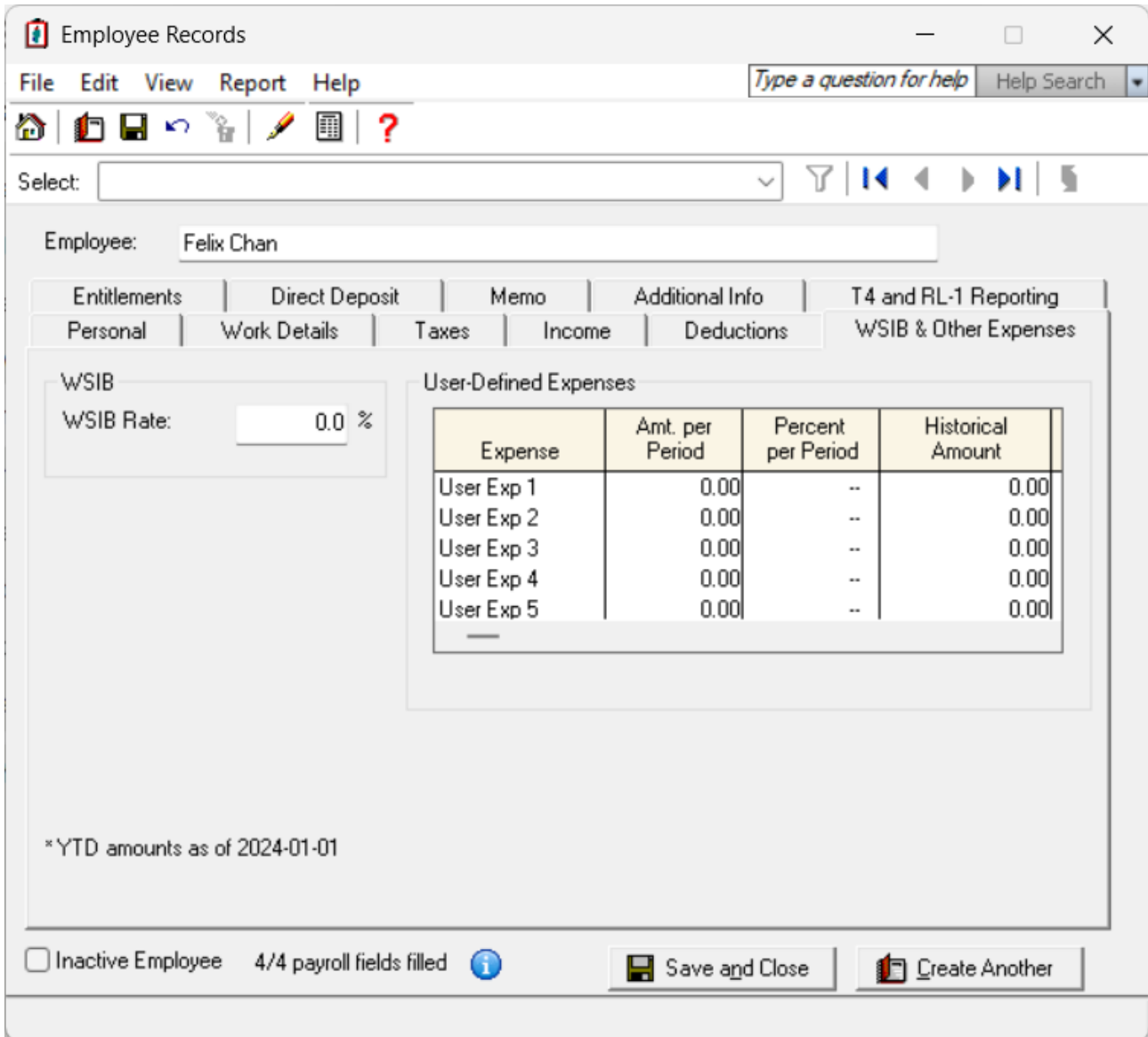
WSIB & Other Expenses

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: [dropdown] [filter icon] [back icon] [forward icon] [refresh icon]

Employee: Felix Chan

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

WSIB
WSIB Rate: 0.0 %

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 [info icon] [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

TITLE

TITLE =

Glossary

• [Index](#)

Canadian Payroll Administration

Python 3.12.3

5

