
Canadian Payroll Administration (2025)

Release Fall 2025

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Jun 23, 2025

TABLE OF CONTENTS:

| | | |
|-----------|---|-----------|
| 1 | Learning Outcomes | 3 |
| 2 | Recommended Course Material | 5 |
| 3 | Material Structure Overview | 7 |
| 4 | INTRODUCTION | 9 |
| 4.1 | Payroll Legal Framework | 9 |
| 5 | Payroll Accounting | 11 |
| 5.1 | Journal Entries | 11 |
| 6 | REVIEW QUESTIONS | 13 |
| 6.1 | New Employee Information | 13 |
| 7 | OBNOARDING EMPLOYEE | 15 |
| 7.1 | Employment Standards Requirements | 15 |
| 7.2 | Internal Forms | 15 |
| 7.3 | Required Federal and Provincial/Territorial Forms | 16 |
| 7.4 | Content Review Highlights | 17 |
| 7.5 | Review Questions (Sample) | 17 |
| 7.6 | Example Evaluations | 18 |
| 8 | RATES FOR 2025 | 19 |
| 8.1 | CANADA / QUEBEC PENSION PLAN (CPP / QPP) | 19 |
| 8.2 | CPP2 CONTRIBUTION RATES MAXIMUMS | 19 |
| 8.3 | References | 20 |
| 9 | REFERENCES | 21 |
| 10 | Errors and Errata | 23 |
| 11 | Glossary | 25 |

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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

4.1 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.

PAYROLL ACCOUNTING

5.1 Journal Entries

5.1.1 Accounting Recap

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

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

$$\text{Assets} = \text{Liabilities} + \text{Equity} \quad (5.1)$$

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 (5.1)

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.

5.1.2 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.

6.1 New Employee Information

Which one of the following is correct? a. Choice A b. Choice B c. Choice C

OBNOARDING EMPLOYEE

7.1 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

7.2 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

7.2.1 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.

7.2.2 Union Membership

For unionized workplaces:

- Union dues are deducted
- Employees sign authorization for deduction

- Exemptions may apply, but dues equivalent still required

7.2.3 Benefit Enrollment Forms

Forms cover group insurance and pension plans:

- Employee indicates coverage type
- Signatures authorize payroll deductions

7.2.4 Confidentiality Agreement

A legally binding agreement protecting sensitive company info:

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

7.3 Required Federal and Provincial/Territorial Forms

Purpose: Determine correct income tax withholdings.

Forms:

- TD1 (federal)
- TD1 (provincial/territorial)
- Québec employees: also TP-1015.3-V

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

7.3.1 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

7.3.2 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

7.4 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)

7.5 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?

7.6 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

RATES FOR 2025

8.1 CANADA / QUEBEC PENSION PLAN (CPP / QPP)

Table 1: 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 | \$ |
| Basic exemption (Bi-weekly, 26) | \$134.61 | \$ |

8.2 CPP2 CONTRIBUTION RATES MAXIMUMS

Table 2: 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 |

8.3 References

CPP Maximum contributory earnings

Second additional CPP contributions

REFERENCES

ERRORS AND ERRATA

GLOSSARY

- genindex