



**Payroll**

# **Administration**

**Version Fall 2025**

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# ABOUT THE AUTHOR

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

# INTRODUCTION TO CANADIAN PAYROLL

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 this course deals with payroll, 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.

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 and Definitions

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.
- **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 administrator must know the many pieces of legislation that regulate their work and the compliance requirements associated with each. Payroll administrators 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 administrator must therefore ensure the organization is compliant with all stakeholder requirements.

The responsibilities of the payroll administrator 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 administrators 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.

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 administrators 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

## Legislation vs. regulation

**The legislation** specifies the \_\_requirements\_\_.

**The regulation** specifies the \_\_methods\_\_ of applying the legislation.

## Payroll Content Knowledge

Payroll administrators 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 administrators 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

**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.

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.

## 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:

- the regulation of trade and commerce
- the raising of money by any mode or system of taxation
- the borrowing of money on the public credit
- the 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.

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.

Trade unions negotiate with the employer, through collective bargaining, the wages, benefits, allowances and other terms and conditions of employment on behalf of their member employees. The outcome of negotiations is a collective agreement, which is a legally binding contract between the employer, the union and the employees.

**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.

## Content Review

- 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.
- Payroll is the process of paying employees in exchange for the services they perform.
- Legislation refers to laws enacted by a legislative body.
- Compliance is the observance of official requirements.
- Payroll practitioner knowledge consists of information on payroll compliance legislation, payroll processes and payroll reporting as well as technical, personal and professional skills.
- 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.
- 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.
- The federal parliament has the power to make laws for the peace, order and good government of Canada.
- The provincial/territorial legislatures have power over direct taxation in the province/territory for provincial/territorial purposes.
- Federal control exists over industries and undertakings of inter-provincial/territorial, national, or international nature and organizations whose operations have been declared for the general advantage of Canada or two or more provinces and Crown corporations.

- Provincial/territorial legislation exists over all laws regarding property and civil rights, and employment in manufacturing, mining, construction, wholesale and retail trade, service industries, local businesses and any industry or occupation not specifically covered under federal jurisdiction.
- Employers must follow the employment/labour standards legislated by the jurisdiction in which their employees work, unless they are governed by federal labour standards.
- Where legislation requires employer compliance, there are financial penalties or the possibility of legal action to encourage compliance.

## Review Questions

1. What is the primary objective of the payroll department?
2. List the three types of payroll management stakeholders and provide an example of each.
3. Explain the difference between legislation and regulation.
4. List three external stakeholders and explain their compliance requirements.

# PAYROLL COMPLIANCE

## The Canada Revenue Agency

Under the Canada Pension Plan Act and the Employment Insurance Act, the CRA is responsible for determining:

- whether or not an individual's employment is pensionable under the Canada Pension

Plan Act or insurable under the Employment Insurance Act

- the types of earnings that are considered pensionable or insurable
- how many hours an insured person has in insurable employment
- the recovery of any debts owed as a result of an overpayment of Canada Pension

Plan, Employment Insurance, or Old Age Security benefits

The CRA is also responsible for ensuring that CPP contributions and EI premiums are deducted, remitted and reported as required by legislation.

The Canada Revenue Agency (CRA) is a federal government agency that manages the following business lines for the federal government: Tax Services and Benefit Programs. The Tax Services business line assists over 25 million individuals, businesses, trusts, and organizations to meet their obligations under the tax system. Each year, the CRA collects approximately \$324 billion in gross taxes and excise duties on behalf of the federal and provincial governments - the equivalent of about \$1.2 billion every working day. The CRA's mission is to promote compliance with Canada's tax legislation and regulations through communication, quality service, and responsible enforcement, thereby contributing to the economic and social well-being of Canadians.

From this mission comes the CRA's mandate to:

- collect revenues and administer tax laws for the federal government and for most provinces and territories
- deliver various social and economic benefit incentive programs to Canadians



The CRA tracks the success of the first part of its mandate by measuring compliance in the following areas:

- **Filing:** the CRA's goal is to have over 90% of individual and corporate income tax and registered business' goods and services tax/harmonized sales tax (GST/HST) returns filed on time.
- **Registration:** the CRA measures its success in this area by ensuring that the majority of all known businesses are registered for various programs including corporate income tax, GST/HST, payroll deductions, and import/export accounts.
- **Remittance:** the CRA's goal is to have over 90% of individual and corporate tax filers pay their taxes on time.
- **Reporting:** the CRA measures reporting compliance through the information it receives on tax documents, for example, the T4 and T4A information slips.

The CRA's program responsibilities that are specifically related to payroll include the administration of:

- the Canada Pension Plan (CPP) (shared responsibility with Employment and Social Development Canada and Service Canada)
- Employment Insurance (EI) (shared responsibility with Employment and Social Development Canada and Service Canada)
- Income Tax

Each of these programs requires compliance by employers to withhold deductions from their employees' pay for CPP contributions, EI premiums and income tax deductions. These withholdings are termed statutory deductions as the deductions are required under legislative statute. Statutory deductions are the first deductions to be withheld from an employee's gross pay.

## Canada Pension Plan (CPP)

The Canada Pension Plan became operational on January 1, 1966. The plan was fully effective in 1976 after a ten year transitional period. The Canada Pension Plan is a social insurance program, legislated under the federal Canada Pension Plan Act, designed to provide protection in the form of benefits to contributors and their families against loss of income due to retirement.

In addition to retirement pension benefits, the plan provides supplementary benefits in the form of:

- surviving spouse pensions

- disability benefits
- benefits for orphans and children of disabled contributors
- death benefits payable upon the death of a contributor

All employers are required by law to deduct CPP contributions from pensionable earnings paid to their employees, and to remit these deductions, along with the employer's portion, to the CRA. The employer matches the employee's contributions dollar for dollar.

#### **EXAMPLE**

Janet Frank has \$45.00 in CPP contributions deducted from her gross pay. Her employer, Northern Skies, must match her contribution of \$45.00. A total of \$90.00 in CPP contributions must be remitted to the CRA.

CPP contributions take priority over all other deductions and are therefore the first statutory deduction to be withheld from an employee's gross pay.

## **Employment Insurance (EI)**

The CRA's responsibility for the Employment Insurance program is associated with the collection of employee and employer premiums. It also makes decisions about which types of remuneration are considered insurable and, therefore, subject to EI premiums. All employers are required by law to deduct EI premiums from the insurable earnings paid to their employees, and remit these deductions, along with the employer's portion, to the CRA. The employer's portion is 1.4 times the employee's portion.

#### **EXAMPLE**

Janet Frank has \$20.00 in EI premiums deducted from her gross pay. Her employer, Northern Skies must contribute \$28.00 ( $\$20.00 \times 1.4$ ). A total of \$48.00 in EI premiums must be remitted to the CRA.

EI premiums are the second statutory deduction to be withheld from an employee's pay. Employers are also required to track the employee's insurable earnings and insurable hours by pay period for reporting purposes, such as completing the Record of Employment for a terminated or inactive employee.

## Income Tax

Income taxation began in Canada, and in many other countries, during World War I. In July 1917, the Government of Canada passed legislation which enabled the government to levy a temporary tax on personal income. This tax was intended to help finance government expenditures for World War I; however, it eventually became the basic tax on all incomes.

When income tax was first introduced, each person was responsible for paying their own income tax directly to the federal government. In 1940, the federal government legislated deductions at source, which meant that employers became responsible for withholding income tax from remuneration paid to employees. Beginning January 1, 1962, all provinces imposed personal income tax; prior to that date, only Québec imposed such a tax.

Income tax withholdings are calculated by applying a federal tax rate and a separate provincial/territorial tax rate to the employee's taxable income. The employee's province of employment determines which provincial/territorial tax rate to apply. The federal government and all provinces and territories, except Québec, have the same definition of taxable income.

All Canadian provinces/territories, except Québec, have entered into tax collection agreements with the federal government. Under these agreements the CRA collects the provincial/territorial income taxes on behalf of the provinces/territories. The CRA then distributes the provincial/territorial income taxes it has collected through a series of transfer payments to the provinces/territories. These transfer payments are based on the personal tax returns filed by Canadian taxpayers.

As the federal government collects both the federal and the provincial/territorial portions of tax from all employees working in a province/territory other than Québec, the two tax withholdings, federal and provincial/territorial, are combined into one deduction amount. The employee may only see one item *Income Tax* or *Federal Income Tax* listed on their pay statement, however it is the total of two withholdings.

Québec collects its own provincial income tax. There are two separate income tax deductions withheld from Québec employees — one for federal income tax and the other for Québec provincial income tax. The federal income tax is remitted to the CRA and the Québec provincial income tax is remitted to Revenu Québec (RQ). Québec employees will see *Federal Income Tax* and *Québec Income Tax* listed separately on their pay statements. RQ is discussed extensively in a later chapter.

## Non-Compliance Penalties

If an organization fails to deduct and remit the amounts withheld from employees for CPP contributions, EI premiums and income tax, it may be left in the position of having to pay both the

employer's and the employee's portion of deductions not taken, as well as penalties and interest charges on the outstanding amount.

An employer who remits withholdings or deductions late is subject to the following penalties:

- 3% will be applied to remittances that are 1 to 3 days late
- 5% for remittances that are 4 or 5 days late
- 7% for remittances that are 6 or 7 days late
- 10% for remittances that are 8 or more days late

An employer who withholds the statutory deductions but does not remit them, or fails to deduct the required deductions, will be subject to a 10% penalty for the first occurrence on the amount that should have been deducted and remitted. This penalty may increase to 20% for the second and each subsequent occurrence in the same calendar year if the failure was made knowingly or under circumstances of gross negligence. Penalties will be applied to amounts in excess of \$500; however, in the case of wilful delay or deficiency, these penalties can be levied on amounts of less than \$500.

The Canada Revenue Agency (CRA) charges interest on any unpaid remittances and unpaid penalties from the day the payment was due. The interest rate is determined every three months, in accordance with the prescribed interest rates, and is available on the CRA website.

As a payroll practitioner, you need to have a clear understanding of how and when to make the required deductions and remittances to avoid these penalties and interest charges.

All monies deducted on behalf of the CRA are considered to be held "in trust" for the Receiver General. The amount owed must be kept separate from the operating funds of the organization. In the event of estate liquidation, assignment, receivership, or bankruptcy the trust money for statutory deductions is still owed to the CRA.

## Employment and Social Development Canada (ESDC)

Employment and Social Development Canada (ESDC), a department of the Government of Canada, is committed to building a stronger and more competitive Canada by supporting Canadians in making choices that help them live productive and rewarding lives and to improve their quality of life.

To do this, the department:

- develops policies that make Canada a society in which all can use their talents, skills and resources to participate in learning, work and their community

- creates programs and support initiatives that help Canadians move through life's transitions—from families with children to seniors, from school to work, from one job to another, from unemployment to employment, from the workforce to retirement
- creates better outcomes for Canadians through service excellence with Service Canada and other partners

ESDC supports human capital development and labour market development; and is dedicated to establishing a culture of lifelong learning for Canadians. Some of their specific program responsibilities include:

- Canada Pension Plan and Old Age Security
- Employment Insurance
- Employment Programs
- Youth Employment Strategies
- Canada Education Savings Program
- Canada Student Loans and Grants

ESDC is responsible for matters relating to:

- amending the regulations made under the Canada Pension Plan and the Employment *Insurance Act*
- keeping records of each individual's CPP contributions and pensionable earnings
- the establishment of annual maximum insurable earnings
- the administration of provisions related to Wage Loss plans
- the administration of provisions regarding Job Creation programs

Almost all of today's seniors receive income from Canada's public pensions. Basic financial support is also available to survivors, people who become too disabled to work, and their children. These pensions and benefits are delivered through the Canada Pension Plan (CPP) and Old Age Security (OAS) programs. Together, the CPP and OAS programs provide a modest base upon which Canadians can build their retirement income.

The amount of CPP benefits is based on an individual's CPP contributions. Employees between the ages of 18 to 70 years old make contributions that are calculated on their annual pensionable earnings between a minimum and a maximum amount. The minimum amount is frozen at \$3,500, while the maximum pensionable earnings are set each January, based on increases in the average wage in Canada.

Employment Insurance (EI) is the program with the greatest impact on payroll. This program provides temporary financial assistance for unemployed Canadians while they look for work or upgrade their skills. It also provides coverage for Canadians who are sick, pregnant or caring for a newborn or adopted child. Individuals who must care for a family member who is seriously ill with a significant risk of death may also be assisted by Employment Insurance benefits. Application of the EI rules will be looked at in more detail in another chapter. The first Unemployment Insurance (UI) Act was passed into law in 1940, and was based on the British Unemployment Insurance Act, 1935. Since that time, the UI Act has been repealed and replaced four times - in 1955, 1971, 1985, and most recently in 1996. Clarifying details on how the act is to be applied are found in the EI Regulations, which are amended as required.

The purpose of the act is to provide income support during a temporary interruption of earnings with the emphasis on returning the unemployed to the labour force as quickly as possible. Contributions to the plan and the amount of benefits are based on a percentage of insurable earnings. The ceiling on insurable earnings is reviewed annually to keep pace with increases in average income and the cost of living. The premium rates payable by an insured employee and the employer are also determined annually.

## Service Canada

Service Canada (SC) was created by the federal government in 2005 with the goal of providing easy-to-access, one-stop personalized service to Canadians. The agency integrates services from a number of federal departments to form a service delivery network. These services often touch all aspects of the lives of Canadians: from parental and pension benefits, to matching employers with job seekers, and obtaining a Social Insurance Number. Service Canada serves as the government's operational arm while Employment and Social Development Canada (ESDC) operates as the policy-making body. ESDC makes the rules for the various programs while Service Canada delivers the programs.

Some of Service Canada's program responsibilities include:

- the issuance of Social Insurance Numbers (SIN) and the protection and security of SIN information
- the delivery of services to employers, including Record of Employment on the Web the administration of Employment Insurance programs to individuals, including regular, illness, pregnancy/parental, critically ill or injured person and compassionate care benefits
- the administration of the Employment Insurance Premium Reduction program, including granting qualified employers a reduced Employment Insurance premium rate

- the administration of Canada Pension Plan benefits, including retirement, disability, survivor, children's and death benefits
- the administration of benefits for seniors, including the Old Age Security Program and the Guaranteed Income Supplement

Through the Canada Pension Plan program, SC administers the payment of CPP benefits. These payments have little impact on payroll. The biggest impact Service Canada has on payroll is through the administration of the Record of Employment program and the Social Insurance Number.

Payroll is responsible for deducting and remitting EI premiums on behalf of employees and employers. They are also responsible for capturing information related to insurable earnings and hours, and reporting that information on the Record of Employment, which is explained in detail in a later chapter.

## Social Insurance Number (SIN)

The Social Insurance Number (SIN) Program was introduced by Parliament in 1964 to register people with the Unemployment Insurance Commission (now known as Employment Insurance) and the Canada Pension Plan. In 1967, the SIN also became a file identifier for Revenue Canada (now known as the Canada Revenue Agency).

Under the Employment Insurance Act, every person who works in Canada is required to have a Social Insurance Number. As an employer, you must ask new employees to provide their SIN when they are hired. According to the Employment Insurance Regulations which came into force on April 30, 2013, employees are required by law to provide their SIN; they may do so by presenting a SIN card or the Confirmation of SIN letter. It is important that you obtain the correct SIN of your employee so that payroll can report accurate statutory withholdings for Canada Pension Plan contributions, Employment Insurance premiums, and income tax on the employee's information slips at the end of the year.

To apply for a Social Insurance Number, individuals must complete an application form that can either be obtained from a SC office or downloaded from their website. Documents proving the individual's identity and status in Canada must also be submitted with the application. The documents must be originals and written in English or French.

Social Insurance Numbers beginning with a "9" (commonly called 900-series) are issued to individuals who are neither Canadian citizens nor permanent residents, but need a SIN for employment purposes. All 900-series SIN cards/letters carry an expiry date that is the same as the expiry date on the individual's work permit. Individuals must apply for new documentation prior to expiry. Employees who are not residents of Canada, who are in regular continuous employment, and are in possession of a 900-series SIN, are subject to all applicable statutory deductions.

Statistics Canada

Personal Privacy

The Privacy Principles

The Personal Information Protection and Electronic Documents Act (PIPEDA)

Pension Benefits Standards Act

Canadian Human Rights Act

Employment Equity Act

Summary

- Under the Canada Pension Plan Act and the Employment Insurance Act, the Canada Revenue Agency is responsible for determining: - whether or not an individual's employment is pensionable under the Canada Pension Plan Act or insurable under the Employment Insurance Act - the types of earnings that are considered pensionable or insurable - how many hours an insured person has in insurable employment - the recovery of any debts owed as a result of an overpayment of Canada Pension Plan, Employment Insurance, or Old Age Security benefits
- The Canada Revenue Agency is responsible for ensuring that Canada Pension Plan contributions and Employment Insurance premiums are deducted, remitted, and reported as required by legislation.
- The Canada Revenue Agency collects provincial/territorial income taxes on behalf of all provinces/territories except Québec.
- Revenu Québec collects the provincial income tax for the province of Québec.
- Employers who remit withholdings or deductions late, withhold the statutory deductions but do not remit them, or fail to deduct the required deductions will be



subject to penalties, which may increase on subsequent occurrences, plus interest charges.

- All monies deducted on behalf of the Canada Revenue Agency are considered to be held “in trust” for the Receiver General.
- Employment and Social Development Canada is responsible for matters relating to:
  - amending the regulations made under the Canada Pension Plan and the Employment Insurance Act
  - keeping records of each individual’s Canada Pension Plan contributions and pensionable earnings
  - the establishment of annual maximum insurable earnings
  - the administration of provisions related to Wage Loss plans
  - the administration of provisions regarding Job Creation programs

Employment and Social Development Canada’s Employment Insurance program provides temporary financial assistance for unemployed Canadians while they look for work or upgrade their skills. Service Canada serves as the government’s operational arm while Employment and Social Development Canada operates as the policy-making body. Service Canada is responsible for:

- the issuance of Social Insurance Numbers (SIN) and the protection and security of SIN information
- the delivery of services to employers, including Record of Employment on the Web
- the administration of Employment Insurance programs to individuals, including regular, illness, pregnancy/parental, critically ill or injured person and compassionate care benefits
- the administration of the Employment Insurance Premium Reduction program, including granting qualified employers a reduced Employment Insurance premium rate

- the administration of Canada Pension Plan benefits, including retirement, disability, survivor, children’s and death benefits
- the administration of benefits for seniors, including the Old Age Security Program and the Guaranteed Income Supplement Payroll is responsible for deducting and remitting Employment Insurance premiums

on behalf of employees and employers. Payroll is responsible for capturing information related to insurable earnings and hours, and reporting that information on the Record of Employment.

## Review Questions

1. What are the three main programs specifically related to payroll that the Canada Revenue Agency administers?

2. If an organization deducts \$27,400 in Canada Pension Plan contributions from its employees and \$21,200 in Employment Insurance premiums, how much would have to be remitted in total to the Canada Revenue Agency?
3. True or False: The Canada Revenue Agency collects provincial/territorial income taxes for all provinces and territories.
4. True or False: The emphasis of the Employment Insurance program is on paying people so they don't have to return to work.
5. Indicate which federal department or agency would be responsible in the following scenarios.

An employer is preparing the budget for the next year and wants to know the annual maximum insurable earnings amount.

An employee wants to retire and apply for Canada Pension Plan benefits.

There is a new type of earning in the new collective agreement. You are not sure if it is insurable.

The organization would like to apply for a reduction in its Employment Insurance premium rate.

# EMPLOYEE vs. INDEPENDENT CONTRACTOR

## The Employee-Employer Relationship

Determining the nature of the working relationship between an individual and an organization is essential in all employment situations. Whether the individual is classified as an employee or self-employed directly affects the statutory withholding requirements and the organization's compliance with applicable legislation. To support this assessment, the Canada Revenue Agency (CRA) provides a set of guidelines designed to help distinguish between the two classifications. Importantly, the decision is not made by the worker but must be based on objective criteria and legal standards.

Payroll practitioners play an important role in promoting awareness of this distinction throughout the organization. By proactively communicating the significance of establishing a valid employee-employer relationship, payroll professionals help ensure that employment classifications are accurate and compliant.

Once an employee-employer relationship is confirmed, the payroll department becomes responsible for meeting compliance obligations related to statutory withholdings. This includes deducting the appropriate amounts—such as income tax, Canada Pension Plan contributions, and Employment Insurance premiums—from employee pay and remitting them to the government within the required timelines. Proper classification and adherence to these rules are key to maintaining legal and financial accountability.

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 formed when a self-employed individual enters into a verbal or written agreement to complete specific work for a payer in exchange for compensation. This arrangement does not establish an employer-employee relationship; instead, it represents a contract for services.

Under this type of agreement, the self-employed individual is responsible for delivering a final result within an agreed timeframe, using methods of their own choosing. They are not subject to the direction or supervision of the payer while completing the work, and they retain autonomy over how tasks are executed. In most cases, the payer does not participate in or influence the work process, meaning control over the work lies entirely with the self-employed individual. This structure reflects a high level of independence and flexibility, distinguishing it clearly from traditional employment relationships.

Under a contract for service, a self-employed individual accepts both the potential for profit and the risk of financial loss. Prior to engagement, the individual agrees on the total cost of the work, uses personal tools and equipment, and assumes full responsibility for how the work is performed. This means the individual bears any unforeseen costs or challenges that arise during the project. Conversely, if the work is completed more efficiently than expected, the financial gain—through retained profits—is greater.

Organizations often utilize contracts for service when they require tasks or projects that fall outside their normal business operations. While the relationship between a payer and a self-employed contractor may resemble that of an employer and employee, there is a key distinction. In a contract for service, the payer specifies the desired outcome or deliverable, but not how the work should be completed. In contrast, a contract of service allows the employer to direct both the tasks and the method by which they are carried out, establishing a more controlled, employee-based relationship.

Under a contract for service, the payer exercises general oversight to ensure that the agreed work is completed as specified. However, this oversight does not extend to controlling how the work is performed. The self-employed individual retains autonomy over the methods used to complete the tasks. Receiving general instructions from a project manager or similar representative does not establish an employer-employee relationship.

An employee-employer relationship is recognized when an organization has the authority to direct and control both the work and the manner in which it is performed. If there is uncertainty about whether such a relationship exists, the Canada Revenue Agency (CRA) recommends submitting Form CPT1 — Request for a CPP/EI Ruling: Employee or Self-Employed? — to obtain clarification. A sample of this form can be found at the end of this section.

Independent contractors or self-employed individuals are not classified as employees if no employer-employee relationship is present. They typically submit invoices and receive payment through accounts payable. However, the act of submitting an invoice alone is not sufficient to confirm self-employment status. Proper assessment of the working relationship is essential to ensure accurate classification and compliance with tax and labor regulations.

## 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

One of the key factors in determining a worker's status is the extent to which the payer has the ability, authority, or right to control both what work is performed and how it is carried out. Equally important is the level of independence the worker maintains in performing their duties.

In evaluating the relationship, both the payer's oversight of the worker's day-to-day activities and their overall influence are assessed. However, it is the payer's right to exercise control—rather than whether that control is actively used—that holds the most weight in determining the nature of the working relationship.

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 a definitive factor in determining the nature of a working relationship or the type of contract in place. While self-employed individuals often use their own tools to fulfill contractual obligations—making such ownership common in business relationships—this alone does not confirm self-employment. Employees may also be required to supply their own tools, depending on the trade or occupation.

In typical employee-employer relationships, the employer provides the necessary equipment and assumes the costs associated with its use, including maintenance, insurance, transportation, rental fees, and operational expenses such as fuel. However, in certain industries—such as automotive repair, painting, carpentry, and technical fields like software development or surveying—it is standard practice for employees to use their own tools or specialized instruments.

In contrast, self-employed individuals not only supply their own equipment but also bear the associated costs. Significant financial investment in tools—especially those that require ongoing maintenance or replacement—can suggest a business relationship, as these individuals assume both the potential for profit and the risk of loss.

Ultimately, the key consideration is the scale of the investment and the financial responsibility related to repairs, replacement, and insurance, rather than mere ownership itself.

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

When evaluating the nature of a working relationship, the Canada Revenue Agency (CRA) considers whether the individual incurs fixed, ongoing costs or unreimbursed expenses. In traditional employee arrangements, employers typically reimburse expenses that arise as part of the job—for example, travel or business-related costs.

In contrast, self-employed individuals often assume greater financial risk by covering recurring operational costs regardless of whether active work is being performed. These may include equipment leasing, office space rental, or other business overheads. While both employees and contractors may receive reimbursement for certain expenses, the CRA places particular emphasis on identifying costs that are not reimbursed. The presence of such expenses may indicate a business relationship, reflecting the independence and financial responsibility characteristic of self-employment.

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

When assessing whether a business relationship exists, one important indicator is the worker's financial investment in the services they provide. If an individual is required to invest in equipment, materials, or other resources to complete the work, this suggests the presence of a contract for service rather than an employment relationship.

Another key factor is decision-making authority related to financial outcomes. When the worker independently makes business decisions that influence their profit or loss—such as pricing, project selection, or service delivery methods—it further supports the classification of a self-employed individual operating under a business arrangement. These characteristics reflect the autonomy and financial risk typically associated with self-employment.

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 is often indicated when a worker has the ability to realize a profit or incur a loss, reflecting their control over the financial and operational aspects of the services they provide. Self-employed individuals typically negotiate their own rates, choose which contracts to

accept, and may take on multiple contracts simultaneously. To fulfill contractual obligations, they often incur and manage expenses, which directly influence their potential for profit.

In contrast, employees generally do not bear financial risk or benefit from profit. While commission-based employees may increase their earnings through performance, this does not represent profit in the traditional sense, as it does not reflect income earned beyond expenses. Moreover, employees do not typically share in a business's profits or losses.

When assessing worker classification, the Canada Revenue Agency (CRA) considers the extent to which the individual controls their revenue and expenses. Another key factor is the method of payment: employees are usually compensated at a fixed rate based on a consistent pay schedule (e.g., hourly, weekly, or annually). Self-employed individuals, however, are often paid a flat rate for a specific job, especially when they absorb related costs—an arrangement that commonly signals a business relationship.

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

Employment relationships are defined through contractual arrangements. A contract of service refers to a traditional employer-employee relationship, where an individual commits to working for an employer—either on a full-time or part-time basis—for a specified or ongoing period. The employer has authority over both the duties and how they are executed.

Conversely, a contract for service reflects a business arrangement where an independent contractor agrees to perform specific tasks, with discretion over how the work is completed. This signifies a client-provider relationship rather than an employment one.

To assess worker classification—particularly outside Québec—the Canada Revenue Agency (CRA) employs a two-step evaluation. Key considerations include:

Control: Whether the payer holds the right to determine what work is done and how it is executed.

Independence: The degree of autonomy exercised by the worker.

Ownership of Tools: Significant investment in tools and equipment, along with maintenance and insurance responsibilities, may indicate a business relationship.

Financial Risk: Ongoing operational costs or unreimbursed expenses reflect a higher likelihood of self-employment.

Revenue Control: The ability to manage pricing, accept multiple contracts, and influence earnings supports classification under a contract for service.

Collectively, these factors guide proper categorization for legal and tax purposes, helping organizations ensure compliance and mitigate potential risk.

## 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.

- 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

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

Payroll management stakeholders are government (federal and provincial/territorial), internal (employees, employers and other departments) and external (benefit carriers, courts, unions, pension providers, charities, third party administrators and outsource/software vendors).

Explain the difference between legislation and regulation.

Legislation determines what the rules are, while regulations determine how the rules are to be applied.

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

The Canadian Payroll Association offers Payroll InfoLine, a phone-in and e-mail information service for members

- The Canada Revenue Agency (CRA) produces guides, publications and Income Tax Bulletins, folios and Circulars, posts news bulletins and enables

participation on an electronic mailing list with e-mail alerts for new content to the site - The Revenu Québec (RQ) website provides guides, publications, bulletins, forms, online services and enables participation on an electronic mailing list with e-mail notifications of tax news articles - Employment/labour standards (federal, provincial and territorial) publications and websites - Employment and Social Development Canada (ESDC) and Service Canada (SC) publications including information regarding the Employment Insurance (EI) program and the Social Insurance Number - CCH Canada Limited publishes a series of volumes on employment and labour law, pensions and benefits, etc., that supplies information on legislation with regular updates as changes become law - Carswell publishes The Canadian Payroll Manual and offers a phone-in service to subscribers

Copies of legislation are available from the printing offices of the federal, provincial and territorial governments as well as through government websites.

List three external stakeholders and explain their compliance requirements.

Benefit Carriers - 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 - Payroll must accurately deduct and remit amounts ordered to be withheld through garnishments, third party demands, requirements to pay and support deduction orders. Unions - Payroll must accurately deduct and remit union dues and initiation fees, and ensure that the terms of the collective agreement are adhered to. Pension Providers - Third party pension plan providers may require payroll to provide enrolment reports on participating employees and length of service calculations, and to remit employee deductions and employer contributions.

Indicate the jurisdiction the following employees fall under:

- Canada Post Corporation (F)
- An insurance company (P)
- A uranium mining company (F)
- Canadian Broadcasting Corporation (F)

- A retail department store with locations in every province (P)
- A chartered bank (F)

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

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.

A contract for service is a business relationship whereby one party agrees to perform certain specific work stipulated in the contract for another party.

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.

*At the last weekly Finance meeting, Tom and I discussed the increase in the number of contractor invoices being processed through accounts payable (AP). We have some concerns as to whether these individuals would be considered truly selfemployed by the Canada Revenue Agency (CRA), or whether the CRA would determine them to be employees.*

*If the worker is considered self-employed, then payment, on submission of an invoice, will continue to be handled by AP. If, however, the worker is considered an employee, they would have to be set up on payroll, as they would be in receipt of income from employment, subject to all legislated statutory withholdings.*

*I have attached the CRA's form Request for a CPP/EI Ruling - Employee or SelfEmployed? - CPT1 for your information. This form can be completed by the company and sent with supporting documentation, such as the terms and conditions of the contract, for a ruling from the CRA on the individual's status.*

*I think that Payroll must coordinate with the Accounts Payable Department to ensure that these payments are being handled correctly.*

*Tom and I would be pleased to meet with you to ensure the company is in compliance with all legislative requirements. Would you be available next Friday morning at 10:00 to discuss?*

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

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

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

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

## Learning Objectives

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

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

This chapter will cover the following topics:

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

- Payments and benefits not subject to Canada Pension Plan contributions

1. Calculate Canada Pension Plan contributions at an individual level

2. Identify the following Employment Insurance components:

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

1. Calculate Employment Insurance premiums at an individual level

2. Describe the purpose of a Record of Employment

3. Identify when the Record of Employment must be completed

# Canada Pension Plan

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

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

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

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

## Note

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

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



There are three Canada Pension Plan benefits:

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

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

## Who Must Contribute to the Canada Pension Plan

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

Canada Pension Plan contributions must be withheld from employees who:

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

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

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

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

# Employment Insurance

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

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

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

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

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

# Record of Employment

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

# CALCULATING NET EARNINGS

Employment Income

Allowances

Expenses

Benefits

# OBNOARDING EMPLOYEE

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

Key Steps on Onboarding an Employee:

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

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

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

credits and determine income tax withholdings.

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

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

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

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

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

## Compliance & Record Keeping

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

at least 6 years.

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

## Employment Standards Requirements

---

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

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

# Internal Forms

Typical commencement package forms include:

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

## Authorization for Hiring

This internal document includes:

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

- Probation details
- Hiring authority's signature

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

## Union Membership

For unionized workplaces:

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

## Benefit Enrollment Forms

Forms cover group insurance and pension plans:

- Employee indicates coverage type
- Signatures authorize payroll deductions

## Confidentiality Agreement

A legally binding agreement protecting sensitive company info:

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

## Required Federal and Provincial/Territorial Forms

**Purpose:** Determine correct income tax withholdings.

Forms:

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



- TP-1015.3-V (Québec employees)

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

**Adjustments:**

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

Essential Info on All Forms:

- Employee name
- Date of birth
- Social Insurance Number

## Tax Credits (TD1)

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

Additional Instructions:

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

## Tax Credits (TP-1015.3-V - Québec)

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

Deductions:

- Remote area housing
- Deductible support payments

## Entering Employee Information into Sage50

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

### Important

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

Employee Records

File Edit View Report Help

Type a question for help Help Search

Select:

Employee: Felix Chan

Entitlements	Direct Deposit	Memo	Additional Info	T4 and RL-1 Reporting
Personal	Work Details	Taxes	Income	Deductions
WSIB & Other Expenses				
Street 1:	1554 Carling Ave	SIN:	000 000 000	
Street 2:		Birth Date:	1985-05-25	
City:	Ottawa			
Province:	Ontario	Code:	ON	
Postal Code:	K1Z 7M4			
Phone 1:				
Phone 2:				
Email:				
Language Preference:	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

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

Tax Table: Ontario

Personal Tax Credits

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

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

Tax Deduction

☒ Calculate Tax
 

Additional Federal Tax: 0.00
 Additional Quebec Tax:

☒ Calculate EI
 

Rate: 1.4
 ☒ Calculate CPP/QPP
 ☐ Calculate QPIP

\* YTD amounts as of 2024-01-01

☐ Inactive Employee
 4/4 payroll fields filled

Save and Close

Create Another

Employee Records

File Edit View Report Help

Type a question for help Help Search

Home

Print

Save

Undo

Redo

Eraser

Calculator

Help

Select:

Employee: Felix Chan

Entitlements

Direct Deposit

Memo

Additional Info

T4 and RL-1 Reporting

Personal

Work Details

Taxes

Income

Deductions

WSIB & Other Expenses

Pay Periods Per Year: 24

\*YTD amounts as of 2024-01-01

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

Vacation Rate: 0.0 %

Net Pay: 0.00

☒ Retain Vacation

Historical Net Pay: 0.00

☐ Calculate Vacation on Vacation Paid

Record wage expenses in: ☒ The payroll linked accounts ☐

☐ Inactive Employee 4/4 payroll fields filled

Save and Close

Create Another

Employee Records

File Edit View Report Help

Type a question for help Help Search

Home

Print

Save

Undo

Redo

Eraser

Calculator

Help

Select:

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: ▼ Filter Previous Next First Last

Employee:

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

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 i Save and Close Create Another

## Review Questions

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

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

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

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

*PIPEDA requires employers to:*

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

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

## Content Review Highlights

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

## Review Questions (Sample)

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

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

7. What authorizes benefit premium deductions?

## Example Evaluations

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

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

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

### ONBOARDING EMPLOYEE EXERCISE

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

# Payroll Accounting

## Journal Entries

### Accounting Recap

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

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

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

Furthermore, we know that:

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

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

Accounting equation (1)

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

## Journal Entries

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

DR Payroll Expenses \$10,500.00

CR Payroll Payable (\$10,500.00)

Mar. 15, 2025

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

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

# REVIEW QUESTIONS

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

## New Employee Information

Which one of the following is correct?

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

# TERMINOLOGY

Pensionable Earnings

Insurable Earnings

# RATES FOR 2025

## CANADA / QUEBEC PENSION PLAN (CPP / QPP)

### CANADA / QUEBEC PENSION PLAN (CPP / QPP)

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



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

## CPP2 CONTRIBUTION RATES MAXIMUMS

### CPP2 Contribution Rates Maximums

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

# REFERENCES

[Payroll Deductions Online Calculator](#)

[CPP Maximum contributory earnings](#)

[Second additional CPP contributions](#)

# Errors and Errata

# Glossary

· [Index](#)

## sys variables

Python 3.12.3

5

