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Payroll Processing Checklist & Guidelines

**For Use in the Health Sector**

**Updated: April 6, 2025**

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# How to Use This Document

This checklist provides a structured approach to **processing payroll accurately and ensuring compliance with employment laws**. Employers should:

* **Follow all payroll regulations** to avoid legal penalties.
* **Use this checklist before each payroll cycle** to ensure consistency and accuracy.
* **Maintain proper records** for tax filing and compliance audits.
* **Regularly update policies** to reflect changes in tax and employment laws.

# Introduction & Purpose

Payroll processing is a critical function that ensures employees are **paid accurately, on time, and in compliance with federal and provincial labor laws**. This document outlines best practices and legal requirements to help businesses:

* Avoid errors, miscalculations, and penalties.
* Maintain accurate payroll records.
* Ensure compliance with the Employment Standards Act (ESA), Canada Revenue Agency (CRA) regulations, and tax laws.

# Legal Compliance & Regulatory Requirements

Employers must comply with the following payroll-related laws and regulations: **Employment Standards Act (ESA)** – Governs minimum wage, overtime pay, and statutory holidays.

* **Canada Revenue Agency (CRA) Guidelines** – Covers payroll deductions, tax reporting, and remittance deadlines.
* **Provincial & Federal Tax Laws** – Ensure proper deductions for income tax, Canada Pension Plan (CPP), and Employment Insurance (EI).
* **Pay Equity Act** – Ensures fair wages and prevents wage discrimination.
* **Privacy & Confidentiality Laws** – Protect employee payroll data from unauthorized access.

# Payroll Setup & Preparation

* Register for a Payroll Account Number (CRA Business Number).
* Establish a payroll schedule (weekly, biweekly, semi-monthly, or monthly).
* Implement payroll software or third-party payroll services.
* Maintain secure payroll processing systems to prevent fraud.

# Employee Classification & Documentation

Ensure employees are properly classified as:

* Full-time, part-time, or temporary employees (covered by ESA provisions).
* Independent contractors (not subject to payroll tax deductions).
* Collect and verify the following employee documents:
* Signed employment contracts & offer letters.
* Banking details for direct deposit.
* TD1 Personal Tax Credits Return (Federal & Provincial forms).
* SIN (Social Insurance Number) & proof of eligibility to work in Canada.

# Timekeeping & Attendance Tracking

* Use **time-tracking systems** to log work hours and overtime accurately.
* Verify **sick leave, vacation time, and statutory holiday pay entitlements**.
* Ensure compliance with **overtime pay regulations (1.5x hourly wage after 44 hours/week in Ontario)**.

# Payroll Calculation & Deductions

Calculate **gross wages** based on hourly/salary rates and approved timesheets.

Deduct **mandatory payroll taxes**:

* **Federal & Provincial Income Tax.**
* **Canada Pension Plan (CPP) contributions.**
* **Employment Insurance (EI) premiums.**
* Deduct any voluntary deductions (e.g., RRSP contributions, union dues, health benefits).
* Calculate net pay after deductions.

# Processing & Disbursement

* Verify payroll data before submission to prevent errors.
* Issue direct deposits or cheques on the scheduled payday.
* Provide detailed pay stubs showing gross pay, deductions, and net pay.
* Ensure compliance with statutory holiday pay calculations.

# Payroll Recordkeeping & Reporting

* Maintain payroll records for at least **6 years** (as per CRA regulations).
* File **T4 slips & summaries** for all employees before the **February 28 deadline**.
* Remit payroll deductions to CRA on time to avoid penalties.
* Generate year-end payroll tax reports for compliance audits.

# Compliance Audits & Error Resolution

* Conduct regular payroll audits to ensure accuracy.
* Investigate and correct payroll discrepancies immediately.
* Respond promptly to employee payroll inquiries.
* Maintain backup records in case of tax audits or legal disputes.

# Final Provisions & Acknowledgment

This payroll policy applies to all **employees and payroll administrators** of **[Company Name]**. Employees and payroll staff must acknowledge their understanding and commitment to these guidelines.

**Employee Signature:** \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Date:** \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Payroll Administrator Signature:** \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Date:** \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

# Disclaimer:

*This template is a general guide and should not be considered legal or financial advice. While* ***ProSupport HR Partners*** *has made every effort to ensure accuracy and compliance, payroll laws vary by jurisdiction and may change over time. Employers are advised to consult a qualified* ***payroll specialist, accountant, or legal professional*** *to tailor this document to their specific needs and ensure full compliance with applicable regulations.*

*By using this document, the employer assumes full responsibility for its implementation and any legal consequences. ProSupport HR Partners disclaims any liability arising from its use, modification, or interpretation. This template is intended as a structured framework for legally sound payroll processing and best HR practices.*

**Please delete the last page once you are done.**

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