

Payroll Procedures

For a new hire your will need

- SIN #
- TD1 (Personal Tax Credits Return for calculating tax rate)
 - Federal
 - Provincial

Any potential employee must be **legally entitled to work** in Canada. He/she must be:

- Canadian citizen
- Permanent resident or
- Person with valid employment authorization
- Someone who is not a Canadian citizen or permanent resident receives a SIN beginning with "9" and can work only for a particular employer; SIN card also has expiry date – be sure they have valid employee authorization which states they can only work for you.

Confirm their employment

- Letter of employment
 - Salary
 - Duties
 - Hours
 - Benefits
 - Start Date
- Payment Periods: BC requires payroll to be issued 2 times/month
AB monthly is ok
Ontario no minimum period but employers must set recurring payroll time.

Source Deductions to be calculated, remitted, and tracked in order to issue a T4 at year end

- Federal Tax
- CPP (Canadian Pension Plan)
- Employment Insurance Premiums
- To calculate deductions, you may purchase accounting software, hire a payroll service, use tables on diskette which are provided by the federal government or use manual tables provided by the federal government (see CRA website). You may also use the online CRA payroll calculator located at <http://www.cra-arc.gc.ca/esrvc-srvce/tx/bsnss/pdoc-eng.html>

Provincial and territorial deductions

- There may also be health premiums and worker's compensation deductions– see Worker's Compensation website for applicable province.

Annual Obligations

- File T4 for each employee – must be post marked by February 28 and 2 copies given to each employee

Employer Contributions include CPP equal to the amount deducted for the employee and 1.4 times the EI deducted for the employee. Your First Remittance of deductions is by cheque or money order with letter stating

- You are a new remitter
- Period remittance covers
- Company name, address and phone, business number.
- CRA sends remittance form in the mail monthly thereafter.

Records to keep

- Time sheets
- Documents to support CPP Contributions
- EI premiums and income tax withheld
- Form TD1 Personal Tax Credits Return
- Reg. Pension Plan information

Termination of employee

- Record of Employment (ROE) is used to determine if employee receives EI benefits, you would issue T4 at that time.

Questions???

Please see:

Guide T4001: Employer's Guide and Payroll Deduction and Remittance
<http://www.cra-arc.gc.ca/E/pub/tg/t4001/t4001-08e.pdf>