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PAYROLL PROCEDURE RECOMENDATIONS

These recommendations cover the general requirements for processing payroll for your employees in compliance with CRA policies and BC Employment Standards. These calculations encompass your basic payroll requirements and are not intended for benefit considerations or more complex employment situations.

We hope the below steps will be beneficial. If you require additional payroll assistance or services, please contact our office. We are happy to be of help.

1. Determine if you have an employee or subcontractor, consider:

   a. Subcontractors:

      i. Are paid by the job or on a contract basis

      ii. Provide their own tools, equipment, and supplies

      iii. Have minimal to zero oversight and supervision

      iv. Are not provided training or mentorship

      v. Have multiple customers or has a business presence (have business cards / a website)

   b. Employees:

      i. Are generally paid on an hourly basis

      ii. Are provided training, oversight, and mentorship

      iii. Are highly managed – i.e. start and end time of day are regulated

      iv. Are provided with the tools, supplies, and equipment needed to do their job

   Subcontractors do not require payroll procedures while employees do. Employees must be compensated, hired, and terminated in accordance with BC Employment Standards available here: (https://www2.gov.bc.ca/gov/content/employment-business/employment-standards-advice/employment-standards). This includes all minimum wage, statutory holiday, and overtime compensation requirements. Please note that contracts signed by employees do not override basic rights under BC Employment laws.

2. Have your employee complete a TD1 and BCTD1 form (https://www.canada.ca/en/revenue-agency/services/forms-publications/td1-personal-tax-credits-returns/td1-forms-pay-received-on-january-1-later/td1.html). Save and print these forms for your records. These forms need to be completed by your employees on an annual basis (i.e. January 1st).

3. Pick a pay period type. An employee needs to be paid at least twice a month if they worked. The pay period cannot be longer than 16 days. It is generally easiest to have a pay period end date on the 15th and 30/31st of each month. This would be a Semi-Monthly (24 pay periods) pay period type.

4. Sign up for a CRA payroll account here: https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/payroll/How-open-payroll-account.html BEFORE you start paying your employee.

PAYROLL PROCEDURE RECOMMENDATIONS (CONT.)

5. Calculate an employees' paycheck and provide them with a copy of their paystub within 8 days of your pay period end date. The CRA online calculator is available here (https://www.canada.ca/en/revenue-agency/services/e-services/e-services-businesses/payroll-deductions-online-calculator.html).

    a. Pick **Salary** for any hourly, piecework, or salary type of pay

    b. Enter the employee and employer's name along with the province of employment, the pay period type (see Step 4.) and the date of payment (make this the same as pay period end date).

    c. Enter the total wages due to the individual (including statutory holiday wages and overtime pay – see BC employment standards website in Step 1) in the Salary or wages income per pay period box.

    d. Enter 4% additional vacation pay (based on 4% of c. above) into the vacation pay box. If an employee has been employed by you for more than 5 years, the amount goes up to 6%.

    e. Complete the federal and provincial claim codes in accordance with your employee's indications on Step 2. Most of the time no changes are required.

    f. CPP is mandatory is most cases unless the employee is under the age of 18 or over 70 years old. Their date of birth is available on their TD1 forms complete in Step 2.

    g. An employee is EI exempt if they are a closely related family member and receive special treatment over other employees.

    h. The cheque to your employee should be for the 'Net amount' detailed halfway down the page. In addition to the cheque a copy of the 'Salary calculation: Result' needs to be:

        i.   Retained for your bookkeeping records

        ii. Given to your employee (which represents a paystub)

    i. Once the 'Salary calculation: Result' has been printed for your records click on 'Employer Remittance Summary' Print this page (Salary calculation: Employer remittance summary) for your records.

    j. Twice a month Steps a. – j. above should be completed.

6. Paying your monthly CRA payroll remittance:

    a. Your payroll remittance needs to be sent to CRA on a monthly basis BEFORE the 15th of the month. Payroll penalties are extensive (5 – 20% of the required remittance amount) so, it is crucial to pay your remittance on time, every time.

    b. Using your printed payroll records calculate:

        i.   The 'total cash income' paid to all your employees for the previous month (from Salary calculation: Result)

        ii. The total number of employees you paid during the month.

        iii. The total 'for this calculation, remit this amount' (from Salary calculation: Employer remittance summary)

PAYROLL PROCEDURE RECOMMENDATIONS (CONT.)

7. Paying your monthly CRA payroll remittance (cont.):
   a. Go to CRA's online banking website (https://www.canada.ca/en/revenue-agency/services/e-services/payment-save-time-pay-online.html) then select 'Pay Now'
      i. This is a **Payroll source deduction**
      ii. This is a **regular remittance**
      iii. Your account number is your CRA business number which has nine digits followed by RT0001, RC0001, or RP0001. RT represents GST, RC represents corporate tax, and RP represents payroll. For payroll use the RP0001 ending after your nine-digit business number.
      iv. The gross payroll is the total cash income you tabulated above.
      v. The period end is the previous month (i.e. pay period you are making remittance for)
      vi. The amount required is the 'for this calculation, remit this amount' total tabulated above.
      vii. Hit next and proceed through CRA's online banking procedure – Interac online is usually the easiest payment method.
      viii. Print a copy of all CRA payments to keep with your payroll records.

8. If you are using bookkeeping software (please DO NOT record payroll transactions into excel), you may prepare your bookkeeping entry as follows:

	Debit	Credit
Total cash income / wage	XXXX	
CPP Expense (50% of total CPP)	X	
EI Expense (1.4 x employee's EI)	X	
Income tax payable (employee's portion)		X
CPP Payable (employee and employer's portion)		X
EI Payable (employee and employer's portion)		X
Bank / cash (net amount to employee)		XXX

9. If you are using bookkeeping software (please DO NOT record payroll transactions into excel), you may prepare your CRA remittance entry as follows:

	Debit	Credit
Income tax payable (employee's portion)	X	
CPP Payable (employee and employer's portion)	X	
EI Payable (employee and employer's portion)	X	
Bank / cash (net amount to employee)		XXX

* Working with you to ease the burden and confusion of taxation reporting *

PAYROLL PROCEDURE RECOMMENDATIONS (CONT.)

10. On an annual basis, your January to December payroll needs to be aggregated into a T-4 Slip. An employee's total wages, CPP, EI, and Tax withholdings need to be tabulated and entered onto a T4.

    a. If you would like assistance preparing and filing the T4 then you need to bring in your payroll records saved in steps 5. and 6. above by January 31st at the latest.

    b. To prepare your own T4s please review CRA's guide available here for further information: https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/payroll/completing-filing-information-returns/t4-information-employers.html

We hope the above instructions have been beneficial. If you require additional payroll services, please contact our office. We are happy to be of assistance.