

Payroll

How to-

Before payroll is set up you must register your company with the Canada Revenue Agency (CRA) and acquire a Business Number (BN). Once this is done, you can obtain a payroll number, which requires the following for registration

- Organization's address
- Pay schedule (weekly, bi-weekly, monthly),
- Number of employees

Set up

Once you've hired an employee(s), it is up to you to gather the correct information from them. The information collected will then be sent to your bookkeeper, however you will be the point of contact for your employee in the event of any discrepancies or forms that must be completed. Below we have listed important information and a set of steps you will need to complete once you've hired an employee(s).

Basic Information:

- First and Last name, Date of Birth, Mailing Address (this can all be taken from a valid Drivers License)
- Contact Information (email, phone, etc.)
- Social Insurance Number (SIN)
- Bank Account Number and email attached to the bank account (for direct deposit or Interac E-Transfer)
- Federal and Provincial TD1 Forms filled out and signed
- A contract that outlines start and end dates and pay schedule
- It is also important to clearly outline weekly hours and pay (can vary) with your employee and correctly relay that information to your bookkeeper

Continuous

- Once a month (or more often, depending on the size of your organization) your organization must pay Mandatory Employment Related Costs (MERCs), on behalf of your employees
- This must be paid to the Receiver General (CRA) by the 15th of the month
 - This is paid by using the collected funds from employees from the previous month
- As the employer, organization's must withhold payroll remittances (CPP, EI, and Income Tax) from their employees' pay every month
- **PD7A's:** This form is filled out because you have a business with employees, and you are required to send in Canada Pension Plan (CPP) contributions, Employment Insurance (EI) premiums, and income tax deductions to the Canada Revenue Agency (CRA) on their behalf
- **ROE (Record of Employment):** Provides employment history (earnings and duration) information
 - Must be issued if there is an interruption in earnings
- In order to make sure that payroll is being completed properly, you must notify your bookkeeper if anything changes regarding weekly hours and pay of an employee

What is payroll?

Payroll is the process of paying employees

- This includes tracking hours worked by employees, calculating pay, and distributing payment for those hours to your employees

Why is payroll important?

For bookkeepers

- Bookkeepers play an important role in ensuring that payroll is done properly and in a timely manner
- It is important to have open communication between you (the employer) and the bookkeeper to ensure that payroll can be disbursed without any delay or issues
- Ensuring that you are updating your bookkeeper in the event that anything changes with your employees allows the process to run smoothly

For growth

- Payroll that is completed in a timely manner leads to happy employees, increased productivity, and helps to maintain a positive culture within the organization
 - Ensuring precise payroll practices means a better work environment
- Payroll is important for financial growth as it can help with financial planning
 - Helps organize budgets and future growth plans by helping you keep track of accurate financials
- By managing payroll you can improve your financial management which in turn can lower your expenses, increase productivity, boost revenue, etc.

For legal

- ROE: If not filed you can be fined
- Accurately tracking employees salaries, benefits, and deductions ensure compliance with legal obligations and builds trust between employee and employer
 - Access to a CRA RP account. If your organization does not have an RP account but has a BN, please ask for assistance to help you create an RP account online.
 - Legally all business must give their employees 4% vacation pay
- Penalties from the CRA
 - CRA can charge you penalties for remittances they do not receive by the due date (the 15th of every month)
 - Failure to deduct will cause fines
 - Penalty of 10% of the amount of CPP, EI, and income tax you did not deduct
 - 20% if this occurs more than once in a calendar year

Payroll Checklist

- Create a hiring contract outlining wages, hours, benefits, etc.
- Compile basic information about the new employee
- Pay MERCs by the 15th of the month
- Withhold payroll remittance from employee each month
- File PD7A's

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Steps for Payroll

01

Register your company with the Canada Revenue Agency (CRA) to acquire a Business Number (BN) and an RP number

02

Collect information from your employee

- First and Last name, Date of Birth, Mailing Address (This can all be taken from a valid drivers license)
- Contact Information (email, phone, etc.)
- Social Insurance Number (SIN)
- Bank Account Number, direct deposit form, and email linked to bank account (for direct deposit or Interac E-Transfer)
- Federal and Provincial TD1 Forms filled out and signed
- Contract that outlines start and end dates, pay schedule, and all benefits

03

Monthly Payments

- Ensure your nonprofit has money set aside to pay MERCs on behalf of your employees once a month
- You must withhold payroll remittance (CPP, EI, Income Tax) from your employees' pay each month
 - PD7A's are used during payroll remittance

04

T4 & T4 Summary

- T4 & T4 Summary forms must be filed and distributed to each employee on or before the last day of February following the calendar year to which the forms apply