

Payroll



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Payroll Components

- Wages
- Holiday and vacation pay
- Statutory deductions – EI, CPP and income tax
- Non-statutory deductions – pension, group insurance, employee savings
- Related liabilities (amounts owing) – payroll deductions payable, payroll and vacation accrual
- Consult Ontario Labour Board for all employment standards related questions:
 - <https://www.ontario.ca/document/your-guide-employment-standards-act-0>



Wages and Holiday Pay

- Hourly or salary, full and part time
- Minimum wage in Ontario is \$15.50 per hour
- Overtime pay is 1.5 of employee's hourly rate, calculated weekly (not daily) for over 44 hours. Applies to salaried employees as well, but doesn't apply to managers and supervisors.
- Holiday Pay – calculated based on wages earned in the last 20 days plus vacation – use Labour Board calculator if unsure. Employee can agree electronically or in writing to work on a holiday and be paid:
 - public holiday pay plus a premium of 1.5 times or
 - be paid their regular wages for all hours worked on the public holiday and receive another substitute holiday
- Ontario Labour Board calculators: <https://www.ontario.ca/document/your-guide-employment-standards-act-0/educational-resources#section-1>



Ontario Public Holidays

- Ontario has nine public holidays:
 1. New Year's Day
 2. Family Day
 3. Good Friday
 4. Victoria Day
 5. Canada Day
 6. Labour Day
 7. Thanksgiving Day
 8. Christmas Day
 9. Boxing Day (December 26)
- National Day of Truth and Reconciliation is a Federal public holiday
- Easter Monday and Remembrance Day are Federal public holidays as well

Vacation Pay

- Vacation entitlement under employment standards is 2 weeks under 5 years and 3 weeks after 5 years.
- Vacation calculation - # of weeks x 2%: total of 4% for 2 week, 6% for 3 weeks, etc.
- Vacation must be taken within 10 months after period end, employer has the right and obligation to schedule a vacation.
- Vacation pay can be added to every paycheque (must agree in writing) or paid once a year when vacation is taken.
- Unused vacation accumulates and must be paid at termination.
- An employee can give up their vacation time with the employer's electronic or written agreement, and the approval of the Director of Employment Standards. Vacation will need to be paid out.



EI, CPP and Income Tax

- Treaty status employees only pay EI. CPP is optional – employers can elect to contribute CPP for all employees. Once the election is made, can't revoke it.
<https://www.canada.ca/en/revenue-agency/services/forms-publications/forms/cpt124.html>
- EI – employer contributes 1.4 x employee's contribution; 2022 maximum premium is \$952.74 for employees and \$1,333.84 for employer.
- CPP – equal contribution by employee and employer, maximum 2021 contribution is \$3,499.80.
- Income tax – only employees (non-status) pay into it.
- Monthly statutory deductions must be remitted to CRA by the 15th of the following month for most employers.



EI, CPP, and Income Tax Continued

- Accelerated remitters (larger payroll) remit twice a month – by the 25th of the same month and the 10th of the following month. CRA will send a letter advising about remittance requirements.
- Late source deductions are subject to a 10% penalty plus interest (6% per year). Most FN have “penalty exempt” status. FN owned businesses and non-profits may still be subject to a penalty. Can apply for penalty relief:
<https://www.canada.ca/en/revenue-agency/services/forms-publications/forms/rc4288.html>
- Compare total deductions to actual remittances when preparing T4's (shown on T4 summary, line 82).

Payroll Forms

- Pay statement/stub – every pay period.
- T4 – statement of remuneration and deductions – issued annually for a calendar year by February 28, used for preparing personal tax returns. Treaty income is reported in box 71, taxable income in box 14.
- T4 summary – summary of all T4 amounts for an employer, submitted with T4s.
- Record of employment (ROE) – within 5 calendar days of a termination/lay off.
- TDI – personal tax credit statement – completed by all employees at the start of employment, can be updated as needed. Two forms – federal and provincial.
- TDI-IN – determination of exemption of treaty status income – should be completed by all treaty employees.
- Forms can be filed electronically or on paper.



Payroll Accounts

- Expenses:
 - Wages
 - Benefits (EI and CPP)
 - Pension
 - Group insurance
- Liabilities (amounts owing):
 - Payroll accrual
 - Vacation payable
 - Statutory deductions payable (n/a if using payroll service)
 - Pension and group insurance payable
- Employee advances receivable



Payroll Process

- Year-end payroll accrual.
- Review payroll liabilities – should equal the amount paid in the next remittance. Watch for debit balances in payroll liability accounts, adjust to wages/benefit expenses.
- Regular review of outstanding payroll advances.
- Two staff involved in preparing payroll – one preparer and one reviewer (program manager, leadership).
- Adding new employees and editing wage info done by reviewer.
- Time sheets approved by supervisor.
- Payroll advances approved in writing by supervisor. Consider charging admin fee for advances.



Payroll Process Continued

- Using payroll service prevents errors in calculating statutory deductions.
- Review payroll allocation to programs.
- Year-end vacation accrual (vacation payable).
- Consult Ontario Labour Board and your organization's lawyer regarding employment matters. Wrongful dismissal is #1 cause for lawsuits against First Nations.
- Having employment policies in place is important.

Practical Application for First Nations Finance

Thank you for your time



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