



The Comprehensive Payroll Guide

FOR CANADIAN BUSINESS OWNERS

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Getting Started with Payroll

Simply put, payroll is about paying your employees. But if that was all there was to it, it probably wouldn't have become one of the most talked-about topics among business owners today.

Taking hard-earned money out of your business to compensate your employees is just one aspect of payroll, but there is so much more to consider.

You will also need to withhold payroll taxes based on individual employee's income, calculate benefits (legislative and competitive), and remit federal/local deductions to the appropriate agencies.

Not to mention setting up systems within your payroll to ensure your employees are paid on time.

Payroll is fundamental to the successful running of a business, especially if you are a sole proprietor. Therefore, it is imperative that you understand the concept at the early stages of running your business.

Understanding and running payroll has been a challenge for many business owners, without a doubt! But, in this guide, we'll break down all there is to become an expert in payroll processing.



Understanding Different Payroll Systems

A payroll system is software designed to automatically process the payroll needs of your business.

These systems can do everything from paying salaries and keeping track of employee's working hours, vacations, and statutory holiday pay to computing complex calculations such as income tax and submitting government remittances to the appropriate agencies.

Some systems can also be integrated with employee clock-in or time tracking software systems and scheduling software, to enable the streamlining of hours directly to payroll.

It's important to keep all of this in mind when deciding which payroll system is perfect for your business. Some different types of systems include:

Internally Managed Payroll System

As a business owner, you can decide to hire a resource specifically for your payroll needs or do it yourself if you know payroll, deductions, and other necessary calculations. Internally managed payroll systems are more effective with small-scale businesses that do not have many employees or large files or records to keep and process.

Professionally Managed Payroll Systems

There are proficient bookkeepers and Chartered Professional Accountants (CPA) who are skilled in payroll matters. You can hire a professional bookkeeper with a reputation and proficiency in managing your business' payroll activities. The Chartered Professional Accountant's job will be to process employees' payments and calculate deductions, work hours, and more.





Payroll Services Managed by Payroll System Agencies

To maintain your payroll system's accuracy while making all payments accurately and timely, you can also hire a payroll service agency. Payroll agencies will manage your business's complete payroll responsibilities and make salary deposits and deductions for every month or pay period. Reputable payroll service agencies often give assurance of total accuracy and ensure that late payments are avoided.

Software Managed Payroll Systems

Gone are the days when you need to spend extra hours at your desk trying to figure out why there is an issue with your previous tax deductions. Software-managed payroll systems are now gaining popularity in handling payroll processes for

businesses as they are 100% automated and do not require any work from you. In fact, some of these systems have replaced full-time payroll personnel with their advanced technology.

These cloud-based solutions will help you manage your payroll effectively while avoiding any human errors. They also offer integrated solution options, such as integrated clocked hours and streamlining information to payroll. Some also offer automated stat holiday hourly rate adjustments based on province or state and automated tax calculations and remittances. These advanced systems also offer full transparency for employees, allowing them to access their pay stubs and financial information in a smart portal. All in all, it's a handsfree, set-it and forget-it solution.

How to Find the Best Payroll Software for your Business

Payroll software has saved many business owners in Canada from going through every hassle that comes with payroll processing.

Payroll processing can be overwhelming, from payment of wages to the calculation of deductions, taxes and remittances, hence the need to hire a payroll service provider.

Employing payroll software for your business is a perfect step to take but finding the one that fits your business type and operations is more critical. To find the best payroll software for your business, what steps would be helpful?

Consider The Cost

Payroll software is priced differently, depending on several factors, the most common being:

- Number of employees
- Nature of software
- Number of users
- Payroll demand

Hiring a payroll software service provider could mean additional costs for your business, but the benefits are always worth it in the long run.

Payroll software is automatic and well-programmed, which means there is less chance for errors, unlike when you choose to do the calculations yourself.

They will consistently process your payments in a timely manner, will keep a record of every task, and are designed to stay compliant with federal and provincial laws that concern payroll and taxes.

Decide What Your Business Needs Are

You may want to choose a simple payroll if you are running a small business with a smaller number of employees or compound/cloud-based software if you have a large business.

In cases where you don't already know what you are looking for, you can request a trial or demonstration from the payroll service provider you are looking to hire. This can save you a lot of time and money.

Whatever your reasons are for using or changing your payroll software provider, always remember that your business's needs are the most important and should be prioritized when deciding what payroll software is best for you.



How to Set Up Payroll for The First Time



Every business owner, at some point, will need to hire employees, who will need to be compensated for the work they do.

As a startup business, you do not want payroll penalties as they can be costly to your business's growth.

[Setting up payroll for your business](#) is about putting a system in place that accurately caters for employees' pay in a timely manner.

Once you've acquired the necessary information, setting up payroll for your business may be a lot easier than you've always thought.

Register Your Business with Government Agency

Before you set up a payroll for your business, you will need to be registered with the federal government. Registering your business qualifies you to have a verified business number (BN) required by the Canadian Revenue Agency (CRA) when you are requesting to open a payroll account.

Collect Employee Information

You must collect the correct information from your employees before you start setting up your payroll, as this will help your payroll process run smoothly and lessen the chances of payment

errors.

This information is fundamental and shouldn't be difficult to obtain from your employees. Before you start your payroll processing, your employees should provide the following information:

- Full Name
- Address
- Date of Birth
- Bank account details for direct deposit
- Deductions
- Salary and Frequency
- Social Insurance Number (SIN)

Professional Payroll System Providers

Some business tasks need you to be an expert and may have to be carried out by yourself, but such is not the case for payroll processing. With professional payroll systems, there will be little to no risk of making deductions and payment errors. All payroll calculations and deduction formulae are regularly updated to ensure that you are getting quality payroll service at all times.

Most payroll software systems are updated when there are tax law changes and will alert you when you need to file for specific tax reforms. Payroll software is designed to make your life a lot easier as a business owner in Canada.

Verify The Status of Your Business

Is your business registered and your business number verified? Now you can register for a payroll account with the CRA. Registering for a payroll account with the CRA can be done online through the business online registration service, via a direct phone call, mail or fax form RC1.

Collect Necessary Information

Setting up a payroll involves paying your employees, so to do this, you will need to gather the necessary information from them to make processing their payments possible. This information should include

- Date of birth
- SIN
- Filled TD1 forms
- Bank information etc.

Decide What Method of Payment Fits Your Business

Depending on your business's size, there is flexibility on payment options to choose from—direct bank deposit, paychecks, cash, etc. Every payment method has its pros and cons, and this should be well considered before running your payroll for the first time.

For businesses that qualify for direct deposit, you can sign up with the CRA online, offline, or through a phone call.

Consider Payroll Deductions

While processing payroll for the first time and subsequently, you should always make your payroll deductions appropriately. Some deductions are legislated, i.e., mandatory for all employees. Canada Pension Plan (CPP), Employee Insurance (EI), and Federal/provincial taxes are the most common legislated deductions every business owner in Canada should know about.

Failure to make deductions correctly and remit to the CRA when due can attract penalty charges which are not the best for any business.

You Don't Have to Do Payroll Processing Yourself

You may want to consider professional payroll service providers to effectively manage your payroll processes, especially if you have many employees with different roles and responsibilities.

Poor payroll processing is bad for you as an employer and will only leave you with angry employees. No one loves to get paid late or to be underpaid due to errors in payroll deductions.



Deciding How and What to Pay Your Employees

Compensating your employees is an essential part of your business and a responsibility that should be taken seriously if you want your business to grow.

As a startup or small business owner in Canada, knowing what to pay your employees can seem more daunting than it actually is, especially if you are hiring your first set of employees. Regardless, there are steps to set you on the right path.

The minimum wage for your jurisdiction, the position you are hiring, and your employee's worth in the market are just a few standard procedures that serve as a yardstick for deciding what and what not to pay your employees.

Consider Employees' Welfare

As a business owner, you may want to include competitive benefits in your employee's payroll. Although these could be an additional cost to the company, if keeping quality workers who perform as if your business is theirs interests you, you should consider giving benefits.

Choose the Right Payment Method

As a business owner in Canada, you have the flexibility to choose what payment method suits your business type. From direct deposit to cheques, cash, and so on, the possibilities are endless. The most important thing to note is that whatever payment method you choose must suit your business's mode of operation, be convenient for the type of employees you have, and be easy to process.

When choosing direct deposit as your payment option, you will need to collect the necessary information from your employees to process their payment.

Frequency of Processing Employees' Payments

Choosing a frequency of pay is also an essential factor to note when paying your employees. Weekly, bi-weekly (every two weeks), and semi-monthly or monthly are the most common payment frequencies used amongst business owners in Canada. To decide how frequently your employees' get paid, be clear about what type of employees you have. Do you have full-time, part-time, contract workers or a combination of one or more?



Taxes, Deductions, and Remittances Are Important

When deciding what to pay your employees, deductions and remittances are also important. Failure to make correct deductions and timely remittances to the CRA can incur penalty charges. While you will need to withhold some amount to be remitted to the government on your employees' behalf, you will also be contributing the employer portion on their behalf. Doing your calculations correctly will help you come to the best decision on what and how to pay your employees.

Everything You Need to Know about ROE'S

Record of employment (ROE) is one of the most important forms you'll need to request and file for your employees. For unprecedented circumstances where your employee has to stop working or face interruption in earnings, this form is used to determine their Employment Insurance Program eligibility (EI).

Mode of Processing

Record of employment is often processed electronically by the employer or through paper forms ordered from Service Canada within five days of the employee's last day of work or payment interruption.

An appropriately filled employment record will contain employee identification details, work history with the company, and any insurable earnings or hours registered by your employees over the year.

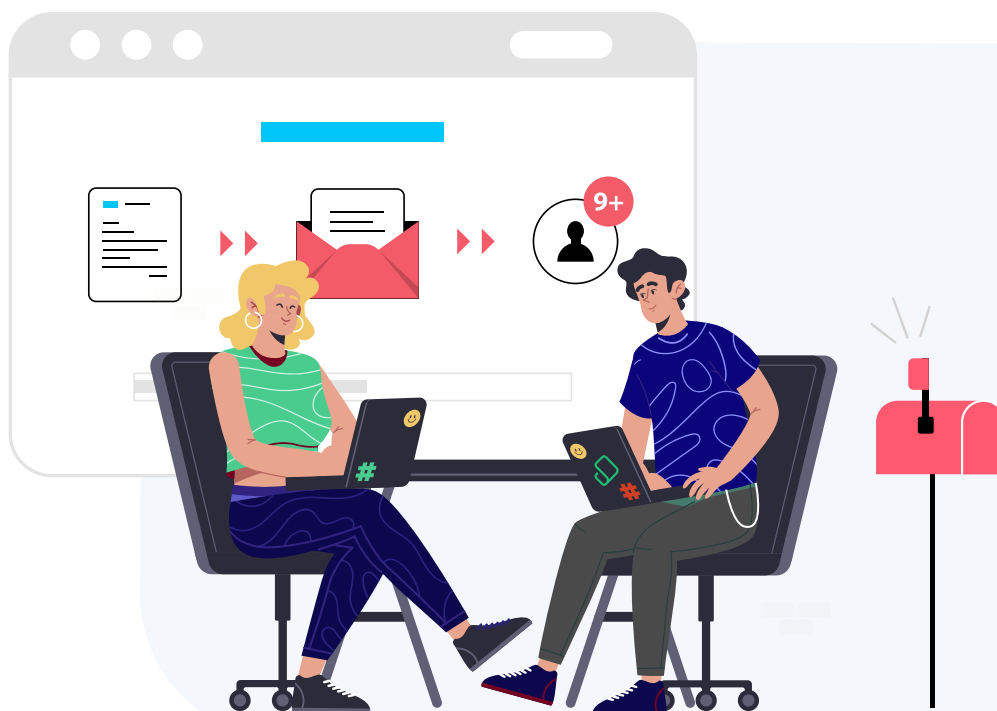
Filing ROE is Your Responsibility

An ROE form has a different function compared to a T4. A T4 is used to file annual taxes, while ROE forms are used to process employment insurance benefits.

As an employer, filling ROE for your employee is important as it helps protect them against financial crises during unforeseen situations. Failure to file ROE for employees after interruption of earnings may attract penalty charges up to \$2,000 and 6 months in prison or both.

Consider Professional Payroll Service Providers

For a timely and effective issuing of ROE forms to your employee, Push software can come in handy. It lets you submit ROE's electronically at the push of a button instead of sending paper forms individually to all employees who need to qualify for the Employee Insurance Program.



How to Run Payroll for The First Time

At this point, you should understand as a business owner that running payroll is part of running your business. Running your business and running a payroll are intertwined and inseparable—you just can't do one without the other, and that is why getting the proper knowledge about running your payroll is essential.

Plan and Create a Payroll Policy

Planning and creating a payroll policy makes running payroll for the first time a lot easier. In this process, you must have established standard payment policies that cater for benefits policy, leave, attendance policy, work hours' policy, and many more.

Federal/provincial laws, territorial wages, and labour laws are also considered at this stage. Creating a payroll policy just makes every payroll process a lot more hassle-free.

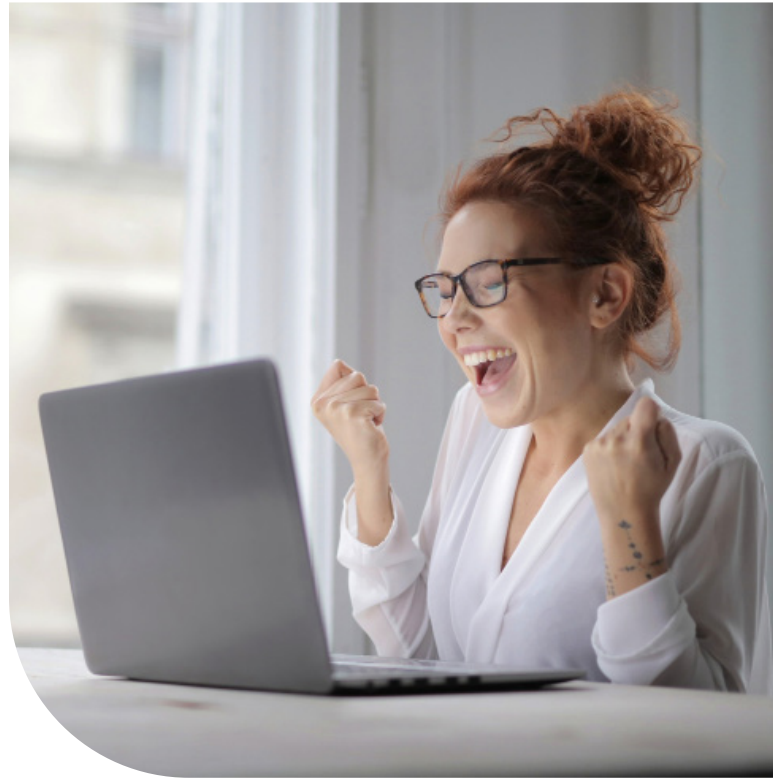
Set Up Accurate Time Tracking System

If you are setting up your payroll per hours worked, you should put in place an accurate time tracking system that accurately reports hours worked by individual employees.

You can choose to do the time processing manually if you have a small-scale business, but employing professional payroll software to do the job will take a lot of burden away from your payroll processing activities.

Validate and Set Up Payroll

All errors in recording or computing hours worked by individual employees must be avoided at all costs. Entering an incorrect time worked by your employees would mean that they are paid inaccurately, and that's no good way for running a business.



Decide How Often You Need to Run Payroll

Payroll is about compensating your employees for their work so you should establish how frequently your payroll is processed. Employees' compensations need to be consistent, timely, and accurate, and that's why you need to decide on what frequency of running your payroll is most convenient. For a small business with hourly wage workers, you may want to consider compensating your employees weekly. Payments can also be made biweekly, i.e., every two weeks. This payment method is flexible and will fit most business types.

You can also decide on paying your workers monthly if it's going to work for your business type, especially if you have workers who work on a commission basis.

Understanding Payroll Deductions and Remittances

Paying your employees as a business owner in Canada consists of more than writing a couple of checks per week. As a business owner in Canada, paying your employees is one thing—calculating payroll deductions accurately and remitting them to the Canada Revenue Agency is another.

Standard Payroll Deductions

In Canada, there are standard deductions that every business owner is expected to withhold from their employee's income before issuing their paychecks.

The Canada Pension Plan, Employee Insurance and Federal, and provincial income taxes are the three standard deductions you must withhold as an incorporated business owner in Canada.

Payroll Penalties

Failure to withhold the accurate payroll deductions and make remittances to the CRA when due can attract penalty charges for violations of Federal and legislated laws in Canada. A general rule of thumb for penalties is 10% of the amount being remitted if more than 7 days late.

Consider the Service of Professional Payroll Companies

Calculating payroll deductions yourself or in-house can become a nerve-racking task, especially when you have a large business, and it also means that there will be a high risk of making mistakes. Mistakes on your payroll deductions and remittances are bad for the growth of your business. Smart business owners in Canada have found a way of automatically processing their payroll deductions and remittances without taking a mathematics class.

Push software lets you enter your employee's information such as hours worked, together with the wages, or compensation, for such work. It automatically calculates payroll deductions based on your input while also putting local tax rates in check.

Payroll Remittance Due Dates

Your remittance due dates are determined by the type of remitter you have been categorized as by the CRA. You may be a quarterly, regular, threshold 1 accelerated, or threshold two accelerated remitter.

Payroll deductions should be remitted to the CRA electronically or through remittance vouchers and must be done on or before the due date as prescribed by CRA depending on your remittance frequency.



Switching Payroll Companies

As your business starts to grow, you may want to consider switching your payroll service provider if the current one can no longer cater for your payroll needs. There are quite a few other reasons why business owners in Canada are switching their payroll companies, but this is often the most common reason

Know What an Ideal Payroll Company is

Lousy customer service, compromised standards, lack of proper integration with other platforms and so on are other reasons you may want to switch your payroll service company as soon as possible.

An ideal payroll service provider should effortlessly handle calculations and payroll deductions, tax statements, remittances, end-of-year taxes, and setting up payment via direct deposit or paychecks.

Consider When it is effortless to switch payroll providers

Depending on your business's immediate needs,

you can switch to a new payroll company at any time of the year. However, switching at particular times of year may take more or less work for you and your business. The beginning of the year and the beginning of a new quarter are the two best times to switch payroll companies conveniently with less hassle.

For small businesses with minimal payroll activities, switching a payroll service provider will often take under a week. In contrast, firms with many employees and a large scale of operation may take more time.

Compare and Choose the best Payroll Company for Your Business

There is so much amazing software in the business management niche that can help you solve every one of your payroll needs and amongst these reputable companies is Push Operations. Push software is a single package that caters for all your payroll needs in one place and can integrate with any other platform that is crucial to running your business activities.



How and What to Pay Yourself as a Business Owner Canada

Most business owners are actively involved in their businesses, carry out various business duties, and often work more hours than every one of their employees. So compensating yourself for every one of your sacrifices and years of hard work is not a bad idea. However, important factors should be considered when taking money out of your business for yourself.

Be Honest about Your Worth

Taking too much compensation may pose a significant risk to your company's growth, whereas underpaying yourself may also mean that you are getting insufficient benefits to cater for your personal needs. How then do you do it the right way?

As a business owner, before you draw out money from your business to compensate yourself, you need to understand your business' entity, profit, how much you are worth, and how well your business can survive after taking out compensations.

Consider The Best Mode of Payment

When planning on what to pay yourself as a business owner in Canada, you may also want to consider what form of payment you should receive. Salary or dividends?

These two payment systems have their pros and cons. Understanding which is best for your business is a crucial part of paying yourself as a business owner.

Incorporated businesses in Canada have an income limit of \$500,000. This means that you may consider paying yourself more to reduce the risk of your income rising above the small business limit.

Set Up Payroll

Once you have concluded what to pay yourself as a business owner, you must put in place a payroll system that processes your payments accurately and regularly, in a timely manner.

Since you will have to pay tax, insurable benefits, and more, you may want to put a payroll system in place that effortlessly solves your payment processing needs.





In Conclusion

In conclusion, a payroll system is an integral part of your organization, and in the end it should help you make money, rather than be a burden. Learning about different types of payroll systems and the benefits they can bring to your business is a great way to build a solid foundation and succeed in the long run.

If you are still looking for a payroll solution, we recommend investing in an integrated one to help you streamline your operations, and save time and money all around.



This guide was created by Push.

Push is an all-in-one employee management solution that helps business owners grow and scale their companies by simplifying HR, payroll, time tracking, and scheduling.

With thousands of customers across North America, Push equips owners to better manage their business.



Payroll



Time
Tracking



Scheduling



Hiring &
Onboarding



Reporting
& Insights

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