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Three Costly Payroll Mistakes and How to Avoid Them

Canadian Payroll Association Professional Development Seminars Help Payroll Practitioners Stay Current with Evolving Payroll Processes and Legislation

TORONTO (June 8, 2015) – Payroll accuracy and compliance is the goal of every payroll practitioner, but accuracy can be difficult to achieve without assistance. To help payroll practitioners, the [Canadian Payroll Association](#), the authoritative source of Canadian [payroll compliance knowledge](#), has compiled a list of three common payroll mistakes with tips to ensure your payroll is in compliance with the federal *Income Tax Act*, as well as the *Taxation Act* in Quebec.

Three of the most common payroll mistakes made by organizations include miscalculating taxable employment income by omitting amounts such as bonuses, subsidized housing, and paid personal living expenses, neglecting to report taxable employment benefits in the period to which they relate, and failing to remit source deductions on time.

Miscalculating taxable employment income

Many employers do not report personal and living expenses paid for by the employer as taxable employment income. However, unless the employee falls under a specific exemption, these amounts are considered taxable income.

In addition, where an employee is provided free or subsidized housing, there is a taxable benefit to the employee equal to the fair market value (FMV) less any amount charged to the employee.

Another area worthy of attention is regarding amounts other than base salary. Amounts such as bonuses, commissions, tips or gratuities, vacation pay, certain honorariums and flat-rate vehicle allowances must be included as part of the employee's taxable employment income.

Reporting taxable benefits only at the end of the year

Use caution when assessing taxable benefits, such as employer-provided life insurance. Schedule the applicable source deduction remittances according to the appropriate payroll schedule, and be absolutely certain that you are calculating the actual value of the benefit, including any related taxes.

Otherwise, the employee may face income tax liabilities when they file their personal income tax return and the employer could face non-compliance penalties and subsequent audits from Canada Revenue Agency (CRA) and Revenu Québec (RQ).



Not remitting source deductions on time

Due dates vary depending on the type of remitter you are, which is determined by the government based on your average monthly withholding amount from two calendar years ago.

As a best practice, payroll practitioners need to create payroll schedules in preparation for the next year, and plan ahead for statutory holidays and leap years to ensure they pay employees on time and meet their remittance deadlines.

CRA and RQ penalties ranging from 3% to 15% may be applied if you fail to pay or remit deductions by the prescribed deadlines.

To help payroll practitioners stay up-to-date with legislative and administrative compliance requirements, the [Canadian Payroll Association](#) offers professional development seminars at locations across Canada throughout the year. Among the more than 20 seminars offered are [Learning Payroll I](#), [Learning Payroll II](#), [Payroll Administration in Canada](#), [Payroll Administration in Quebec](#), [Employment Standards](#) and [Taxable Benefits and Allowances](#), all of which provide essential information and training to help avoid common payroll mistakes. Seminars are open to Association members and non-members.

For more information on the Canadian Payroll Association's [Professional Development Seminars](#), [Certification Programs](#) and [Benefits of Membership](#), visit payroll.ca / paie.ca.

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About the Canadian Payroll Association:

Canada's 1.5 million employers rely on payroll practitioners to ensure the timely and accurate annual payment of \$865 billion in wages and taxable benefits, \$290 billion in statutory remittances to the federal and provincial governments, and \$163 billion in health and retirement benefits, while complying with more than 190 federal and provincial regulatory requirements. Since 1978, the Canadian Payroll Association has annually influenced the payroll compliance practices and processes of over five hundred thousand organizational payrolls. As the authoritative source of Canadian payroll compliance knowledge, the Canadian Payroll Association promotes payroll compliance through advocacy and education.

