

# THE IMPORTANCE OF PAYROLL COMPLIANCE



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## PAYROLL COMPLIANCE: A CRUCIAL ISSUE FOR ALL QUEBEC ORGANIZATIONS BUT HELP IS CLOSE AT HAND

*How would you fare if a payroll snafu meant you wouldn't be paid this week?*

If your honest answer is that a week's delay would squeeze you financially, you're not alone.

A survey conducted by the Canadian Payroll Association (CPA) found 51 per cent of Canadians would face financial difficulty. Quebecers fare better, with 46 per cent living from paycheque to paycheque, said Patrick Culhane, CPA president and CEO. "Quebecers are doing a better job managing their money, but it's a wakeup call for all Canadians."

That Canadian wages are delivered as dependably as they are is impressive, given how much work goes into calculating, reporting, remitting and making electronic deposits each pay cycle. But it is no surprise for Culhane and his 19,000 CPA members across Canada, who handle payroll for everything from small mom-and-pop stores to large municipalities.

"When I look down the street at the CIBC head office and Joe's Pizza Shop, both have the same compliance responsibilities," Culhane said. "Wood chips or computer chips, employers face different daily challenges, but what they all have in common is the need to remain payroll compliant."

That is especially true with the increases in social programs, and legal and statutory requirements administered through payroll. Consider the numbers: \$860 billion in wages and taxable benefits; \$268 billion in remittances, including \$36 billion to Revenu Québec; \$94 billion in health and retirement benefits; 25 million T-4s, 9 million T-4As, and 7 million RL-1s. Throw in 190 federal and provincial payroll-related requirements (30 of which are unique to Québec), with a host of schedules, reporting obligations and penalties, and the sheer volume of paperwork, calculations, regular pay-cycle duties, and the payroll process



**PATRICK CULHANE**  
CPA president and CEO

becomes fraught with risk.

Thankfully, between the bureaucratic morass of regulation and red tape and the employers who must manage it, sits the Canadian Payroll Association, the authoritative source for Quebec and Canadian payroll knowledge and compliance resources — and, said Culhane, the "world's first" payroll association, representing all regions, provinces and sectors.

Canada's regulatory regime requires comprehensive advocacy and crystalline clarity for payroll practitioners. With 58 staff and regional coordinators, the CPA influences the administration of more than 500,000 organization payrolls, counting more than 90 of Canada's top 100 revenue-

generating companies as members, including TD Bank, the city of Montreal, Bombardier, Bell Canada, payroll-service providers like Desjardins and Ceridian, and more than 50 payroll software system providers.

The strongest message Canada's 1.5 million employers need to hear is about payroll compliance.

"It's the challenge related to payroll that most are unaware of," Culhane said. "Even professional accountants doing payroll are surprised at the extent of requirements."

Marie Lyne Dion, chairman of the board at CPA, explains: "Two years ago, the Quebec government issued a law concerning voluntary retirement savings plans (VRSP) and set rules for it. A new government was soon elected and added new rules, so payroll practitioners are always playing catch-up." What's more, she said, "if a rate is changed that's okay, but then consider your employees: A salesman who works on commission? Employees who are paid weekly? Bi-weekly? Shift work? It's all doable, but there are more calculations and details. Our employers need us to be on top of these."

The CPA ensures Canada's employers are recognized stakeholders in the administrative process, Culhane said.

"We know government cupboards are bare and we all want more efficiency," he said. "Anything that could cost millions in lost revenues is not going to happen, so our interest is to influence governments to make things more efficient and effective, with the employer in mind. What's the intent? What's the best way to administer?"

Just consider the repercussions of the most common mistakes, like failure to deduct, which earns a Canada Revenue Agency penalty of 10 per cent of the requirements

not deducted — a stunning 20 per cent for second instance. For late remittance, penalties range from 3 to 10 per cent (a sliding scale, thanks to CPA advocacy efforts that replaced harsher fines). Revenu Québec levies penalties of up to 15 per cent. Moreover, corporate directors — even in non-profits — are liable for non-deducted or remitted monies held in trust, like employment insurance premiums and income tax. Therefore, it is crucial that payroll practitioners be given the tools they need, considering the amount of salaries involved and the procedures to be followed.

A strong sense of the burgeoning compliance requirements, schedules and penalties — and where to go for quick answers and solutions — is an employer's best defence, and has helped the CPA triple its membership in little more than a decade. As Rachel De Grâce, CPA advocacy and legislative content manager, points out: Canada's first Income Tax Act ran 11 pages in 1917, while "the most current one and all its explanatory notes is over 2,400 pages!"

What's more, employers are more creative today in remunerating employees. Instead of paying straight wages, they may pay their rents, concierge services, membership dues and other taxable benefits, which result in more compliance challenges.

The gift card is a classic example. Its value is subject to a tax deduction when it is given; otherwise an employee may end up with a nasty surprise come tax time, leading to costs and affecting morale. Considering that almost half of all payroll practitioners work alone and spend only 50 per cent of their time on payroll, Culhane said, while another 30 per cent are part of two- or three-person payroll departments, payroll must be kept abreast of all benefits and rewards to be able to keep employers compliant. With access to the CPA's Payroll InfoLine, Legislative Compliance Rate Sheets, Payroll Best Practices Guidelines, education opportunities and other resources, the risk of non-compliance plummets.

The cost of CPA membership (\$200 for an organization with fewer than 200 employees) immediately reduces the risk of non-compliance penalties. "We had 38,000 payroll compliance inquiries last year to our Payroll InfoLine," Culhane said, "and quickly resolved potential problems, including gift-card issues."

## CPA'S PAYROLL INFOLINE A ONE-STOP SHOP OF INFORMATION

Does that new employee get holiday pay after only 10 days? Which box do you check?

You're the payroll person, so where do you go for answers?

Rifle through reams of government documents and the ever-changing regulations? Get an early start on that crick in your neck by phoning all the government agencies involved? You can search their websites; helpful, but not very specific.

Is there a better way?

Gaetano Gagliardi thinks so, and he has tens of thousands of reasons to be right.

As payroll consultant for the Canadian Payroll Association (CPA), Gagliardi works the Payroll InfoLine for the Quebec region, where members get fast answers to complex questions.

Last year the Payroll InfoLine fielded more than 38,000 telephone calls and emails, testimony to Canada's — and Quebec's — complex regulatory burden and compliance requirements as well as the efficacy of the CPA's most popular and valued service.

"We truly are a one-stop shop," Gagliardi said. "On taxes you can call us rather than Canada Revenue Agency or Revenu Québec; on employment standards call us instead of the Commission des normes du travail (CNT); on records of employment you can call us instead of Service Canada; on questions of garnishments, benefits, gifts, we offer accurate responses to any payroll question."

Staffed by payroll experts with more than 200 years of combined payroll experi-

ence, the Payroll InfoLine is indispensable for the seasoned paymaster at a large established company, or the practitioner in a small mom-and-pop operation, Gagliardi said, particularly in Canada, with 190 federal and provincial payroll-related requirements, 30 of which are unique to Quebec. "We field calls across the board, from experienced professionals needing a second opinion to junior people taking on that responsibility for the first time. Whatever the size or sector, all companies have that same responsibility and we are up to date on all information for all jurisdictions."

Gagliardi said employment standards, such as statutory holidays, are among the most common Payroll InfoLine inquiries from among the CPA's 19,000 members. "New hires and Canada Day or Fête nationale: 'How do I calculate statutory holiday pay when employees work that day? Can I substitute the holiday? How much notice do I give for termination? How do I treat severance pay?' It helps," he said, "to clarify the issue for your specific case."

The types of calls depend on what's going on in one's organization at the time: as year-end calls increase, he can receive up to 30 calls daily, typically involving preparation of Relevé 1 and T-4 slips, and reporting taxable benefits among others. "Peak days are around the year-end filing deadline. Anytime there is a statutory holiday, the call volume will also increase with questions about statutory holiday entitlement and pay."

More challenging queries usually involve multi-jurisdictions. "There are difficult ques-

tions about international assignments and non-resident employers that can get more complex. Regulations and legislation can change from one province to the next.

"But when there is a development from any government, a budget or legislation that can affect payroll, we have direct source material at hand to answer all questions and communicate it to our members."

Offering unlimited access, for many organizations the service's quick, relevant responses are alone worth the modest cost of CPA membership. With a team of 11 full-time consultants, most telephone inquiries are resolved immediately; emailed questions are normally resolved within four hours.

The bilingual Payroll InfoLine receives queries from all employer sizes and industries, a veritable font of data for the organization's advocacy work with Quebec and federal governments, said Rachel De Grâce, CPA manager of advocacy and legislative content. "The Payroll InfoLine is a veritable information pipeline. Those 38,000 queries are often due to unclear government information, which we then raise with governments when reviewing their payroll publications."

Along with De Grâce and Gagliardi, there are representatives of Quebec employers from various industries sitting on the CPA's Quebec Government Relations Advisory Council. "We know first-hand the specific payroll challenges faced by employers in Quebec," he said. "We use that when meeting with representatives of Revenu Québec, CNT and the Commission de la santé



**GAETANO GAGLIARDI**  
CPA payroll consultant

et de la sécurité du travail (CSST)."

For example, when the former Quebec government decided to merge health contributions into a provincial tax calculation in 2012, "calls from our members administering a Quebec payroll came pouring in," increasing by more than 30 per cent. "We explained to Revenu Québec that what may seem like a simple push-of-a-button solution is not always that easy to administer. The significant increase in Quebec queries was proof that incorporating legislative changes within a payroll system, and communicating to employees the consequences these changes have on their net pay, often requires guidance from the CPA."

# CANADIAN PAYROLL ASSOCIATION'S PROFESSIONAL DEVELOPMENT SEMINARS, COMPLIANCE SERVICES AND CERTIFICATION PROGRAMS A VALUABLE SOURCE OF INFORMATION

A generation ago, payroll was considered a “pink ghetto,” says Marie Lyne Dion, Canadian Payroll Association chairman. “There was usually a very nice, reliable lady, and payroll was simple — usually gross pay and deductions ... handed out in brown envelopes with figures on them that were a lot easier to arrive at than today.”

Today's payroll practitioner must be a maven of myriad legal and regulatory complexities to keep employers compliant with federal and provincial requirements. Not just punching numbers, payroll practitioners manage people, information, and understand nuances of employee benefits. “It's not plain accounting,” Dion said. “You must know regulations, deal with employers and stakeholders, insurance companies and unions.”

She should know, having taught CPA courses for the last decade, and juggled a municipal payroll with 22 collective agreements in her 30-year payroll career. “Calculations are jazzier now because laws change from province to province, one agreement to another,” she said. “Nothing is static. It always changes, so we have to be on top of compliance knowledge.”

One of the CPA's strengths, as one of Canada's most successful associations, is the sheer volume of professional development opportunities and tools it offers. Through certification, seminars, publications and other compliance resources, Canadian payroll practitioners and employers stay on the cutting edge of new payroll legislation, technology and best practices.



**MARIE LYNE DION**  
CPA chairman of the board

Some 15,000 registrants annually attend over 500 CPA seminars, webinars and conferences, and that number grows as payroll.ca and paie.ca remain the premier online addresses for employers and payroll practitioners to discover the scope of tools at their disposal.

The CPA's hundreds of popular Canada-wide seminars — more than 60 offered in Quebec over the next few months — keep personnel current on the ins and outs of payroll and all the services available to today's professional, said Patrick Culhane, CPA pres-

ident and CEO. “You can also develop a professional network,” he said. “For payroll practitioners, it's very valuable because they are usually doing the organization's payroll alone.”

On offer is a wide array of current, relevant subjects, including introductory sessions for those new to payroll or who need refreshers, and on specialty topics ranging from Payroll Accounting for Non-Accountants to HR Fundamentals. Advanced sessions offer valuable insight into such topics as Pensions & Benefits and International Assignments, and Canadian practitioners can learn to navigate U.S. Payroll Issues, Garnishments and Year-End.

Issue-specific seminars are a big draw, Culhane said. “We talk about what exactly are taxable benefits, such as employer-provided automobiles and gift cards — issues payroll practitioners face every pay cycle.”

Popular year-end sessions start in late October and November, running until January, and Dion herself delivers a pair of popular sessions on “How to pay an employee *in* Quebec when you are *out* of Quebec.”

To date, more than 13,000 Canadians have enrolled in the CPA's certification courses online and at 45 colleges, with over 12,000 members qualified as Payroll Compliance Practitioners or Certified Payroll Managers. Webinars feature engaging speakers and are conveniently archived for easy access. Topics include payroll careers, termination issues and assessing vacation policies, among others.

Payroll's largest knowledge-building and networking event is the CPA's

Annual Conference and Trade Show — 32 years and counting. In June, Toronto was transformed into the “Payroll Capital of the World” and in 2015, the event will be held in Quebec City. For three days, payroll publishers, software and service providers, and governments showcase products and innovations, while dozens of educational sessions and keynote speakers provide unprecedented professional development opportunities.

There's more on the CPA's websites (payroll.ca and paie.ca), like valuable and timesaving checklists, verification tools, glossaries and downloadable guidelines — from Overpayments to New Hires — helping members fulfil day-to-day responsibilities and contribute to their company's best practices. (Not currently a member? You still have free access to the Pay Statement Guidelines, and to interactive quizzes to test your knowledge on each guideline's topics.)

Members also receive Dialogue magazine to stay up to date on trends, issues, products and services, while the e-Source newsletter delivers the latest legislative and regulatory updates to your inbox six times a year. Budget updates are also provided to spare employers the need to sift through and analyze hundreds of pages.

The breadth and volume of learning and support offered to CPA members is the bedrock of growth in the skill, efficacy and professionalism of Canada's payroll community. “We all understand,” Dion said. “The year you don't learn, that's the year you don't grow.”

## CPA'S QUEBEC ADVISORY COUNCIL HAS TWO-WAY DIALOGUE WITH QUEBEC GOVERNMENT

The November 2012 budget surprised Quebec employers, who were told to begin deducting personal health contributions as an employee source deduction — previously paid through personal tax filing — effective January 2013. “That was less than six weeks' notice,” recalls Rachel De Grâce, manager of advocacy and legislative content for the Canadian Payroll Association (CPA).

The CPA mobilized its Quebec Government Relations Advisory Council (QGRAC), payroll service providers and software developers to advise Revenu Québec (RQ) that the timeframe was unmanageable. “We didn't tell them not to do it. Our concern was the payroll implication for Quebec employers.” RQ agreed to extend implementation to March 2013 with no retroactive programming. “This was a huge win for Quebec employers,” De Grâce said.

With the health deduction, the CPA intervened before most employers were even aware of the change; the issue was ironed out by the time they heard about it.

“That's advocacy at its best,” De Grâce said. “It's a two-way dialogue and that's the reason we are so successful. We've gotten to a point in our relationship with government representatives that they now come to us for feedback *before* moving forward with a policy. This is evident with Revenu Québec, where our council is treated almost as a focus group.”

QGRAC meets regularly throughout the year and on an ad hoc basis with RQ, the Commission de la santé et de la sécurité du travail (CSST) and the Commission des normes du travail (CNT), as well as with the Canada Revenue Agency (CRA), Ser-

vice Canada, Employment and Social Development Canada, and provincial ministries of labour.

“We have really driven home assurances that we have the same objectives as the government agencies, ministries and departments that we work with — we all provide compliance services.” Prior to the CPA consistently meeting with RQ, De Grâce said, the agency had little appreciation of the fact that what they considered a small measure had such impact on employers.

“Revenu Québec has undergone a sea change,” she said, adopting a “progressive attitude and staffed by bright and energetic professionals who appreciate our compliance focus.” Given that Quebec has more than a quarter of Canada's 190 payroll regulatory requirements, this collaboration fosters close working relationships between those civil servants charged with the administration of payroll legislation, and the CPA, acting on behalf of Quebec employers who labour under the yoke of paperwork and want to reduce that burden to drive profitability.

De Grâce said the QGRAC always presses for employers to receive as much notice as possible before changes are implemented. “The government now understands that by giving advance knowledge and perhaps seeking our input, it will help their thinking on a form or formula.” However, it's more than just a matter of time; simplicity is also paramount. “If employers can take a breath between pay cycles and not be bogged down with complexities, governments can count more realistically on remittances that are 100 per cent accurate, 100 per cent of the time, on every pay for every employee.

“We won't say ‘lower taxes,’ but instead: ‘Here's a better way to col-



**RACHEL DE GRÂCE**  
CPA manager of advocacy and legislative content

lect them.’ We advocate for effective and efficient payroll legislation for all stakeholders: employers, the government and the general public. Working with the government, and not against them, makes the CPA's advocacy goals a collaborative effort.”

“Advocacy is not a polite word for lobbying,” said CPA President Patrick Culhane. “Politicians are the policy makers. They make the rules, but RQ must enforce them. Everyone wins when those rules are improved.”

With confusing and unduly harsh requirements, employees' paycheques can be delayed or incorrect; employers face penalties or increased paperwork; and governments pay for auditing and collection. “In other words,”

Culhane said, “everybody loses.”

Working on behalf of employers means championing far more than the CPA's 19,000 members. While more than 90 of Canada's top 100 companies are members, the CPA influences the administration of more than 500,000 organization payrolls, a staggering segment of the nation's economic life benefiting directly from CPA's advocacy successes. The rising efficiency tide lifts all boats, De Grâce said: “It elevates payroll as a profession.”

The 35-year-old CPA has made great inroads with all stakeholders, discovering the value of a payroll-based advocate in heavily regulated Quebec. Reducing the groaning bureaucratic strain on Quebec business yields immediate results, even if it is done without fanfare.

A recent case involves the program whereby RQ collects employer remittances on behalf of CSST. Previously, employers paid separate payroll remittances to the CSST and others to RQ until the CPA aided in bringing the current combined model into reality. “It's one remittance, one receiver,” and one less task for payroll personnel, a positive reduction in employer paper burden costs for every Quebec company, whether or not they ever even heard of the Association canadienne de la paie, as the group is known in French.

“I give credit to both RQ and CSST for seeing the benefit of it,” Culhane said. “It took a couple of years and was an educational process for CSST, RQ and us at the CPA, but it was a very collegial experience.”

Each time the burden is eased it brings relief to Quebec organizations, which must pay their annual share of the country's \$362 billion in statutory remittances and health and retirement benefits.

## A Q&A ABOUT THE CPA

### How large is the Canadian Payroll Association (CPA)?

With 19,000 members in all regions and sectors of the country, the CPA has advocated on behalf of all Canadian employers since 1978 for more effective and efficient payroll legislation and administration. Canada's 1.5 million employers count on payroll practitioners to annually pay \$860 billion in wages and taxable benefits, \$268 billion in federal and provincial statutory remittances, and \$94 billion in health and retirement benefits, as well as produce 25 million T4s, 9 million T4As, and 7 million RL-1s — all while complying with more than 190 regulatory requirements.

### What is its main function?

As the authoritative source of Canadian payroll compliance knowledge, the CPA influences the policies and practices of payroll service bureaus, software providers, and hundreds of thousands of employers, as well as federal and provincial government agencies and departments. One of its primary roles is to advocate on behalf of all Canadian employers, and ensure employers understand the importance of payroll compliance.

### Are there specific differences between Canada Revenue Agency and Revenu Québec policies the CPA is addressing?

The CPA is advocating for revised treatment of the ubiquitous gift card. For example, employers can give employees a card as a birthday or wedding gift, and Revenu Québec doesn't consider it a taxable benefit as long as it cannot be easily converted to cash and the value is no more than \$500 for the year. "The CRA, however, considers all gift cards easily converted to cash and a taxable benefit, which has to be assessed for federal tax," said Rachel De Grâce, the CPA's manager of advocacy and legislative content. "This lack of congruency creates an administrative burden on employers to report the benefit and communicate different tax treatment to employees." The CPA is, therefore, advocating that the CRA adopt RQ's position, "but sometimes these victories only come after years of discussion and meetings to explain that compliance *increases* as administrative burden *decreases*."

### What are the most popular and immediate benefits of CPA membership?

A CPA membership instantly lowers the risk of non-compliance. With immediate access to the Payroll InfoLine, rate sheets, payroll best practices guidelines, interactive tools such as the CPA's Termination Checklist and Calculator, as well as other resources and publications, employers can be assured their payroll staff is equipped with up-to-date compliance information.

### What are the costs of non-compliance?

It depends on the nature of the error or oversight, and the amount involved. Failing to deduct amounts will earn a CRA (Canada Revenue Agency) penalty equal to 10 per cent of amounts not deducted, double on the second occasion. (For example, neglecting to deduct \$75 will first cost you \$7.50, then \$15, plus interest.) Such mistakes on a full pay cycle can be a very costly matter. If remittances are late as per established schedules, penalties range from 3 to 10 per cent. "It used to be 10 per cent," said Patrick Culhane, the association's president and CEO, noting that the CPA advocated for fairness provisions and the implementation of a graduated process. The CRA agreed and now the scale runs 3 per cent if up to three days late, 5 per cent if up to five days late, 7 per cent if up to seven days late, and 10 per cent if more than seven days late or no amount is remitted. Revenu Québec also agreed to

graduated penalties, with a sliding scale from 7 to 15 per cent.

Failure to acquire and record an employee's Social Insurance Number within three days of when they start work, according to the CRA, will have you and the employee facing a penalty of \$100. Simply failing to file a Record of Employment once an employee has an interruption in earnings could net you a fine up to \$2,000, imprison-

ment or both.

"It's in no one's interest to be non-compliant," De Grâce said.

### Are most employers aware of the rules?

A poll commissioned by the CPA showed that many employers did not know how many existing rules require compliance. "It's incredible how few actually know," Culhane said. "Some suspected

only two provincial requirements! One of our ongoing challenges is to enhance awareness of the fact that there are 190 regulatory requirements in Canada — with 30 of them being unique to Quebec."

All the same, Canada's setup is more straightforward than that of the U.S. "Their payroll process goes from federal, state, to county and municipality, while the U.K. has a more simplified

system than ours. Canada comes in the middle," reflected Culhane.

Canada is also a world leader in using technology in payroll: "Ninety-eight per cent of Canadians are paid using computer technology," Culhane said, explaining that in the past all of Canada's big banks had payroll as a part of their offering, and were instrumental in influencing the use of technology.



## GIVE YOUR PAYROLL COMPLIANCE MANAGEMENT SOME PANACHE

The Canadian Payroll Association (CPA) is the leading authority in payroll compliance knowledge in Quebec and Canada.

There are more than 190 federal and provincial payroll-related requirements, 30 of which are unique to Quebec. The CPA can help you comply with constantly evolving payroll legislation and avoid the risk of incurring costly penalties.

Become a member today and give your payroll compliance management some panache.



Visit [payroll.ca](http://payroll.ca) to learn more