Changing Payroll Frequency Guidelines™

(Including the Occurrence of 27 Bi-weekly or 53 Weekly Pay Periods)

NATIONAL PAYROLL INSTITUTE

The National Payroll Institute's mission statement is Payroll Leadership through Advocacy and Education. The Institute is committed to providing the payroll-related services payroll professionals and their employers need to ensure compliance with over 200 legislative requirements that impact payroll.

All references to legislative requirements are current at the time of publication; however government legislation shall prevail if there are any discrepancies between the guidelines and government statutes or regulations.

Communications & Marketing
The National Payroll Institute
1600—250 Bloor Street East
Toronto, ON M4W 1E6

Tel: 416-487-3380, ext. 111
Fax: 416-487-3384

National Payroll Institute Updated September 2024

TABLE OF CONTENTS

INTRODUCTION

As the authoritative source of Canadian payroll knowledge, one of the objectives of the National Payroll Institute (NPI) is to publish guidelines that can be referenced as NPI Payroll Best Practices for payroll professionals and their employers.

A challenge for many payroll professionals is having their employers understand that payroll is mission critical and requires in-depth knowledge and skills to ensure compliance.

The NPI guidelines can assist organizations with preparing for a payroll audit. They can also provide benchmarking tools for designing and/or implementing Payroll Best Practices.

These guidelines were created by a task force of NPI staff and subject matter expert payroll professionals, ensuring both the accuracy of the information and the practicality of its application, based on real-life experiences within various organizations.

The NPI would like to thank the subject matter experts for their participation on the task force and their contributions to these guidelines.

NPI members should direct any legislative questions on these guidelines to:

NATIONAL PAYROLL INSTITUTE

National Payroll Institute's Payroll InfoLine
Toll Free: 1-800-387-4693 ext. 772
Phone: 416-487-3380 ext. 772
Email: **InfoLine@payroll.ca**

KEYWORD SEARCH AND HYPERLINKS

When viewing any of the NPI's guidelines online, readers can search for keywords appearing within the document. For example, if information is required on a certain word or phrase, type the word or phrase in the search window (activated by pressing the "Ctrl" and "F" keys simultaneously on most applications).

These guidelines contain **hyperlinks** within the document itself. All government forms, guides and websites discussed within the guidelines can also be accessed using these hyperlinks, which were active at the time of publication.

There is a quiz at the end of the document to test your knowledge.

CHANGING PAYROLL FREQUENCY GUIDELINES

Understanding the administrative responsibilities of both the communication and execution requirements of a payroll frequency change can be daunting for payroll professionals.

Through the lens of the most common payroll frequencies, including a detailed look at the occurrence of having a 27th bi-weekly or 53rd weekly pay period, the NPI's Changing Payroll Frequency Guidelines can assist payroll professionals in understanding the common reasons and requirements for implementing a change in payroll frequency, as well as the impact of such a change on various stakeholders within the organization.

PAYROLL FREQUENCIES

Whether to meet the new terms of a collective bargaining agreement, simplify the payroll process, reduce payroll processing fees or a variety of other reasons, an organization may decide to change its payroll frequency.

The following lists some of the payroll frequencies an employer may have:

- quarterly (every three months)
- monthly (once a month)
- semi-monthly (twice a month)
- bi-weekly (every two weeks)
- 22 pay periods (often used for teachers who get paid every other week during the school year)
- 13 pay periods (every four weeks)
- 10 pay periods (often used for teachers who get paid every month during the school year)
- weekly (every week)

LEGISLATED PAYROLL FREQUENCY

Most jurisdictions require that employees receive their pay according to a minimum frequency. While employers may choose a shorter interval between payments, a longer payroll frequency would not be permitted. See **Appendix 2** for the legislated payroll frequency by jurisdiction.

MOST COMMON PAYROLL FREQUENCIES

When an organization decides to change a payroll frequency, consideration should be given to the frequencies most commonly used by other employers, provided these meet with employment/labour standards in the jurisdiction(s) where employees perform their jobs.

Bi-weekly payrolls are used by an overwhelming percentage of organizations surveyed due to advantages for both the employee and the payroll professional.

ADVANTAGES OF A BI-WEEKLY PAYROLL

Employees may prefer a bi-weekly payroll frequency if it allows them to better plan their finances. Knowing that each paycheque will be coming every second Thursday, for example, helps individuals schedule automated payments more easily than a semi-monthly paycheque on the 15th and 30th of the month.

A bi-weekly payroll frequency also offers benefits for the payroll professional:

- pay period schedules are easier to communicate to employees
- the same number of days per pay period
- payroll processing schedule remains consistent
- easier to deal with exceptions to the pay period (sick days, vacation days, etc.)
- fewer requests for payroll advances (compared to monthly payrolls, for example)
- reduced processing tasks (compared to weekly payrolls, for example)

CHALLENGES OF A BI-WEEKLY PAYROLL

As bi-weekly pay period dates are most often misaligned with monthly accounting periods, payroll costs can occur in one accounting period but are paid in the next. In this situation, employers regularly accrue for the cost of the salaries, wages and payroll-related expenses earned in the period but not yet paid, to more accurately reflect their costs for the period.

The calculation of the amount to accrue for the salaries can be based on the number of unpaid days using an average daily rate from the previous pay. For organizations whose payrolls fluctuate, an estimated amount based on the anticipated salaries and wages can be used.

Payroll-related expenses may include but are not limited to employers' costs for Canada/Québec Pension Plan (C/QPP), Employment Insurance (EI), Québec Parental Insurance Plan (QPIP), worker's compensation, vacation pay, pension plan contributions, and group insurance premiums.

THE OCCURRENCE OF 27 BI-WEEKLY OR 53 WEEKLY PAY PERIODS

When using a bi-weekly payroll, organizations normally have 26 pay periods in the year; however, a 27th pay period will occur once every 11 years. A similar occurrence of a 53rd pay occurs every seven years for weekly payrolls.

The number of pay periods in the year is determined by the number of pay dates in the calendar year, regardless of the pay period dates. For example, a bi-weekly pay period running from December 18th to December 31st that is payable on January 7th of the following year, is taxable and reportable based on the payment date. Therefore, the tax tables for the payment year apply and the income would be reported on the employee's tax slips based on the year of payment.

If the pay date fell on January 1, the organization may elect to pay employees a day early on December 31, thus creating an extra pay period in a year in advance of when expected.

Note:

Labour standards in Quebec legislate that the payment must be paid the day before the holiday if the pay date was originally scheduled on a statutory holiday. It should also be noted that Manitoba and Nova Scotia use working days as opposed to calendar days in their timing of payment, which may require an employer to pay wages.

An organization should consider the budgetary impact of an additional pay date being added to the current year.

However, a Payroll Best Practice is to prepare a schedule before processing your first payroll to forecast the number of pay dates in the upcoming calendar year. This will help determine if there will be 26 or 27 (52 or 53) pay periods, allowing you to apply the correct C/QPP exemption each pay period from the start of the year.

REDUCING BI-WEEKLY OR WEEKLY SALARIES (26.09 OR 52.14 FORMULA)

To avoid the additional payroll expense that a 27th pay will cause, a small number of employers choose to adopt a slightly adapted salary calculation which will essentially split the cost of the 27th pay period over the 11 years by applying the following calculation:

10 years with 26 pay periods = 260 pay periods

1 year with 27 pay periods = 27 pay periods

260 + 27 = 287 pay periods in eleven years

287 divided by 11 = 26.09 average pays per year over the 11 years

An employee's annual salary would, therefore, be divided by 26.09, thus averaging out the annual salary over the 11 years.

Some employers who pay on a weekly cycle apply the same logic to adapt their weekly salaries as follows:

6 years with 52 pay periods = 312 pay periods

1 year with 53 pay periods = 53 pay periods

312 + 53 = 365 pay periods in 7 year

365 divided by 7 = 52.14 average pays per year over the 7 years

POTENTIAL RISK OF REDUCING BI-WEEKLY OR WEEKLY SALARIES

While the practice described above may seem logical from a financial perspective, it may be challenging for the employee to accept the explanation, especially if they do not work for the organization for the entire 7- or 11-year span.

This practice would seem especially contentious if applied after the employee has already had their annual earnings calculated on 26 or 52 pay periods. If the employee is still working the same number of hours per week, it may be difficult to explain why their pay should be reduced simply because of how the pay dates fall in a particular calendar year. An employer should consider the optics of reducing a salaried employee's rate of pay when their hourly-paid employees would not be experiencing such a reduction.

Reducing a salaried employee's rate could be construed as a change in conditions of employment from an employment/labour standards perspective and could be seen as constructive dismissal if an employee decided to resign as a result of the reduction. There is also the possibility of a class-action lawsuit being filed against an employer should a group of employees collectively decide to seek legal action. Employers are therefore cautioned against having what should be treated as an accounting issue developing into employee morale or legal issues.

The NPI does not recommend this practice. In previous press releases and communications, the Association has advocated against reducing an employee's pay, especially if their previous year's salary did not already take the occurrence of a 27th or 53rd pay into consideration.

PROCESSING 27 OR 53 PAY PERIODS

Regardless of how the organization chooses to deal with the employee's actual salary, special attention is required when processing a payroll that will experience 27 or 53 pay periods. A separate section on the **Decision to Change Payroll Frequency** examines the impact on both internal and external stakeholders.

Impact on C/QPP

Special attention must be made to the calculation of the C/QPP exemption to ensure the annual exemption amount is not exceeded due to the additional pay period. (EI and QPIP premiums are not subject to an annual exemption, and are therefore a non-issue in this situation.)

Instead of using regular bi-weekly tables to calculate CPP contributions, employers should use the **Canada Revenue Agency's (CRA's) Payroll Deductions Supplementary Tables** for 27 or 53 pay periods.

Since Revenu Québec (RQ) does not publish similar tables, the QPP exemption should be applied to each pay period by dividing the annual exemption amount ($3,500) by the number of pay periods in the year as follows:

- For a standard bi-weekly pay period containing 26 pays in the year, the per-pay exemption equals $134.62 ($3,500/26). However, in a year that contains a 27th pay period, the per-pay exemption is $129.63 ($3,500/27).
- For a standard weekly pay period containing 52 pays in the year, the per-pay exemption equals $67.31 ($3,500/52). However, in a year that contains a 53rd pay period, the per-pay exemption is $66.04 ($3,500/53).

Impact on income tax

Receiving an additional pay period in the year causes an employee's annual earnings to be higher than the expected annual salary. This could result in the employee having a tax liability at the end of the year if:

- the employee enters into a higher tax bracket; and/or
- the employee's TD1/TP-1015.3-V tax credit was not annualized over the correct number of pay periods.

To minimize the potential tax shortage, employers should again use the **Canada Revenue Agency's (CRA's) Payroll Deductions Supplementary Tables** for 27 or 53 pay periods.

As RQ does not publish similar supplemental tables, employers may want to consider advising Quebec employees of the possibility of filing a Source Deductions Return (**TP-1015.3-V**) to request additional income tax to be deducted each pay period.

Non-statutory deductions, taxable benefits and allowances or payments

Non-statutory deductions, taxable benefits and allowances, or payments that were pro-rated over 26 or 52 pay periods may need to be recalculated to take into account the 27th or 53rd pay. If not, the additional amount from the extra pay period may result in exceeding the annual limit. The same three-step process as described under the section **Discovering the Extra Pay Later in the Year** can be used to recalculate the new per pay period deduction, taxable benefit, and allowance or payment.

Examples of non-statutory deductions which may require recalculation include:

- union dues
- garnishments
- pension plans (plan administrator should be contacted)
- group Registered Retirement Savings Plan (RRSP)
- employee-paid group benefits
- charitable donations
- social committee contributions
- employee-paid amounts for uniforms

See the section **Impact on Pensions and Benefits** for additional information.

Examples of taxable benefits and allowances or payments that may require recalculation include:

- employer-paid life insurance, accidental death and dismemberment (AD&D) and critical illness premiums
- employer-provided room and boarding
- employer-provided automobiles
- allowances (e.g., car, living, per diems)
- top-up payments (e.g., maternity/paternity/parental/adoption/workers' compensation)

According to subsection 6 (1) (a) of the **Income Tax Act (ITA)**, taxable benefits must be included in the employee's income as they are enjoyed or received. If the employee is enjoying or receiving the taxable benefit every pay period, the value should be pro-rated based on 27 or 53 pay periods and reported each pay.

Example:

Marie is covered under her employer's group term life insurance plan. The employer-paid monthly premium is $25 plus 8% Retail Sales Tax (RST) since Marie lives in Ontario. For a year in which Marie will be receiving 27 bi-weekly pays, her bi-weekly life insurance taxable benefit should be calculated as follows:

$25 x 8% = $2

($25 + $2) x 12 months = $324

$324 ÷ 27 pay periods = $12/pay period

Note:

Although the **ITA** requires taxable benefits to be reported as they are enjoyed (e.g., employer-paid life insurance premiums should be reported every pay period in which the employee is considered covered under the plan) the CRA has confirmed that employers would not likely receive an actual penalty if they spread the benefit over 26/52 pay periods instead of 27/53.

Some employers even divide their monthly taxable benefit amount in half and report over 24 pay periods to better facilitate reconciliation. Again, while not entirely compliant with the **ITA**, it would be unlikely for employers to receive an actual penalty for following this practice.

When deductions or allowance/payments do not require recalculation

Non-statutory deductions or payments that are only processed monthly, such as car allowances, would not necessarily need to be recalculated, nor would amounts based on a percentage of earnings, such as certain union dues or garnishments.

Non-legislated or non-legal deductions, such as those for the organization's social committee or charitable donations, could be set up as per a written agreement between the employee and employer. If the agreed-upon amount is a fixed amount per month to be divided by two and taken on the first two pay periods of each month, no deduction would be required for any month in which a third pay occurred.

DISCOVERING THE EXTRA PAY LATER IN THE YEAR

Although employers should be calculating the number of pay dates well before the first pay period of the new taxation year, this is sometimes overlooked in the current year-end obligations. If you have processed several pay periods before realizing that an additional pay period will occur, special considerations need to be given to C/QPP, income tax, taxable benefits, and other deductions.

Note:

The following logic also applies to a weekly pay period frequency where a 53rd pay period will occur once every seven years.

C/QPP

A recalculation will need to be done to reallocate the outstanding C/QPP annual exemption to the remaining pay periods in the year. The following example outlines the steps to be taken to complete this recalculation.

Example:

You have processed 10 pay periods so far this year under the assumption that there would be 26 pays by the end of the year. You now realize that there will be a 27th pay date in the calendar year. 17 pay periods are remaining.

Step 1: Calculate the amount of C/QPP exemption used to date:
$134.61 per pay multiplied by 10 pay periods = $1,346.10

Step 2: Calculate the outstanding C/QPP exemption available for the remainder of the year:
$3,500 minus $1,346.10 = $2,153.90

Step 3: Calculate the per pay exemption for each of the remaining 17 pay periods:
$2,153.90 divided by 17 = $126.70

A workaround method of ensuring that the annual exemption is not exceeded is to continue to apply the exemption based on 26 pay periods and then not apply any exemption for the 27th pay period. This is not the preferred method, especially since employees who terminate employment before the end of the year will have technically underpaid C/QPP contributions. As well, a slightly higher C/QPP contribution will occur for employees who have not reached the maximum. This results in a lower net pay at a time of year when many of those same employees have strict budgets.

Employers should ideally determine the occurrence of a 27th pay period before processing their first pay period of the year to avoid this workaround.

Impact on income tax

As previously mentioned, unless supplemental tax tables were used from the very first pay period of the year, an employee may not have been deducted sufficient income taxes. As soon as the realization is made that an additional pay period will be experienced in the year, employers should explain to employees that they may have an additional tax liability at the end of the year. Depending on the number of employees affected, an employer could even calculate an estimate of the tax differential and offer to deduct this amount over a few pay periods.

Employees should also be allowed to file a **TD1**/**TP-1015.3-V** to request the deduction of additional income tax from each remaining pay period to reduce the possible tax owing when they file their income tax return.

Non-statutory deductions, taxable benefits and allowances, or payments

As previously mentioned, some deductions may have to be recalculated upon the discovery of a 27th pay period in the year; whereas others may simply require that the employer remembers not to apply the additional amount to the additional payment.

As for taxable benefits, employers will more than likely find themselves in one of the following three situations:

1. Since taxable benefits must be included in the employee's income as they are enjoyed or received, some employers may want to divide the remaining benefits equally over the number of pay periods remaining. The same three-step process as described under the **C/QPP** section above can be used to recalculate the new per pay period deduction or taxable benefit.

2. Other employers may choose to maintain the calculation of taxable benefits pro-rated over the 26 pay periods and simply "turn off" the inclusion of the taxable benefit in the additional pay period.

3. Still, other employers may have been including taxable benefits over 24 pay periods for ease of reconciliation and will simply not include any additional amounts in the 27th pay period.

Pension/Group RRSP

If pension and/or group RRSP limits have been based on 26 pay periods, the employer must ensure that overall accrual and contribution limits are not surpassed in the event of a 27th pay. For pension plans, in particular, the plan administrator should be contacted about the additional pay period.

Note:

Employers must remember to return all settings to a 26-period frequency effective the first pay period in the following year. This includes C/QPP exemptions, non-statutory deductions, taxable benefits, taxable allowances, other payments, pension and RRSP contributions.

THE DECISION TO CHANGE PAYROLL FREQUENCY

Independent of the occurrence of an additional pay period mentioned above, an employer may choose or be required to change their payroll frequency. Each payroll frequency type brings its own set of advantages as well as challenges. Not all pay frequencies fit every organization or situation.

Change can be initiated by Human Resources (HR), Payroll, Management, Finance, Information Technology (IT), or any combination of departments. The cost of changing frequencies is very important to an organization, but it may not be the prime consideration.

There are many pros and cons to consider when contemplating a change. Your accounting group may prefer semi-monthly payrolls because it provides for easier accruals and a clean monthly cut-off. Employees, however, do not typically favour semi-monthly payrolls, since the pay dates often occur on different days. It is very important to ensure that you are making the best decision for your particular organization factoring in the effect it will have on all stakeholders.

EVENTS LEADING TO A PAYROLL FREQUENCY CHANGE

The decision or requirement to change payroll frequencies is usually the result of an alteration in existing organizational requirements related to internal or external events, such as the following:

- A merger or acquisition may drive a frequency change for the newly-acquired employees and/or existing employees. With many acquisitions, it is the employees being brought into the organization who require a frequency change. Employers may also use a merger or acquisition to blend the cycles of both organizations.
- The signing of a new collective agreement may trigger a frequency change. For example, the union may negotiate for employees currently paid on a semi-monthly payroll to be paid bi-weekly instead.
- If an organization is looking to decrease operating costs and find efficiencies, a payroll frequency change may be an option. Weekly payrolls generally entail a higher workload, which can translate into more personnel and administrative costs. Changing to a bi-weekly payroll may bring significant savings to the organization.
- There may be several pay frequencies in an organization (e.g., weekly for hourly paid employees, bi-weekly for salaried employees, and semi-monthly for executives). A frequency change may be contemplated to align all pay frequencies and provide a common payroll frequency for the organization
- If moving to a different service provider, payroll platform, or payroll software, multiple pay frequencies within the same organization may not be possible.
- A change in status (e.g., a salaried employee receiving a promotion to a semi-monthly paid executive) may require a change in payroll frequency mid-year.
- Changes in technology or processes can also lead to a payroll frequency change. For example, a new financial reporting system may have been upgraded to now allow the transition from semi-monthly to bi-weekly frequency.
- Legislative change is a constant concern for payroll. Most jurisdictions dictate when an employee's payment must occur based on when the time is worked. Should legislation in a particular jurisdiction require a shorter payroll frequency than what the employer is currently following, a change in payroll frequency will be required.

Note:

An organization may decide to change pay dates, for example, from every other Thursday to every other Friday. Another example might be to unify all bi-weekly employees to the same payment schedule instead of some being paid on alternate weeks. While not technically a payroll frequency change, these guidelines will still assist employers in dealing with the implementation and communication required for such a change in payment schedules.

ASSEMBLING A PROJECT TEAM

Organizations should assemble a project team to assess the issues of a payroll frequency change. Representatives from the following departments should be included:

- **Payroll**: responsible for analyzing and implementing most of the changes and for ensuring legislative compliance.
- **HR**: Also responsible for legislative compliance, as well as pensions and benefits administration, recruitment, retention, and employee morale regarding the change.
- **Finance**: responsible for budgetary concerns.
- **IT**: In-house payroll processing may have technical problems that must be taken into consideration by the IT staff. If payroll is outsourced, the payroll provider may need to be contacted by the IT staff to work out any challenges.
- **Management**: As decision makers, organization leaders should be included from the very beginning of the project and should be aware of all benefits and consequences of the payroll frequency change.

Once assembled, the project team must then identify and address both internal and external requirements before implementing a payroll frequency change.

INTERNAL REQUIREMENTS

Internal stakeholders must first be identified before the impact on each group can be fully analyzed. Some questions to consider include the following:

1. Will the change impact your current timekeeping process? There may be several implications depending on whether you use your timekeeping system to pay regular or exception hours or if you pay any time in arrears. Will there be a change for overtime calculations? A thorough analysis will help you determine if any changes are necessary to how you gather time, while remaining compliant with employment/labour standards, collective agreements and organizational policies.

2. How and when will you communicate the change to your employees? (See **Communication Plan** and **Appendix 3** for a Sample Employee Memo.)

3. How will your employees be impacted if your frequency change also involves a lapse in payment, for example, if you are moving from paying current to paying one week in arrears? You may be required to provide employees with a payroll advance or short-term loan to bridge the gap. (See **Financial Impact on Employees** for more information.)

4. What changes are necessary for your payroll system and how much lead time is required to implement the change? Requirements may differ for an outsourced payroll versus an in-house solution.

    - Employees who have requested additional income tax to be deducted each pay period should be asked to fill out new **TD1** forms and/or **TP-1015.3-V** form.
    - Special attention is required in terms of C/QPP. See the section **Impact on C/QPP Exemption** for more details.

5. The calculation of non-statutory deductions, taxable benefits, allowances, and certain payments is an important consideration. Most deduction amounts will have to be reconfigured to meet your frequency change. (See section on **Non-statutory deductions, taxable benefits and allowances/payments** for more details.)

6. What is the impact on the reporting requirements? Since many accruals are based on information provided to other areas of the organization, a frequency change will affect the parameters of any accrual reporting. Ensure that you analyze all reports to determine if a payroll frequency change will require a modification in how reports are generated or distributed. For example, if a vacation or other paid time off is accrued on a pay period basis, adjustments will be necessary to the accrual formula.

7. What changes are required for the financial reporting system or any interfaces from payroll to the general ledger? Are there any other databases or systems that are interfaced with the payroll system? A payroll frequency change will impact all interfaces.

8. What will the impact be on operational areas? Many supervisors and managers feed information to payroll based on identified deadlines, which will probably be impacted by a payroll frequency change.

9. Are there any required audit changes? Contact your internal audit group to inquire if any audit documentation or controls will require updating.

10. A sound change management strategy is a critical component of any process or system change. All staff and management affected by the payroll frequency change must fully understand the reason for and the impact of the change through a combination of education and awareness.

EXTERNAL REQUIREMENTS

A payroll frequency change may also have an impact on external stakeholders. As with internal stakeholders, list your external stakeholders and analyze the impact on each relationship. Some of the key ones to consider include the following:

1. If the proposed change is outside of the collective agreement provisions in unionized workforces, employers require authorization from the union before proceeding. The union will also have to be notified of any changes to their union dues payment schedule.

2. Payroll services providers would need to be advised well before the effective date of the change and should be able to provide organizations with their requirements before executing the change.

3. An employer's CRA remittance schedule is linked to actual pay dates; therefore, a change in payroll frequency may alter an employer's remittance schedule. All other remittances, such as worker's compensation and provincial health taxes/levies, must also be examined to determine if a frequency change will impact payment calculations and/or payment dates. If employees are paid via direct deposit, the employer's financial institution should be contacted to create a new payment schedule.

4. Employees may also need to notify their financial institution(s) of the change in their payment schedule. See **Communication Plan** for more details and **Appendix 4** for a Sample Memo to Financial Institutions/Creditors.

5. Garnishments have a legal requirement to be paid as per a garnishment order. All active garnishments should be reviewed. The issuing bodies should be notified in writing of the payroll frequency change. In particular, employers must pay attention to Family Court orders (child support) as special considerations may apply.

6. Contact all vendors who may be impacted by the frequency change (e.g., RRSP providers, home insurance plan providers, United Way/Centraide or other charitable organizations, etc) and advise them of the new payment dates.

7. Employees may also need to notify their creditors of the change in their payment schedule. See **Communication Plan** for more details and **Appendix 4** for a Sample Memo to Financial Institutions/Creditors.

8. As per Service Canada's **How to Complete the Record of Employment (ROE) Guide**, "When your business or organization changes its pay period type, you must issue ROEs for all employees, even though the employees are not experiencing an interruption of earnings." Earnings made under the new frequency would be captured under a separate employment insurance history. To avoid confusion and lost records, these ROEs can be kept on file until the employee terminates employment or has a break in earnings.

9. If you are participating in the **Automated Earnings Reporting System (AERS)**, adjustments may be necessary to your reporting dates. Similarly, the **Report on Hirings (ROH)** may also require some adjusting.

EMPLOYMENT/LABOUR STANDARDS

Each jurisdiction has legislation regarding the timing and frequency of employment payments. Employment/labour standards may also establish the definition of a workweek which is then used to calculate overtime.

A change in payroll frequency requires an employer to ensure the new payment schedule remains compliant with minimum requirements for every jurisdiction in which employees perform work. Employers should also examine their overtime assessments, especially if they have employees working in jurisdictions where the defined workweek is Sunday to Saturday.

Note:

In the case of a unionized environment, the new payment schedule and workweek definitions must be allowed within the collective agreement. If not, the employer will have to present the proposed changes at negotiation meetings with the union.

The following information outlines the regulations for each jurisdiction.

Jurisdiction	Payroll Frequency	Workweek
Federal *Canada Labour Code, Part III*	No set frequency; wages must be paid on established day and within 30 days of entitlement.	A week is a period between midnight on a Saturday and midnight on the Saturday that immediately follows.
Alberta	At least monthly and within 10 consecutive days after the end of each pay period, not to exceed one work month.	A week is a period between midnight on a Saturday and midnight on the next Saturday or a period of seven consecutive days as established by the employer in a consistent way.
British Columbia	At least semi-monthly and within eight days from the end of the pay period. A pay period may not exceed 16 days.	A week is a period of seven consecutive days starting on a Sunday.
Manitoba	At least semi-monthly and within 10 working days of the end of the pay period.	A week is a period of seven consecutive days.
New Brunswick	At least semi-monthly and within seven calendar days of the end of each pay period.	A week is not defined in the *Employment Standards Act*; however, an officer with the Employment Standards branch advised that Employment Standards considers a week to begin on a Sunday and end on a Saturday.
Newfoundland and Labrador	At least half-monthly and within seven days of the end of each pay period.	A week is a period of seven continuous days that an employer selects and consistently uses, or a period of seven continuous days beginning after midnight on a Saturday or another day that may be set out in the regulations under the Act.
Northwest Territories/ Nunavut	At least monthly and within 10 days of the end of a pay period.	A week is a period of seven consecutive days.
Nova Scotia	At least semi-monthly and within five working days of the end of each pay period.	A week is a period beginning on a Sunday and ending the following Saturday, or a period of seven days that the employer establishes as the customary pay period.
Ontario	No specific legislation within the Act; employer establishes payroll frequency and pays wages accordingly on regularly established payday.	A week is a recurring period of seven consecutive days the employer chooses for scheduling work or, if the employer has not selected a period, a recurring period of seven consecutive days starting on Sunday and ending on Saturday.
Prince Edward Island	At least every 16 days and must include all wages earned up to and including a day that is not more than five working days prior to the actual payday.	A week is a period of seven consecutive days. A "workweek" refers to a week the employer establishes or one that is determined by an Employment Standards officer.
Quebec	At least semi-monthly and at regular intervals of not more than 16 days or once a month for senior management positions.	A week is a period of seven consecutive days from midnight at the start of a particular day to midnight at the end of the seventh day.
Saskatchewan	At least semi-monthly and within six days after the end of the pay period. However, if the majority of employees on an hourly, daily or weekly wage desire a weekly payment, the employer must comply.	A week is a period between midnight on a Saturday and midnight on the Saturday that next follows.
Yukon	At least semi-monthly and within 10 days of the end of each pay period.	A week is a period of seven consecutive days established by the employer's payroll records or determined by an employment standards officer.

IMPACT ON SERVICE CANADA INFORMATION

The current requirement to provide Service Canada with payroll data for completing the **Request for Payroll Information form (INS5097)** may require manual input and calculations for employers, especially when the workweek is not Sunday to Saturday.

The second column of the Payroll Data Block shows the Sunday of the week for which information is being requested. **Service Canada's website** includes the following:

> Please make sure that all earnings are reported on a **calendar-week basis** from **Sunday to Saturday**.

Human Resources and Skills Development Canada (HRSDC) and Service Canada have created two programs that may reduce the number of Requests for Payroll Information issued and/or reduce the burden associated with completing them, especially when an employer's workweek is not Sunday to Saturday. Refer to the **Automated Earnings Reporting System (AERS)** and the **Report on Hirings' program** for additional information.

IMPACT ON HUMAN RESOURCES DEPARTMENT

The HR department is another stakeholder group to be considered, depending on whether Payroll reports to HR or Finance. Some HR considerations may include the following:

1. Ensure that the proposed new payment schedule is permitted as per the applicable employment/labour standards in all jurisdictions where employees are working. (For example, British Columbia is one of the jurisdictions where a monthly payroll would not be permitted for covered employees. Please see the **Employment/Labour Standards** section for more details.)

2. Verify all employment contracts state a reference to a particular payroll frequency. Changing the frequency may be considered a change in employment conditions and a new contract may be necessary. It is always advisable to check with your legal counsel when proposing a change that will impact conditions of employment.

3. Salaries will have to be recalculated according to the new payroll frequency. Unless a standard workweek change is part of your overall payroll frequency change, the hourly rate should remain the same. Most employees, however, will see a change in the gross and net amounts per pay since their salary will cover a different period of time.

4. If applicable, the following may require recalculation:
   - Allowances
   - Bonus payments
   - Commission payments
   - Cost of Living Adjustments (COLA)
   - Directors' fees
   - Salary deferral arrangements
   - Stipends and honorariums
   - Top-up payments (e.g., maternity, paternity, parental, adoption, workers' compensation)
   - Workers' compensation advances

5. Taxable benefits and non-statutory deductions may have to be adjusted to align with the new payroll frequency. In some instances, employers who are going from a semi-monthly to a bi-weekly frequency will leave their group insurance being included on 24 pay periods per year. This provides for better alignment with the monthly billing used by most providers. (See the section **Impact on Pensions and Benefits** for more detail.)

6. Be ready to provide employees with their banked lieu time balances (if applicable), since requests may be made to receive a payout as a way to bridge payments between the old and new payment frequency.

7. If increasing the frequency of your pay cycle, recruiting for new payroll personnel may be necessary. A significant decrease in payroll frequency (e.g., from weekly to bi-weekly) may allow for a decrease in your payroll staffing level.

8. Employee morale is always a factor when introducing change at any level in an organization. Minimize anxiety by explaining the payroll frequency change in a way that fosters acceptance from your employees and buy-in from management. (See the section **Communication Plan** for more details.)

IMPACT ON PENSIONS AND BENEFITS

Once an organization has decided to change a payroll frequency, the possible impact on pensions and benefits must be addressed including the following:

Pensions

- As previously discussed, the pensions administrator/provider should be contacted before executing a payroll frequency change. The pension plan document should be verified, especially if contributions are based on flat amounts and not simply on a percentage of earnings.
- Depending on the specific wording, the actual plan document may require amendment. (See **Appendix 5** for Sample Memo to Pensions/Benefits Administrator/Provider.)
- The pension plan formula must be referred to when establishing potential new deduction amounts.
- If Payroll is responsible for remitting pension contributions, legislated remittance deadlines must still be observed despite a change to the new pay dates.
- The annual pension hours may require reconciliation and should be analyzed with the pension administrator/provider.

Benefits

- If necessary, advise both internal and external benefits administrators/providers. (See **Appendix 5** for Sample Memo to Pensions/Benefits Administrator/Provider.)
- The following may require recalculation depending on the employer's policy, the collective agreement, or the individual employee contracts:
    - Taxable allowances
    - Employee deductions for group benefits
    - Accruals for Health Care Spending Accounts

(See section on **Non-statutory deductions, taxable benefits and allowances/payments** for more details.)

IMPACT ON C/QPP EXEMPTION

Employers must ensure that the accurate amount of employee C/QPP contributions has been deducted, which can be especially complex when an employee has a payroll frequency change. The best way to ensure compliance is to apply the following formula to calculate the per pay period C/QPP exemption under the new payroll frequency when the change occurs mid-year.

$$\frac{A - (B \times C)}{D}$$

Where:

A = C/QPP annual exemption ($3,500)
B = Per pay period C/QPP exemption under old payroll frequency
C = Number of pay periods processed under old payroll frequency
D = Number of pay periods remaining under new frequency

Example:

Pierre has received 16 semi-monthly pay periods before being switched to a bi-weekly payroll. His previous semi-monthly CPP exemption was $145.83. There are nine bi-weekly pay periods before the end of the year.

The new per pay period CP/QPP exemption under the new payroll frequency is equal to:

$$\frac{\$3,500 - (\$145.83 \times 16)}{9} = \$129.64$$

Note:

Employers must remember to change the per pay period C/QPP exemption for the first pay of the following year according to the regular exemption under this new frequency. In the example above, Pierre's bi-weekly exemption effective pay period 1 in the following year would be $134.61. (If there happened to be 27 pay periods in the next year, the exemption would be $129.64.)

FINANCIAL IMPACT ON EMPLOYEES

In addition to the administrative burden of changing payroll frequencies, an organization must consider the possible financial and administrative burden to its employees.

ADVISING FINANCIAL INSTITUTIONS AND CREDITORS

Employees may request a memo to provide to their financial institution or creditors informing them of their change in payroll frequency. For example, some individuals who arrange loan repayments or child support payments outside of a court system should advise creditors of a payroll frequency change to make any necessary changes regarding their repayment amounts and/or schedules of repayment. (See **Appendix 4** for a Sample Memo to Financial Institutions/Creditors.)

An employee's financial advisor or banking consultant could discuss the impact a payroll frequency change might have on an employee's loan/mortgage repayment schedule and periodic savings contributions.

LIVING PAYCHEQUE TO PAYCHEQUE

The NPI's 2020 National Payroll Week Employee Survey shows that a significant number of workers are living paycheque to paycheque with 37% of respondents saying they would be in financial difficulty if their paycheque was delayed by even a week.

A change in payroll frequency will more than likely cause some level of hardship to that 37% of the population, especially in the following situations:

- the pay dates are less frequent
- the employee is now being paid in arrears (i.e., the employee gets paid the week after the pay period ending date)
- the transitional pay covers fewer days worked

Employers should provide their employees with adequate advance notice of any change that affects payments of wages. A change in payroll frequency could be seen as a change to the conditions of employment which could result in an employee resigning and claiming constructive dismissal.

Therefore, the recommendation is to provide at least the equivalent of the maximum termination notice as per the jurisdiction where the employee works (see **Appendix 6**). Considering the impact that this change can have on an employee's finances, however, notice should be given as far in advance as possible with regular follow-up reminders.

PAYOUT OF BANKED LIEU TIME

If employees are permitted to bank lieu time, balances should be provided to employees along with the offer to pay out some or all of these balances as a way to help them bridge the time between payments from the old to the new payment frequency.

Employees should be advised, however, that such payments are subject to C/QPP, EI, QPIP and income tax (using the bonus tax method). Such payments may also be subject to garnishment, union dues, pension plan and/or group RRSP deductions, and any other non-statutory deductions as per the employment contract or collective agreement.

PAYROLL ADVANCES

Regardless of having provided notice of the payroll frequency change, some employees may request financial assistance during the transition phase. Employers may choose to provide payroll advances if requested.

Payroll advances are subject to all statutory deductions (C/QPP, EI, QPIP, and federal and provincial taxes). Advances should be updated in the payroll system by the next pay period, usually in a format similar to processing a manual cheque/payment.

Note:

The remittance for these statutory deductions would be based on the date of the advance, which would typically fall in between actual payroll dates. For example, a Threshold 2 CRA remitter would have to remit the CPP contributions, EI premiums and income tax related to a payroll advance dated August 6th no later than August 10^{th}, i.e., three working days from the 7^{th} of the month (extended to next business day when the third day falls on a Saturday, Sunday or banking holiday).

The employee's following pay period would not include gross earnings from the advance since these earnings would have already been processed like a manual payment. With payroll advances, the employee does not owe the employer for the amount of the advance because the earnings are not included in the following pay period.

PAYROLL LOANS

Alternatively, employers may choose to provide their employees with a payroll loan to ease the financial burden and spread out the repayment period. Employees should be asked to sign a repayment agreement authorizing the employer to deduct the loan amounts based on a repayment schedule and including a clause for termination of employment before the loan is repaid in full. (See **Appendix 7** for an example of a repayment agreement.)

Generally, where an organization provides an employee with a loan without charging interest at the government-prescribed interest rate, the employee is deemed to have received a taxable benefit.

The **interest benefit is not** taxable if **all** of the following apply:

- Total amount of all loans received is **$10,000 or less per calendar year** (includes loans of different term durations and principal amounts)
- Term of the loan(s) is **60 days or less**
- Loan is **not** received because of shareholdings

If the interest benefit is taxable, it must be calculated each pay period on the outstanding loan balance and using the prescribed rate in effect for that period. (The federal government sets the prescribed interest rate each calendar quarter; Quebec sets its prescribed rate in harmony with the federal rate.)

The taxable benefit the employee receives in the tax year is the total of the following amounts:

1. the interest on each loan, calculated at the government **prescribed interest rate**(s) for the period in the year during which it was outstanding; and

2. the interest on the loan paid by the employer (or another third party);

   less

3. the interest for the year that the employee paid (within 30 days after the end of the year) to the employer on each loan; and

4. the interest for the year that any person or partnership paid on each loan or debt no later than 30 days after the end of the year.

In practice, the following formula can be used:

Loan balance x (prescribed rate - employer interest rate) ÷ # of pay periods as per payroll frequency

The calculation of the taxable benefit per pay period is illustrated below:

Example:

The employer provided a $6,000 loan to the employee just before the last pay period of March. Although the prescribed interest rate was 3% in the first quarter and 2% in the second quarter, the employer only charged the employee interest at the rate of 1%. The employee reimburses the employer $500 each bi-weekly pay period.

Current pay period	Outstanding loan	Prescribed Interest Rate less employer interest rate applied to employee	Number of pay periods as per payroll frequency	Per pay period taxable benefit[1]
PP 6	$6,000	3% - 1% = 2%	26	$4.62
PP 7	$5,500	2% - 1% = 1%	26	$2.12

[1] A loan taxable benefit must be recalculated any time the employee makes a payment against the principle or when the prescribed interest changes.

COMMUNICATION PLAN

Communication is a required skill for the payroll professional. It is therefore critical to develop a comprehensive communication plan to ensure effective and efficient delivery of any changes that directly impact an employee's pay. This can be accomplished by initial and ongoing communication in a clear manner that all employees can understand.

The NPI recommends the following communication plan for a payroll frequency change:

1. Analyze the impact on payroll costs as well as the impact of the change on the various internal and external stakeholders.

2. Present a business case that includes cost-savings and direct impacts on the processing of payroll and remittances to gain management buy-in. Be certain to include the risks and benefits associated with the change as well as the risks and benefits of maintaining the status quo. (If there are no-cost savings and the frequency change is required under a collective agreement, merger, or acquisition, management should still be provided with a detailed report of direct impacts.)

3. Use the NPI statistics that illustrate the fact that most Canadians live paycheque to paycheque to emphasize the requirement of ensuring the least possible financial impact on employees.

4. If applicable, present a written report along with a presentation to gain union buy-in with a focus on how this would be beneficial to the employees.

5. Advise supervisors and others that collect information on the new payroll cut-offs for attendance records.

6. IT or external software/payroll service providers may need to be involved to amend online attendance records.

7. A timeline should be set regarding employee communications. Although early communication is recommended, the NPI suggests that the minimum notice of the initial communication should be no less than the jurisdiction's maximum termination notice according to the jurisdiction where the employee works (see **Appendix 6**). A Sample Employee Memo can be found in **Appendix 3**. Employees may also be invited to attend town hall meetings to ask their questions in an open environment.

8. Frequent reminders should be made, especially if the initial notice occurred months before the transitional pay period. Reminders could be made using the following:
   - emails
   - employee bulletin boards and intranet sites
   - memo fields on the employees' pay statements
   - discussed at departmental/organizational meetings
   - presentations from organizational leadership sponsors
   - onscreen welcome message when computers are turned on
   - welcome sign near common areas, for example: employee entrance, punch clock or lunchroom

9. The organization's intranet site could host a Question and Answer document to address common employee inquiries. At the very minimum, employees should be made aware of the following:
   - the effective date of the change
   - their new payment schedule
   - the impact on their gross and net pay

   (See **Appendix 8** for a sample Q&A document.)

10. A telephone, email, online discussion board and/or instant message hotline could be set up for employees who require further clarification on specific issues that can be monitored by payroll staff on a rotating basis.

11. Payroll staff needs to be well-versed in the changes, including advance knowledge of the organization's policy on payroll advances and/or loans.

12. Payroll, HR and management should be trained in dealing with employees who may be unhappy with the upcoming changes.

SAMPLE EMPLOYEE MEMO

An important aspect of a good communication strategy is the effective and timely issuance of an employee memo. The memo may include the following:

- an explanation for the payroll frequency change
- description of new frequency
- advantages of the new payroll frequency (for both the employer and employee)
- the effective date of the change
- impact on a transitional pay period
- the overall impact on the employee's gross and net pay
- where the employee can get additional information

(See **Appendix 3** for a Sample Employee Memo.)

LIST OF PRE-AUTHORIZED DEBITS

Employees should be provided with ample lead time and subsequently reminded to arrange for any necessary changes with financial institutions and/or creditors regarding pre-authorized debits. For example, employees may have aligned their mortgage payments with their current pay dates. Unless the employee requests a change in the amount and timing of the payments, they could face Non-Sufficient Funds (NSF) charges.

Common pre-authorized debits are listed on the second page of the Sample Employee Memo in **Appendix 3**.

QUESTION AND ANSWER DOCUMENT

In addition to other communication, employers may want to consider offering a Question and Answer (Q&A) document to address the most common employee questions. This Q&A document, once vetted with a small pilot group of employees, can then be offered or distributed using the following means:

- email blast to all affected employees
- attached and delivered to employees' pay statements in advance of the frequency change
- posted on the organization's intranet
- highlighted in an internal newsletter
- addressed in leadership presentations or other online general discussion forums

(A sample Question and Answer document is provided in **Appendix 8**.)

YEAR-END FILING

Unlike the requirement to issue a separate ROE, there is no requirement to issue separate year-end slips when there has been a change in payroll frequency. All earnings and statutory deductions from both payroll frequencies can simply be added and reported on a single year-end slip, provided there has been no change to the Payroll Account Number.

Employers should, however, perform C/QPP reconciliations well before the final pay period of the year to ensure that the annual exemption has not been surpassed to avoid a Pensionable and Insurable Earnings Review (PIER), or the equivalent LMU-141 report for Quebec employees. (See **Impact on C/QPP Exemption** for more information.)

FEEDBACK

The NPI appreciates your comments and welcomes your suggestions as we seek to continually improve our member resources. Please direct any feedback on these guidelines to:

Janet Grossett, PLP, CAE
Manager Compliance Services
The National Payroll Institute
Email: **guidelines@payroll.ca**

TEST YOUR KNOWLEDGE

Please read each scenario and select the best response. (The answers are provided and explained on the next page.)

1. An employer realizes that there will be 27 bi-weekly pay periods next year. The employer should:
   A. Turn off the C/QPP exemption in the first pay period of the new year.
   B. Create a reminder to "turn off" the C/QPP exemption in the 27th pay period.
   C. Divide the annual C/QPP exemption by 27 pay periods.
   D. Apply the regular bi-weekly C/QPP exemption to all 27 pay periods.

2. True or False. Discovering that there will be an additional pay period mid-year requires an employer to verify that deductions, taxable benefits and pension limits are not surpassed.

3. Before changing the executive payroll to a monthly payroll frequency, employers should:

   A. Ensure that this is permitted by the CRA.
   B. Ensure this is permitted under employment/labour standards.
   C. Ensure that the monthly pay dates do not coincide with staff pay dates.
   D. Obtain authorization from employees.

4. True or false. Statutory deductions on a payroll advance are remitted with the following pay period's statutory deductions.

5. Which of the following is not typically part of an organization's communication plan regarding a payroll frequency change?
   A. Analyze the impact on payroll costs and on all stakeholders.
   B. Provide employees with a memo and a Question and Answer document.
   C. Create reports/presentations to gain management buy-in.
   D. Train payroll and other key personnel.
   E. Provide a drop-out window for employees who prefer to remain on the old payroll frequency.

ANSWERS

1. An employer realizes that there will be 27 bi-weekly pay periods next year. The employer should:

   A. Turn off the C/QPP exemption in the first pay period of the new year.

   B. Create a reminder to "turn off" the C/QPP exemption in the 27th pay period.

   C. **Divide the annual C/QPP exemption by 27 pay periods.**

   D. Apply the regular bi-weekly C/QPP exemption to all 27 pay periods.

   The correct answer is C. The employer should divide by 27 because the annual C/QPP exemption should be pro-rated equally over the number of pay periods in the year. Although not recommended as a primary solution, B may serve as an alternative where C is not possible due to system restrictions.

2. True or False. Discovering that there will be an additional pay periods mid-year requires an employer to verify that deductions, taxable benefits and pension limits are not surpassed.

   The correct answer is True. The employer will need to assess whether to leave all deductions and taxable benefits as is with a reminder to "turn them off" in the additional pay or to recalculate any balances for the year over the remaining pay periods. If applicable, the pension administrator/provider should also be contacted.

3. Before changing the executive payroll to a monthly payroll frequency, employers should:

   A. Ensure that this is permitted by the CRA.

   B. **Ensure this is permitted under employment/labour standards.**

   C. Ensure that the monthly pay dates do not coincide with staff pay dates.

   D. Obtain authorization from employees.

   The correct answer is B. Employers should ensure this is permitted under employment/labour standards since not all jurisdictions permit monthly pay frequencies.

4. True or false. Statutory deductions on a payroll advance are remitted with the following pay period's statutory deductions.

   The correct answer is False. Statutory deductions on a payroll advance are remitted according to the date of the advance.

5. Which of the following is not typically part of an organization's communication plan regarding a payroll frequency change?

   A. Analyze the impact on payroll costs and all stakeholders.

   B. Provide employees with a memo and a Question and Answer document.

   C. Create reports/presentations to gain management buy-in.

   D. Train payroll and other key personnel.

   E. **Provide a drop-out window for employees who prefer to remain on the old payroll frequency.**

   The correct answer is E. Providing a drop-out window for employees who prefer to remain on the old payroll frequency would be too much of an administrative burden.

RESOURCES

NATIONAL PAYROLL INSTITUTE

Payroll Guidelines (payroll.ca ➔ Resources ➔ Payroll Guidelines) (member login required)

HUMAN RIGHTS

Canadian Human Rights Commission (links to provincial Human Rights Commissions/ Coalitions can also be accessed from this site)

SERVICE CANADA

How to Complete the Record of Employment Form

CANADA REVENUE AGENCY

- **TD1—Personal Tax Credits Return**
- **T4001—Employers' Guide – Payroll Deductions and Remittances**
- **RC4120—Employers' Guide – Filing the T4 Slip and Summary**
- **CRA information on requesting a ruling**
- **CPT30—Election to Stop Contributing to the Canada Pension Plan, or Revocation of a Prior Election**

REVENU QUÉBEC

- **TP-1015.3-V— Source Deductions Return**
- **TP-1015.G-V—Guide for Employers: Source Deductions and Contributions**
- Requesting a ruling from RQ: send a letter to the **nearest tax centre**

HUMAN RESOURCES

The HR Guide for Canadian Employers
Canadian CPHR Association
Guide de gestion des ressources humaines (French only)

APPENDIX 1 - CHANGING PAYROLL FREQUENCY CHECKLIST

Item	Action to be taken	Done
Legislated payroll frequency	Check for permitted legislated payroll frequency in the jurisdiction(s) where employees perform their jobs and the timing of regular payment.	☐
Union agreement	Check union requirements, if applicable.	☐
Date of change	Set an effective date for the payroll frequency change.	☐
Communication	Develop a communications plan for: • Financial institutions • Pension provider administrator • Benefit provider administrator • Union representatives • Garnishees (family court) • Charitable organizations • Employees • Internal stakeholders • External stakeholders (if you participate in the Reports on Hiring, Automated Earnings Reporting system, Statistics Canada, etc.) Issue a new payroll calendar or schedule to all relevant stakeholders.	☐
Timekeeping process	Review and establish if there will be an impact on the current processes for: • Processing regular pay (paying current or in arrears) • Calculating overtime hours • Deadlines for submitting and approving timesheet Consider if there is any need to adjust forms and documents to accommodate the change.	☐
Lapse in payment	Determine how to bridge the gap if the change involves a lapse in payment: • Payroll advance • Short-term loans	☐
Payroll system changes	Specify what changes have to be implemented in the payroll system and other systems that interface with the payroll system.	☐
Service Canada – ROE	Prepare to issue ROEs for all employees, even if they do not experience an interruption of earnings.	☐
Employee set-up	Review the employee's profile for: • Salaries, recalculated according to the new payroll frequency • Additional income tax requested. If yes, send new TD1 or TP-1015.3-V forms to be filled out. • Split deposits • Vacation balance Note to change payroll frequency for re-activated employees.	☐

<table>
<tr><th>Item</th><th>Action to be taken</th><th>Done</th></tr>
<tr><td>Contributions and deductions</td><td>Determine whether recalculations are required for:
Bonus payments
Commission payments
Director’s fees
Salary deferral arrangements
Taxable benefits
Employer-paid life insurance
Accidental death and dismemberment
Critical illness premiums
Employer-provided vehicle
RRSP employer contributions
Allowances (car, cellphone, internet)
Top-up payments (maternity/parental, worker’s compensation)
Garnishment(s)
Union dues
Pension plan
RRSP employee contributions
Employee-paid benefits
Voluntary deductions (charitable donations, social club contributions)</td><td>☐</td></tr>
<tr><td>CPP/QPP YTD</td><td>Ensure accurate amounts of CPP and QPP contributions have been deducted.</td><td>☐</td></tr>
<tr><td>Reporting</td><td>Analyze accrual reports to determine if adjustments are required to generate and distribute reports, as well as adjustments to the accrual formula for:
Vacation
Sick
Personal time off</td><td>☐</td></tr>
<tr><td>Remittance(s)</td><td>Determine if the payroll frequency change will change:
Canada Revenue Agency remittance schedule
Revenu Québec remittance schedule
Provincial health taxes or levies
Worker’s compensation</td><td>☐</td></tr>
</table>

APPENDIX 2 – LEGISLATED PAYROLL FREQUENCY

Jurisdiction	Pay frequency	Timing of regular payments
Federal *(Canada Labour Code, Part III)*	No set frequency	On established day and within 30 days of entitlement
Alberta	At least monthly	Within 10 days of the end of each pay period, at least once per month
British Columbia	At least semi-monthly	Within eight days from the end of the pay period
Manitoba	At least semi-monthly	Within 10 working days of the end of the pay period
New Brunswick	At least every 16 days	Within seven calendar days of the end of each pay period
Newfoundland and Labrador	At least semi-monthly	Within seven calendar days of the end of each pay period
Northwest Territories/ Nunavut	At least monthly	Within 10 days of the end of a pay period
Nova Scotia	At least semi-monthly	Within five working days of the end of each pay period
Ontario	No specific legislation	On regularly established pay day
Prince Edward Island	At least every 16 days	Must include all wages earned up to and including a day that is not more than five working days prior to the actual pay day
Quebec	At least semi-monthly	At regular intervals of not more than 16 days, or once a month for management positions
Saskatchewan	At least monthly if employees on a monthly salary, semi-monthly or every 14 days	Within six days of the end of each pay period
Yukon	At least semi-monthly	Within 10 days of the end of the pay period

APPENDIX 3 – SAMPLE EMPLOYEE MEMO

Organization Name Here

Memo

To: All employees

From: [Enter name of sender]

CC:

Date: [Enter DD/MM/YYYY]

Re: **Change in payroll frequency**

After several months of research and consultations to create efficiencies within the payroll department and to meet the organization's strategic plan, the payroll frequency will be changed from [enter current payroll frequency] to [enter new payroll frequency] effective [enter effective date].

[State any advantages to employee.]

Please refer to the chart below which outlines the new pay periods, pay dates and cut-off dates [for overtime sheets, etc.] for the rest of this year.

Pay Period Beginning Date	Pay Period Ending Date	Pay Date

A transitional pay with a pay date of [insert pay date] will be for [insert amount of days]. Following this date, employees will be paid [enter new payroll frequency].

Since the pay periods will cover a different number of days, employees will notice a difference in their gross and net pays; however, this does not impact your current annual salary, only the frequency by which you are paid.

We understand that you may have questions or concerns with how this change will impact you. We invite you to bring your questions with you to [enter plans for hosting an online or in person Q&A session] on [enter date and time]. For further detailed information and in preparation for that meeting, please review the Question and Answer document on the General Information section of our intranet site at [insert url or hyperlink if sending memo electronically].

(See next page…)

This memo is being provided to ensure that employees make any necessary arrangements regarding their financial commitments. At the employee's request, a copy of this memo may be provided to financial institutions, private insurance providers, or any institutions with access to automatic withdrawals based on your current payroll frequency.

The following are some of the most common pre-authorized debits which may require changes in terms of payment amounts and/or dates. **It is the employee's responsibility to ensure that their financial commitments are not compromised by the payroll frequency change.**

- Mortgage or rent
- Condo fees
- Property taxes
- Utilities
- Internet/cable/phone
- Home/auto insurance
- Car payments
- Credit card payments
- RRSP/TFSA contributions
- Transfers between bank accounts for savings
- Loan repayments
- Gym membership
- Child/Elder/Pet care
- Newspaper/Magazine subscriptions
- Collection Payments
- Personal income tax re-payment plans
- eBay seller account fees
- Pre-Authorized debit plans for colleges and universities
- Dental office fees
- Other

If you require further information, please contact [insert contact information].

Sincerely,

[Enter Name]

[Enter Contact]

APPENDIX 4 – SAMPLE MEMO TO FINANCIAL INSTITUTIONS/ CREDITORS

Organization Name Here

Memo

To: [Enter financial institution/creditor]

From: [Enter Employer contact]

CC:

Date: [Enter DD/MM/YYYY]

Re: Change in payroll frequency for [enter name of employee]

Our organization is in the process of converting the payroll frequency from a [enter current payroll frequency] payroll to a [enter new payroll frequency] payroll effective [enter effective date of frequency change].

This payroll frequency change will affect both the employee's net pay as well as scheduled pay dates.

A transitional pay with a pay date of [insert pay date] will be for [insert amount of days]. Following this date, the employee will be paid [enter new payroll frequency].

Listed below are the pay periods and pay dates for the remainder of the year.

Pay Period Beginning Date	Pay Period Ending Date	Pay Date

This memo is being provided at the request of [enter employee's name].

If you require further information, please contact [insert contact information].

Sincerely,

[Enter Name]

[Enter Contact]

APPENDIX 5 – SAMPLE MEMO TO PENSION/BENEFITS ADMINISTRATOR/PROVIDER

Organization Name Here

Memo

To: [Enter Contact for Pension/Benefits Provider]

From: [Enter Employer contact]

CC:

Date: [Enter DD/MM/YYYY]

Re: **Change in payroll frequency**

Our organization is in the process of converting the payroll frequency from a [enter current payroll frequency] payroll to a [enter new payroll frequency] payroll effective [enter effective date of frequency change]. Please accept this memo as notice of this change.

Listed below are the pay periods and pay dates for the remainder of the year.

Pay Period Beginning Date	Pay Period Ending Date	Pay Date

We will be informing our employees of this upcoming change to the payroll frequency. In order to ensure we have captured all changes necessary to [pension/benefits] we would like to receive your feedback. Please contact me either by phone or email to discuss other considerations that should be addressed as it pertains to [pension/benefits].

Thank you in advance for your cooperation.

Sincerely,

[Enter Name]

[Enter Contact]

[A follow-up call to the pensions/benefits administrator/provider is also recommended]

APPENDIX 6 – EMPLOYER NOTICE REQUIRED FOR INDIVIDUAL TERMINATIONS

When a termination of employment can be said to have been initiated by the employer, the employee must either be given legislated working notice or receive a payment in lieu of this notice. The amount of weeks' notice varies according to the jurisdiction as well as the employee's length of service.

Employers should provide their employees adequate advance notice of any change that affects the payment of their wages. A change in payroll frequency could be seen as a change to the conditions of employment which could result in an employee resigning and claiming constructive dismissal. The recommendation is therefore to provide at least the equivalent of the maximum termination notice as per the jurisdiction where the employee works.

Length of service	Employer notice required for individual termination (weeks)												
	CLC	AB	BC	MB[1]	NB	NL	NS	NT[2]/ NU	ON	PE	QC	SK	YT
30 days				1									
90 days		1		1				2					
3 months	2	1	1	1		1	1	2	1		1	1	
6 months	2	1	1	1	2	1	1	2	1	2	1	1	1
1 year	2	1	2	2	2	1	1	2	2	2	2	2	2
2 years	2	2	2	2	2	2	2	2	2	2	2	2	2
3 years	3	2	3	4	2	2	2	3	3	2	2	4	3
4 years	4	4	4	4	2	2	2	4	4	2	2	4	4
5 years	5	4	5	6	4	3	4	5	5	4	4	6	5
6 years	6	5	6	6	4	3	4	6	6	4	4	6	6
7 years	7	5	7	6	4	3	4	7	7	4	4	6	7
8 years	8	6	8	6	4	3	4	8	8	4	4	6	8
9 years	8	6	8	6	4	3	4	8	8	4	4	6	8
10 years	8	8	8	8	4	4	8	8	8	6	8	8	8
After 15 years	8	8	8	8	4	6	8	8	8	8	8	8	8

[1] In Manitoba, no notice is required for employment of less than 30 days.

[2] Notice is not required in the Northwest Territories if an employee is seasonal or works less than 25 hours per week.

APPENDIX 7 – SAMPLE ADVANCE REPAYMENT AGREEMENT

ADVANCE REPAYMENT AGREEMENT

I, [enter employee name], acknowledge having received a payroll advance from [enter organization name] in the amount of $_____ on [enter date].

I agree to repay [enter organization name] this advance as per the schedule of my choice below:

☐ One single repayment for the full amount as listed above on [enter paydate]

☐ Three equal repayments of [amount divided by 3] on:

- [enter paydate 1]
- [enter paydate 2]
- [enter paydate 3]

I further agree that, upon my termination of employment with [enter organization name], any outstanding amount owing as a result of this payroll advance may be deducted from my final payment.

_______________________________ Employee signature

___________________ Date

[organization's witness/payroll manager/ HR signature]

___________________ Date

APPENDIX 8 – SAMPLE QUESTION & ANSWER DOCUMENT

When does the change in payroll frequency come into effect?
The change in payroll frequency will be effective [insert date].

Can I choose to stay on my current payroll frequency?
No. Effective [insert date] all [insert type, i.e. affected employees] employees will be on the new frequency.

How many days will I be paid for?

- You will be paid for [insert number of days] on the first date of the new payroll frequency which is payable on [insert pay date of transitional pay].
- Starting on [insert pay date of first full new pay period], you will be paid for [insert number of days] on each subsequent [enter pay type] pay.

How will this impact my deductions?

- Statutory deductions [enter C/QPP, EI, QPIP and Income tax as applicable] will be based on the payroll frequency type.
- Legal deductions such as garnishments will be deducted as per the order.
- Company compulsory deductions [list health, dental, pension, life insurance, etc., as well as policy regarding new payment schedule]
- Voluntary deductions [list charity, social committee, etc., as well as policy regarding new payment schedule]

How will this impact my benefits?
There will be no lapse in coverage under your group insurance plan. [If applicable, explain the change in reporting of taxable benefits.]

Will you notify my bank of this change?
It is your responsibility to notify your financial institution(s) of this change. You may choose to provide your financial institution with a copy of our notification memo to serve them notice or you may request a more simplified version from [the payroll department contact and contact information]. You may also want to discuss with them the possibility of changing the date of automated withdrawal transactions.

Will I be reimbursed for any bank fees that may be charged to alter my mortgage and/or loan payment dates?
The organization will not reimburse employees for bank fees charged to modify the dates on which mortgages and/or loan payments are withdrawn. You may wish to speak to your bank to discuss alternatives to changing your automatic withdrawal dates.

If I apply for a loan or mortgage what do I use for my salary amount?
Although your payroll frequency has changed, your annual salary has not; the information you would provide is exactly the same as you would today.

I have a garnishment - will you let the courts know?
A notice advising them will be sent along with your [insert date here] remittance.

How will this affect my vacation and or sick entitlement?
There will be no impact on your annual vacation/sick leave entitlements. [If such banks accrue on a pay period basis, explain the details here]

I am on extended paid maternity/paternity/parental/sick leave, will this impact me?
Yes, as long as you are paid by us, your payroll frequency will change.

How will my current year's tax slips (T4/RL-1) be impacted?
Your tax slips (T4//RL-1) for the current tax year will accurately reflect your taxable income, taxable benefits and C/QPP, EI, QPIP and income taxes paid during the current year. Earnings and taxes for pay periods with pay dates in the following year will be reported on that year's tax slips.

Who can I contact for additional questions and resources?
If you have questions, please contact [enter contact information].

Other questions which employers may want to include answers for:

How will this impact the pension plan? [provide any relevant information received from pensions administrator/provider]

How will this affect the overtime I have worked or will work?

Will I need to change anything in the self-serve scheduling software?

How will my union dues be affected?

How will this affect employees paid on commissions?

Are there resources available to assist me with personal budgeting? [if applicable, advise employees of possibility of being paid out banked lieu time and/or receiving a payroll advance and/or payroll loan.]

ACKNOWLEDGEMENTS

The NPI would like to thank the following subject matter experts for their participation on the task force and their contributions to these guidelines.

Cheryl Ball, PLP

Rachel De Grâce, PLP, CAE

Gaetano Gagliardi, PLP

Sherisse Mason, PLP

Melinda Mclay, PCP

Sylvie Paterson

Dianne Winsor, PLP, FCPA

Amanda Ford, PLP

Irena Stoyanova, PLP

Klea Jokic, PLP

National Payroll Institute
1600 - 250 Bloor St. East, Toronto, Ontario M4W 1E6
416.487.3380 | 1.800.387.4693

payroll.ca