NEW BUSINESS BASICS BRIEF

Resource

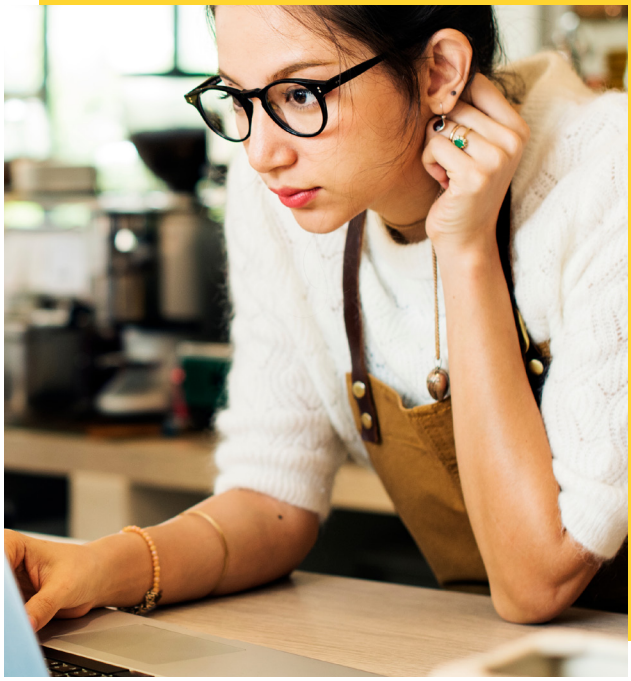


The **Declaration** *for* **Payroll**

BROUGHT TO YOU BY

NATIONAL PAYROLL INSTITUTE

STARTING A NEW BUSINESS



SETTING UP A NEW PAYROLL IN CANADA CAN BE DAUNTING.

How do you choose a payroll system? How frequently should you pay employees and how should you structure compensation? What are best practices in creating payroll policies and procedures? What are your remittance and reporting requirements?

You will have these and many more questions when establishing a business in Canada. It's important to give these questions consideration right away because once you hire your first employee, you will need to establish a payroll account, and begin withholding payroll taxes, and remitting and reporting to various levels of government. There is no grace period, and new employees will see that you value them when you give their pay the attention it deserves.

RESOURCE: NEW BUSINESS BASICS BRIEF

The four things you should know when you start paying people.

1. YOU NEED TO REGISTER WITH THE GOVERNMENT

First thing's first. You'll need a 15-digit business number (BN) that allows the Canada Revenue Agency (CRA) to identify your business (or other organization, such as a charity) for tax matters related to business in Canada. It is also used by the federal, provincial and municipal governments to identify your business. If you operate your business in Quebec, you will have to get a Quebec Enterprise Number (NEQ) from the Registraire des entreprises, then register an account with Revenu Québec (RQ). Once you've done this, you may also have an obligation to establish additional provincial accounts for things like workers' compensation or employer health taxes.

2. A DEDICATED PAYROLL BANK ACCOUNT IS RECOMMENDED

It is recommended that you establish a separate bank account for payroll processing. This ensures that funds for payroll costs are kept apart from other business expenses. That's important because the CRA and RQ both specifically state that once an employer has withheld payroll source deductions from employees, these amounts are to be held in trust until the government remittance is due. Also, if employees are being paid by physical cheque, the employer may want to keep these payments separate from other transactions to ensure privacy and confidentiality.

3. DECIDE ON YOUR COMPENSATION MODEL

While there is legislation that provides for a minimum wage based on hours worked, the method in which employees are paid is at your discretion as an employer. You'll have to make a decision whether you want to pay workers a salary, an hourly wage, on commission, or some other way. You may also wish to include a bonus or incentive plan in addition to regular base compensation.

4. NOT ALL TECHNOLOGY SOLUTIONS ARE CREATED EQUAL

Based on your organization's needs, complexity, and geographic location, you have several options to process your Canadian payroll. These include:

- Processing your payroll in-house by choosing an off-the-shelf payroll software or a payroll software provider
- Outsourcing your payroll to a third-party payroll service provider
- Choosing a more robust payroll, human resources information system (HRIS), or enterprise resource planning (ERP) system

You'll want to think about your "must have" requirements and the "nice to have" options for your payroll solution, and how you might scale your business for future needs.

The National Payroll Institute's member resource **Setting Up a New Payroll in Canada Guideline** offers a comprehensive rundown on getting these basics accomplished as well as additional details on the business registration process, a glossary of payroll terms, a checklist, and information on choosing payroll software vendors.