



**RESOURCES WEST INC.**

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**First Steps for Business Owners**

# Setting up for Payroll

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### **STEP 1 – Get A Business Number**

Call the Canada Revenue Agency (CRA) at 1-800-959-5525 for help to create a business number, or fill out the form online at: <http://www.cra-arc.gc.ca/E/pbg/tf/rc1/README.html> (or see attached).

### **STEP 2 – Add Payroll Account**

If you already have a business number contact the Canada Revenue Agency (CRA) at 1-800-959-5525 or visit <http://www.cra-arc.gc.ca/E/pbg/tf/rc1b/README.html> (or see attached), to add a payroll account to your business number.

### **STEP 3 – Complete the Employer Registration Form**

Fill out the Employer Registration Form from the Workers Compensation Board at: <http://www.wcb.pe.ca/forms/pdf/545.pdf> (or see attached).

On the form you are to estimate the payroll for the next year and return the form to the Workers Compensation Board.

### **STEP 4 – New Employee’s must complete TD1 and TD1PE Forms**

Every new employee must fill out:

TD1 form: <http://www.cra-arc.gc.ca/E/pbg/tf/td1/td1-fill-10e.pdf> (or see attached).

TD1PE form at: <http://www.cra-arc.gc.ca/E/pbg/tf/td1pe/td1pe-10e.pdf>. (Or see attached)

The employees must return these forms to you so that you can calculate their deductions from their pay for tax purposes.

A worksheet for assistance has been provided or can be found at <http://www.cra-arc.gc.ca/E/pbg/tf/td1-ws/td1-ws-10e.pdf>.

### **STEP 5 – Calculate Payroll Deduction**

Deduct income tax, CPP and EI premiums from the gross pay.

You are required to match the CPP deduction and match 1.4 times the EI premium.

This total is what you end up submitting to CRA by the 15th day of the following month.

Note: for the Canada Pension Plan, you must contribute the **same amount** that you deduct from your employee’s remuneration.

To find out when you should deduct CPP contributions from your employees’ pensionable earnings and remit them to CRA, visit:

<http://www.cra-arc.gc.ca/tx/bsnss/tpcs/pyrll/pymnts/rmttr/menu-eng.html>

Note: for Employment Insurance (EI) you must also make your own contributions to EI on behalf of your employees. Generally, the employer's contribution will be slightly more than the employee's.

**Go to:** <http://www.cra-arc.gc.ca/pdoc/> to calculate payroll deductions.

Note: You only need to make deductions for the Canada Pension Plan (CPP) if the employee is 18 years of age or older.

### **EXAMPLE**

Here is an example of an actual remittance to CRA based on a monthly payroll to one employee.

#### Employee's Wages

\$1845.48	Gross Pay
- 84.69	CPP
- 31.93	EI
- 339.92	Income Tax
<u>\$1281.44</u>	Net Pay

#### Employer Remits to Canada Revenue Agency (CRA)

	Employee's Share		Employer's Share		Total
CPP	\$84.69	+	84.69	=	\$169.38
EI	\$31.93	+	(\$31.93 X 1.4 = \$44.70)	=	\$76.63
Income Tax	\$339.92	+	\$0	=	\$339.92
			<b><u>Total</u></b>	<b>=</b>	<b><u>\$585.55</u></b>

#### **Note:**

You stop deducting EI premiums when you reach the Employee's maximum insurable earnings, which for 2010 is \$43,200.00. Employee's maximum premium is \$747.36.

### **STEP 6 – Prepare Record of Employment**

Once the employee is done working with you for the year you must complete a Record of Employment Form, otherwise known as ROE.

You can find out more information and fill out the form online at:  
[http://www.servicecanada.gc.ca/eng/ei/employers/roe\\_guide.shtml](http://www.servicecanada.gc.ca/eng/ei/employers/roe_guide.shtml).

## **STEP 7 – Complete T4 slips**

At the end of February of every year you must provide the employees with a T4 slip. You can fill out these forms online at: <http://www.cra-arc.gc.ca/E/pbg/tf/t4/t4flat-fill-09b.pdf>. (Or see attached).

Or you can find these forms at: <http://www.cra-arc.gc.ca/E/pbg/tf/t4/README.html>.

Once you provide your employee with this slip you are to send a copy to CRA which summarizes the previous' year's deduction.