



Payroll Compliance; A labour standards root canal

For many of us, processing payroll is about as much fun as a Novocain-free root canal performed by a recent graduate of Dino's Online Dental School. But it's important to do it right and be absolutely sure you're complying with labour law, or you could find yourself the subject of prosecution under the Employment Standards Act. Ouch! So, take a deep breath, think of something pleasant and pain-free and let's drill down and make sure there's nothing rotting between your T4s.

Wages

Consistency is one of the keys to good payroll hygiene, and so you should have an established, regular payday for your employees. Direct deposit is usually an efficient way to get your workers paid, but pay cheques work fine as long as you make them available for pickup on a set day and time. The Ontario Labour Board does not recognize eTransfers as a valid method to dole out wages. If your employees want direct deposit, it is best practice to enlist the help of a payroll company and have them deposit the cheques.

Wage statement

Along with the cheques (or in conjunction with the direct deposit), you should provide your employees with a wage statement containing the following info:

- ✓ Pay period start and end date
- ✓ Hours worked
- ✓ Wage paid
- ✓ Any vacation or stat holiday paid
- ✓ Deductions made; E.I., CPP, and Tax

Deductions

You can only make additional deductions from your employees if they are court ordered or agreed upon in writing. That agreement can include things like uniforms and tools that you require your employee to buy.

If you allow your employees to borrow company tools and equipment, have them sign an acknowledgement of the value of the item(s) and an agreement stating that you will deduct that amount from their pay if they don't return the borrowed item(s). Make sure to have this form renewed at least every six months and verify the inventory in possession of the employee.

Please note that errors made by the employee that cost you or your company money cannot be deducted from the employee's pay.

Vacation pay

Your employees are entitled to two weeks of vacation calculated at 4% if they've been with you less than five years and three weeks at 6% for five or more years of servitude. Payout can be in a lump sum or paid on each cheque as long as you have an agreement in writing from the employee acknowledging that you will pay them vacation entitlement on each cheque. The advantage to paying on every cheque is that when the employee leaves, there is no argument over the vacation owed and it helps to manage cash flow and bookkeeping entries by preventing employees from asking for their vacation pay whenever they want.

Note: You are required to pay overtime after 44 hours of work for each week and at a minimum of 1 ½ times the regular wage rate.

Record of Employment

Make sure that you accurately record the employees start and end dates, not just the start and end dates of the pay period for their first and last pay cheques. You will need these dates to complete the Record of Employment (ROE).

You will find it difficult these days to get paper copies of the ROE forms as electronic copies are now the norm. If paper is your thing, however, I recommend using this site to get copies at the beginning of each year:

<https://www.canada.ca/en/employment-social-development/programs/ei/ei-list/ei-roe.html#s3>

For online ROE submissions, you will need to register at:

<https://www.canada.ca/en/employment-social-development/programs/ei/ei-list/ei-roe/register-roe.html>

The online process will take a little time as the government will mail out a secret passcode that you need to enter before they grant you access. (It sounds ominous and clandestine but really, it's not. Focus, keep breathing, we have more drilling to do.) You can use paper copies as a backup in case the site is down, the internet is down, or your computer decides to take one of those vacation days we talked about. You must complete the ROE within five days—that's five everyday days, not five business days. However, no penalties are levied, and Service Canada is pretty understanding about delays.

Termination

When an employee has finally worn out their welcome, you are required to provide them with termination pay or notice of termination or a combination of the two, based on their years of service. You are not obligated to provide a reason. Use this calculator to determine the number of weeks you are required to pay:

https://www.labour.gov.on.ca/english/es/tools/termination/disclaimer_term.php

Well, I think we're all done here. Look at that smile! Make sure you clean up those entries and maintain good payroll hygiene, and you won't need to worry about serious issues down the road. Bookmark this site on your desktop as a quick resource and, be sure to floss regularly!

https://www.labour.gov.on.ca/english/es/pubs/fs_compliance.php