



IMMIGRATION AND COMMUNITY INTEGRATION

Newcomer Payroll Guide

This supplement is designed to help newcomers understand the Canadian payroll system, making it easier to navigate their first paychecks and manage their finances effectively.





Funded by:

Financé par :



Immigration, Refugees
and Citizenship Canada

Immigration, Réfugiés
et Citoyenneté Canada



Contents

Understanding the payroll process	4
What you will learn from this section.	5
Answers to payroll questions you may have	6
When do you get paid?.	6
How do you get paid?.	6
What other information does your employer need to pay you?.	6
What is a TD1 form and why do you need to complete it?	7
What does the employer provide you?.	7
The pay stub	8
Pay stub review	9
Why deductions are made at the source	10
Why deduct CPP and EI?.	11
What does the employer do with all these deductions from gross pay?.	11
Are you up for a challenge? (1)	11
Overview of the Canadian tax system	12
What is the CRA?.	12
Who must report income taxes?.	12
What resources are available	12
What is all the money used for?	13
Are you up for a challenge? (2)	13
Ever heard of taxation equity?	13
I earn very little income, no income tax was deducted, and I have no taxes payable. Should I still file an income tax return?	13
When must I file an income tax return?	13
Answer keys	14

UNDERSTANDING THE PAYROLL SYSTEM

With this guide, you will:

- Understand how much money you will take home each pay cycle.
- Learn how to plan your expenses and savings accordingly.

Your friend Angelio woke up today very excited to get his very first pay cheque in Canada. Angelio is on a very tight budget because he is saving to bring his family to Canada. He is paid after two weeks. He has been counting the number of hours since he started this job. He worked 60 hours. His hourly salary is \$25. He did his calculations, taking 60 times \$25, and was looking forward to getting \$1,500.

When he checked his bank account, he was shocked to see that only \$1,183.78 was deposited. He felt convinced that the employer had made an error. He looked at his pay slip and it clearly indicated that his gross earnings were \$1,500. There seemed to have been some deductions that he had not authorized,

and he was very puzzled. He was not prepared for such a cut.

During his lunch break, Angelio shared his disappointment with you and asked you about what he should do. He was hesitant to ask his employer. You agreed to speak about this issue after work.

Fortunately for you, your employer has taken the time to explain the Canadian payroll system and share this guide with you. One of the objectives of this guide is to enable you to estimate your take-home pay, budget accordingly and avoid surprises. Therefore, when you get your first pay cheque, you will not be surprised like Angelio was. As a matter of fact, you will be able to help your friend 'read' and understand a pay slip.



WHAT YOU WILL LEARN FROM THIS SECTION

Receiving your first payment, especially for a job you worked hard to get as part of your newcomer journey, feels very rewarding. But it can take a while to fully understand how you will be paid. This payroll section is intended to familiarize you with the Canadian payroll system, and help you understand why an employer needs some very private information from you in order to submit your payment.

AFTER GOING THROUGH THE PAYROLL SECTION YOU WILL:

1. Know your pay cycle (frequency of pay e.g., biweekly, monthly etc.)
2. Understand how you will be paid.
3. Know that your employer will deduct money from your wages / salary.
4. Understand some of the most common deductions and why your salary is different from what you will actually see on the cheque or be deposited in your bank account.
5. The different deductions and how net pay is derived from gross earnings.
6. Be able to distinguish gross pay from net pay and what this means in terms of what you take home or is deposited in you bank account.
7. Develop a basic vocabulary of common payroll terms.





PAYROLL FAQ

WHEN DO YOU GET PAID?

The frequency of your pay is provided by your employer. The time it takes for you to work and be paid is called a pay cycle. This frequency is given by your employer. It can be monthly, weekly, or biweekly (once every two weeks). The pay cycle does not change. This constant cycle allows you to know when you are getting paid so you can plan how and when to spend your money. Generally, you will be paid an hourly rate or a salary. A salary is generally fixed, for example: \$4,000 a month or \$2,000 biweekly. If you are paid an hourly rate, your pay will fluctuate depending on the number of hours you work during a pay cycle.

HOW DO YOU GET PAID?

Your employer will either give you a cheque or deposit the money in your bank account. So, if your employer asks you for your banking information,

do not panic. The employer needs you to provide the bank information giving them permission to deposit money into your bank account. This money will be deposited on pay day.

WHAT OTHER INFORMATION DOES YOUR EMPLOYER NEED TO PAY YOU?

Before an employer can pay you, they need to set you up on what is called a payroll. A payroll is pretty much the list of all employees that work for the employer. To add you to the list, the employer needs your immigration papers to ensure that you can work in Canada legally.

The employer will also need your social insurance number. This number is often referred to as SIN. Be careful to only provide this number when you have a job offer. The employer is required to keep all your documents and not share with others except those individuals or government departments as required by law.

WHAT IS A TDI FORM AND WHY DO YOU NEED TO COMPLETE IT?

This is a form that will be used to figure out how much taxes to deduct from your gross pay. There are two forms you need to complete, one for the federal government and another for the province.

The employer will give you these forms, along with instructions on how to complete. It is important that you complete as accurately as you can. The information the employer collects may feel intrusive. You may not feel comfortable sharing this personal information. The Government requires that this information be collected. The employer uses it to figure out how much income tax to deduct from your pay. It is important that you provide accurate and complete information so that the right amount of taxes are deducted from your pay. We will talk later about this when we address the tax system in Canada.

Depending on the specifics of your job an employer may need to get more information. For example, if you are going to get medical coverage or life insurance benefits, your employer will ask for details of dependents.

WHAT DOES THE EMPLOYER PROVIDE YOU?

Whether you get a cheque or your pay is deposited in your bank account, the employer must provide you with a pay slip or paystub. This is pretty much a document that shows the breakdown of your pay. This is important. If you forget everything discussed here, please do not forget how to read a pay stub.



THE PAY STUB

Below is the pay slip that Angelo got.

MAIN STREET CONSTRUCTION				EARNINGS STATEMENT	
Angelo Sainte			SIN 987 654 321		
EMPLOYEE ID	PAY PERIOD START		PAY PERIOD END	CHEQUE DATE	CHEQUE NUMBER
110	2023-07-16		2023-07-29	2023-08-03	322111
RATE	HOURS	VACATION PAY	GROSS PAY	DEDUCTIONS	CURRENT TOTAL
\$25.00/HR	60		1,500.00	CPP EI INCOME TAX	81.24 24.45 210.53
				GROSS TOTAL	TOTAL DEDUCTIONS
				1,500.00	316.22
					NET PAY
					1,183.78

CPP: Canada Pension Plan contribution
 EI: Employment Insurance contribution
 Income Tax: Federal and provincial income tax

Total earnings before deductions

Sum of all deductions

Gross pay minus total deductions



Let's review this pay stub, item by item:

PERIOD START

This is the start of the pay cycle/period during which the pay was earned. Hours worked are counted from this day.

PERIOD END

This is the end of the pay cycle / period during which the pay was earned. Hours worked on the date shown are included in the pay.

CHEQUE DATE

The date the cheque is written, or money deposited into the bank account. This date is often a few days after the period end date. The time in between is used to process the payroll for everyone.

CHEQUE NUMBER

This shows the cheque number. Please note that even though money may be deposited directly into the bank, the pay stub will still show a cheque number.

EMPLOYEE NAME / EMPLOYEE ID / SIN

These sections, identify the individual being paid.

HOURS PAID

These are the number of hours worked in a pay cycle (pay period).

RATE OF PAY

This is the rate per hour that was agreed on with the employer.

VACATION PAY

This would be the amount paid while on vacation. In this situation, Angelio just started work and has not taken vacation as of yet.

GROSS PAY

This would be the salary or pay earned before any deductions. Remember this is \$1,500 that Angelio had calculated and expected to see in his bank account.

CPP

CPP stands for Canada Pension Plan contribution. The amount is calculated based on the rate set by the Government.

EI

EI is a short-cut (abbreviation) for the Employment Insurance contribution. The amount is also calculated using the rate set by the Government.

INCOME TAX

This is the amount of income tax that has been calculated using the information provided on the TD1 information you completed. The employer will send this to the government.

DEDUCTIONS

This section gives a total of all the amounts deducted / subtracted from Gross Pay.

NET PAY

The Net Pay is what is deposited in the bank account or written on the cheque.



THE GOVERNMENT REQUIRES ALL EMPLOYERS TO MAKE DEDUCTIONS AT SOURCE.

What does that mean? It means for every dollar you earn, some of it will be withheld/deducted/subtracted. Some of these deductions are optional such as contributions to employer provided benefits like life insurance.

Some of these deductions are required by law. CPP, EI and Income taxes are mandatory deductions. You and your employer have no choice regarding these three deductions. CPP and EI deductions are based on rates that the Government provides. The tax portion is based on the TD1 you complete. In addition to these mandated deductions, your employer may make other deductions based on your contract and benefits you are taking part in where you make some contributions. For example, you may be getting life insurance as a benefit and contributing to cover the premiums required by the insurance provider.

If you are in a unionized environment, the pay stub will include a section called Union Dues. This will be the amount of your contributions to a union. The amount is based on an agreement signed by the employer and the union.

It is very possible that you and a friend may work the exact same hours at the exact pay rate but get different amounts of net pay even if you get the same benefits.



BE WARNED!

Beware of an unpleasant surprise: what you actually receive on your cheque or in your bank account will be less than your stated wages or salary. You might wonder why. The reason is that the government requires all employers to make deductions at the source.

WHY DEDUCT CPP AND EI?

EI is the acronym for Employment Insurance. This amount is sent to the government and acts as an insurance policy. So, if you lose your job, you may get some income from the Government if eligible. This may be helpful with meeting some basic expenses while you look for a new job.

CPP is deducted and sent to the Government. When you retire the Government will give you a monthly pension. This amount will be helpful but will not be enough to meet your living expenses. Be wise and put some of your earnings in a retirement fund.

WHAT DOES THE EMPLOYER DO WITH ALL THESE DEDUCTIONS FROM GROSS PAY?

The employer does not keep the money. The deducted money is submitted to other entities. CPP, EI and Income Taxes are submitted to the government. If Union Dues are deducted, the money is sent to the union. If health premiums are deducted, the employer sends the deductions to the company providing the health benefits.

DOES THE EMPLOYER CONTRIBUTE ANYTHING?

Yes!! You may be pleased to know that the employer also makes contributions that benefit you. Although these employer contributions are not shown on the pay stub, they are added to the amounts sent to the government or other entities and gets credited to your account. Your employer will match your CPP contribution and submit your portion and their portion to the government. The employer also contributes to your EI and sends this to the government as well.

ARE YOU UP FOR A CHALLENGE?

Try out this exercise and stretch your math brain. Check your answers with the answer key provided on page 14.

Tatenda worked for 40 hours a week during a pay cycle that began February 15 and ended February 28. The rate of pay is \$20 per hour.

Total deductions for the period were \$350.

1. How many hours did Tatenda work?

2. What was the gross pay for the period?

3. What is the pay cycle?

weekly biweekly monthly

4. What was the net pay?

5. How much money did the employer deposit into Tatenda's bank account?



OVERVIEW OF THE CANADIAN TAX SYSTEM

The Canadian tax system is very complex. Hopefully this section will give you the confidence to navigate it and meet your tax obligations while accessing resources available to help you file your taxes.

WHAT IS THE CRA?

CRA stands for Canadian Revenue Agency. This is not a spy agency, but a part of the government that oversees the collection and refund of taxes. As mentioned in the payroll section, that CPP, EI and Income taxes are deducted from gross pay and submitted to the government. By the government, we mean the CRA.

WHO MUST REPORT INCOME TAXES?

If you are working in Canada, you must report your income to the CRA. This is done through a process called income tax filing, which is done once a year. For individuals, income taxes must be filed by April 30 each year. You can file your income taxes on paper and mail them to the CRA, but the recommended method is to use Netfile, which allows you to file electronically.

WHAT RESOURCES ARE AVAILABLE?

While the process may feel overwhelming, there are many resources available to help. The CRA provides many tools to assist with filing income taxes, including recommended software for Netfile, forms to complete and guides with instructions. Many organizations also provide tax services and you can also buy tax filing software. Additionally, if you talk to your bank they can help direct you to a resource.

WHAT IS ALL THE MONEY USED FOR?

Canada is known for its high taxes. In addition to the income taxes, please also note that when you buy goods and services in Nova Scotia, most times you pay a higher amount because of an extra tax called Harmonized Sales Tax (HST). This tax (15%) is collected by sellers and remitted to the government. If you buy shoes for \$100, when you go to the cashier, the amount you pay will be \$115. This can be very confusing because the price tag will say \$100, but you will be asked to pay \$115. The seller /store keeps \$100 and sends the \$15 to CRA.

The CRA is collecting taxes on your income and on other services and goods that you buy. This might seem like a lot of money to give to the government. But think about it for a moment. Look around you and you will notice the many benefits that you enjoy because the government has used your taxes to provide these services, e.g., the well-maintained roads.

ARE YOU UP FOR A CHALLENGE?

Make a list of all services and resources you benefit from, provided by the government and paid for with tax money. Compare your answers with the answer key provided on Page 14. How many items did you get correct? How many are not included on the list.

Given how taxes are used, you may want to consider thinking of paying taxes as both a privilege and a shared responsibility. It is a privilege to contribute to building the growth of Canada and your local community. This is a shared responsibility in the sense that we all have a role in investing to make this a better place to live.

EVER HEARD OF TAXATION EQUITY?

Did you know that one of the objectives of the Canadian income tax system is to achieve “equity”? In terms of taxation, this means that individuals

earning more pay higher taxes. The underlying reason is that those earning more have a greater capacity to contribute more. There are different tax rates, based on income, and the government factors in each individual's life situation to determine how much tax they need to pay.

For example, two individuals with the same net pay and identical benefits may pay different amounts of tax. A single individual will pay more income than an individual with a partner and young children. This is due to tax credits, which reduce the amount of tax owed based on certain personal circumstances.

This is one reason why it is important that you provide complete and accurate information when you complete the TD1 forms, as this information is used to estimate your tax for the year. When the tax is filed, and you provide the required calculations, if more tax was deducted during the year than necessary, you will get a refund. If less was deducted, you will need to pay the difference by a given date.

I EARN VERY LITTLE INCOME IN THE YEAR, NO INCOME TAXES WERE DEDUCTED, AND I DO NOT HAVE TAXES PAYABLE, SHOULD I STILL FILE INCOME TAXES?

The answer is yes. There are many benefits such as a child benefit and social benefits you may be entitled to, but won't get unless you file Income Taxes.

WHEN MUST I FILE AN INCOME TAX RETURN?

The taxation year for individuals in Canada is January 1 to December 31. Taxes are due by April 30, four months after the end of the calendar year. At the beginning of each year, your employer will give you a slip, called a T4, providing a summary of your salaries/wages and deductions for the previous year. If you worked for several employers, each employer will give you a T4, and these will be the main documents you will need to file your taxes.

ANSWER KEYS

PAGE 11

1. **80 hours** | Tatenda worked for two weeks.
2. **\$1,600** | This is 80 hours multiplied by \$20.
3. (b) biweekly or (c) monthly | The period covered is 14 days.
4. **\$1,250** | \$1,600 minus \$350.
5. **\$1,250**

PAGE 13

Health care | In Nova Scotia, Medical Service Insurance (MSI) provides health care coverage for taxpayers and their families.

Education | Free tuition, transportation and textbooks for students up to high school.

Police and Fire Services | The police in Nova Scotia have a duty to serve and protect.

And more | Libraries, road maintenance and other programs and projects that benefit the community at large.





ACKNOWLEDGEMENT

We would like to express our sincere thanks to Jenipher Chitate, founder of Anchored Advisory Services, for creating the content for the Newcomer Payroll Guide. As an experienced business leader with lived experience as a newcomer to Canada herself, Jenipher brings both professional expertise and personal insights that have greatly enriched this resource.


**IMMIGRATION
AND COMMUNITY
INTEGRATION**



IMMIGRATION AND COMMUNITY INTEGRATION

Connect with us!

pictoucountypartnership.com

151 Provost Street – Unit 202,
New Glasgow, NS B2H 2P6

902 755 2244

