

# Payroll Fundamentals — Workbook

This workbook turns the course into a working payroll system for your own business. Move through it in order: get your accounts and worker classifications right, calculate a real gross-to-net cheque by hand so you can trust your software, lock in your remittance and deposit deadlines, and build a year-end routine that reconciles. The templates give you a ready-to-edit gross-to-net calculator, a remittance and deposit deadline tracker, and a year-end reconciliation sheet so payroll stops being a source of penalties and surprises.

## How Payroll Works and Setting It Up Right

Register the correct accounts, classify every worker defensibly, and choose a pay frequency before you cut a single cheque.

### Worksheet: Payroll Account and Setup Inventory

Fill this in before your first pay run. Leave nothing blank; a missing account number or SIN/SSN will stop you from filing year-end slips months from now.

Country and jurisdiction(s) you employ in (provinces / states)

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Business Number with RP suffix (Canada) or EIN (US)

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State withholding account number(s) and state unemployment (SUTA) account number(s) (US)

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Workers' compensation account (e.g., WSIB number, or state workers' comp)

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Pay frequency chosen (weekly / bi-weekly / semi-monthly / monthly)

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First pay date and first pay period end date

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Payroll software selected (or manual method) and who runs each cycle

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Where signed TD1/W-4 forms and direct-deposit authorizations are stored

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### Exercise: Employee vs Contractor Stress Test

Take one worker you are unsure about and run them through the classification tests. If most answers point to employee, you must put them on payroll, regardless of any contract.

- Who controls when, where, and how the work is done, you or the worker?

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- Who supplies the tools, equipment, and workspace?

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- Can this person realistically make a profit or suffer a loss on the engagement?
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- Is the work central and ongoing to your business, or a discrete outside service, and what does that suggest about classification?
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### Exercise: Pay Frequency and Cash-Flow Drill

Choose a pay frequency deliberately by reasoning through its effect on workload and cash, not by default.

- How many pay runs per year does each option create (weekly 52, bi-weekly 26, semi-monthly 24, monthly 12)?
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- If you choose bi-weekly, which two months next year have three paydays, and can your cash flow absorb them?
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- Does your province or state mandate a minimum pay frequency that rules out any option?
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- For salaried staff, are you dividing the annual salary by the correct number of periods (26 for bi-weekly, not 24)?
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### Checklist: Pre-First-Payroll Readiness Check

- Payroll account is open (RP account in Canada, or EIN plus state accounts in the US) at least a week before payday
- A signed TD1 (federal and provincial) or W-4 is on file for every employee
- Every employee's legal name, SIN/SSN, and address match government records exactly
- Pay frequency, first pay date, and period end date are set and communicated
- Direct deposit or cheque process is tested
- Workers' compensation registration is complete
- Payroll software is configured, or the manual calculation method is chosen, before the first run

## Gross-to-Net: Calculating Pay and Deductions

Build gross pay correctly, then compute every statutory deduction by hand so you can verify any software to the cent.

### Worksheet: Gross Pay Build-Up Worksheet

Construct one employee's gross pay for a single period. Capture every component; missed overtime or taxable benefits silently distort withholding all year.

Employee name and pay period (start and end dates)

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Regular hours and rate (or salary divided by periods)

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Overtime hours and overtime rate (typically 1.5x over 40/week)

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Statutory holiday pay, vacation pay, bonus, commission, tips

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Taxable benefits added to gross (company car, employer life insurance, gift cards)

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Total gross pay for the period

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## Exercise: Hand-Calculate a Full Cheque (Your Jurisdiction)

Work one cheque from gross to net by hand using current rates, then run the same cheque through CRA PDOC (Canada) or IRS Pub 15-T (US) and confirm they match. Use the course example (2,400 gross, bi-weekly) if you have no real data yet.

• Canada: compute CPP (5.95% on gross minus the period exemption) and EI (1.66% of gross) by hand. What are the two amounts?

• US: compute Social Security (6.2%) and Medicare (1.45%) by hand. What is the combined FICA?

• What income tax (CRA tables/PDOC, or IRS Pub 15-T from the W-4) applies for this employee and frequency?

• What is net pay after all deductions, and does your by-hand CPP/EI or FICA match the software to the cent?

## Worksheet: Taxable Benefits Audit

List every non-cash perk you give employees and decide its tax treatment. When in doubt, assume taxable until you confirm a specific exemption.

Benefit or perk provided

Annual or per-period dollar value

Taxable or non-taxable (and the rule/exemption relied on)

Which slip box it belongs in (T4 box, or W-2 Box 1)

Is it currently being added to gross for withholding? (Yes/No)

## Checklist: Gross-to-Net Accuracy Check

Salaried pay divides annual salary by the correct number of periods

Overtime is applied at the right multiple over the correct threshold

All taxable benefits are added to gross before computing deductions

CPP/EI (Canada) or FICA (US) amounts were verified by hand against the rates

Income tax was taken from an official source (PDOC/T4032 or Pub 15-T)

Year-to-date caps (CPP, EI, Social Security wage base) are being tracked so deductions stop at the maximum

## Remitting to the Government On Time

Pin down your remitter type and deposit schedule, then record and reconcile every remittance so liabilities clear to zero.

## Worksheet: Remitter Type and Deadline Worksheet

Determine exactly how often and by when you must remit, then write the next four deadlines on your calendar with reminders.

Canada: your CRA remitter type (regular / quarterly / accelerated 1 / accelerated 2)

Canada: remittance due date rule (regular = 15th of the following month)

US: federal deposit schedule (monthly = 15th of following month; or semi-weekly)

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US: state withholding and SUTA deposit/filing schedule per state

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Quarterly/annual filing dates (Form 941 quarters, Form 940; T4 Summary)

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Next four remittance/deposit dates entered into your calendar (Yes/No)

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### Exercise: Map a Pay Date to Its Remittance Deadline

Practice the rule that catches people out: the deadline keys to the pay date (when withheld), not when the work was performed.

- Take a real pay date. In which month was the deduction withheld?
  - Canada (regular remitter): what is the remittance due date for that pay date?
  - US: based on your monthly or semi-weekly status, what is the federal deposit due date?
  - Did you remember the separate state deposit (US) or the employer CPP/EI portion (Canada)?
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### Worksheet: Monthly Payroll Liability Reconciliation

Run this every month. The goal is for each liability account to clear to zero (or to the next unpaid period) after remittance.

Total gross pay for the month (ties to wage expense in the ledger)

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Total income tax withheld

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Total CPP/EI (Canada) or FICA (US) withheld plus employer share

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Total benefit/garnishment deductions

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Remittances/deposits made during the month (dates and amounts)

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Residual balance in each liability account after remittance (should be ~0)

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### Checklist: Remittance Compliance Check

- Remitter type / deposit schedule is confirmed in writing from the CRA or IRS
- Every remittance includes both employee deductions and the employer share
- Federal US deposits go through EFTPS electronically
- State withholding and SUTA deposits are made separately and on time
- Each remittance cleared the matching liability account to zero
- Remittance confirmations are filed with the pay registers for the audit trail

## Year-End, Records of Employment, and Software

Handle separations cleanly, reconcile year-end slips to your remittances, and choose software so you never do this by hand again.

### Worksheet: Employee Separation Closeout (Canada ROE)

Complete this for any employee who stops working. The ROE directly affects their EI benefits, so the reason code and deadline matter.

Employee name and last day worked / interruption of earnings date

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Final wages, accrued vacation, and any severance/termination pay calculated and paid

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Total insurable hours and insurable earnings for the ROE

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Reason-for-issuance code (e.g., A shortage of work, E quit, M dismissal)

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ROE filing deadline (electronic: 5 days after the pay period end) and date filed

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Final amounts confirmed to flow through to the year-end T4

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### Exercise: Year-End Slip-to-Remittance Reconciliation

Prove your year-end slips match what you actually sent the government before you file. A mismatch means you over- or under-remitted.

- Canada: do the totals of CPP (Box 16), EI (Box 18), and tax (Box 22) across all T4s equal your total remittances for the year?
  - US: do the W-2 Box 2/4/6 totals reconcile to the sum of your four Form 941 filings?
  - If there is a difference, is it an over-remittance to claim back or an under-remittance you owe?
  - Is every employee's legal name, SIN/SSN, and address correct before slips are generated?
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### Exercise: Payroll Software Selection and Verification

Choose a tool against your real requirements, then verify its math before trusting it with live payroll.

- What are your hard requirements: country, provinces/states, employee plus contractor count, benefits offered?
  - Does the shortlisted tool file remittances AND year-end slips for your jurisdiction, not just calculate them? (e.g., Wagepoint/QBO Payroll/Powerpay in Canada; Gusto/QuickBooks/ADP RUN/Rippling in the US)
  - What is the all-in cost (base fee plus per-employee per-month, and any extra year-end slip fees)?
  - Did one historical cheque run through the tool match CRA PDOC or IRS Pub 15-T to the cent, and did you import year-to-date totals if switching mid-year?
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### Checklist: Year-End Closing Checklist

- Every employee's name, SIN/SSN, and address verified before generating slips
- All taxable benefits for the year are included in the correct boxes
- Slip totals reconciled to remittances/deposits (T4 Summary; or W-2s to Form 941s)

- [ ] Slips distributed to employees by the deadline (end of February in Canada; January 31 in the US)
- [ ] Slips and summary filed on time (T4 Summary with CRA; W-3 with the SSA)
- [ ] 1099-NEC forms issued to qualifying US contractors by January 31
- [ ] Pay registers, remittance confirmations, and filed slips archived for the retention period (6 years Canada, generally 4 years US)

## Your Action Plan

1. Register your payroll account (RP account in Canada, or EIN plus state withholding and SUTA accounts in the US) at least a week before your first payday.
2. Collect a signed TD1/W-4 and verify legal name, SIN/SSN, and address for every employee.
3. Classify every worker as employee or contractor using the control, tools, and risk tests, and put borderline cases on payroll.
4. Choose a pay frequency deliberately and set your first pay date and period end date.
5. Build one full gross-to-net cheque by hand, then confirm it against CRA PDOC or IRS Pub 15-T to the cent.
6. Confirm your remitter type / deposit schedule from the CRA or IRS and put the next several deadlines on a calendar with reminders.
7. Record each pay run as a journal entry (wage expense, employer tax expense, liability accounts) and reconcile liabilities to zero each month.
8. On any separation, pay final wages and accrued vacation, then file the ROE with the correct reason code within five days (Canada).
9. At year-end, generate slips, reconcile them to your remittances, distribute and file by the deadline (end of Feb in Canada, Jan 31 in the US).
10. Select payroll software that files remittances and slips for your jurisdiction, verify its math, and import year-to-date totals if switching mid-year.











