

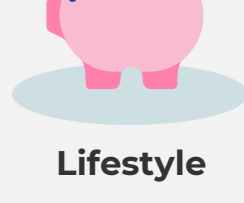
Pay Cheques & Pay Stubs

What Everyone Needs to Know



Whether it's your first pay cheque or your one hundred and first, everyone loves getting paid. But, aside from looking at the final amount, both employers and employees need to know what all of the numbers mean.

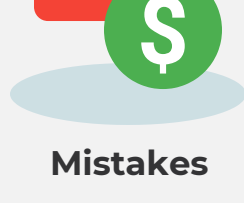
Every Pay Cheque Matters to Every Employee



Lifestyle

47%

of Canadians are living pay cheque to pay cheque.



Mistakes

24%

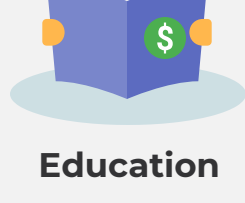
will look for a new job after just one pay cheque mistake.



Financial Stress

42%

feel that financial stress impacts work performance.

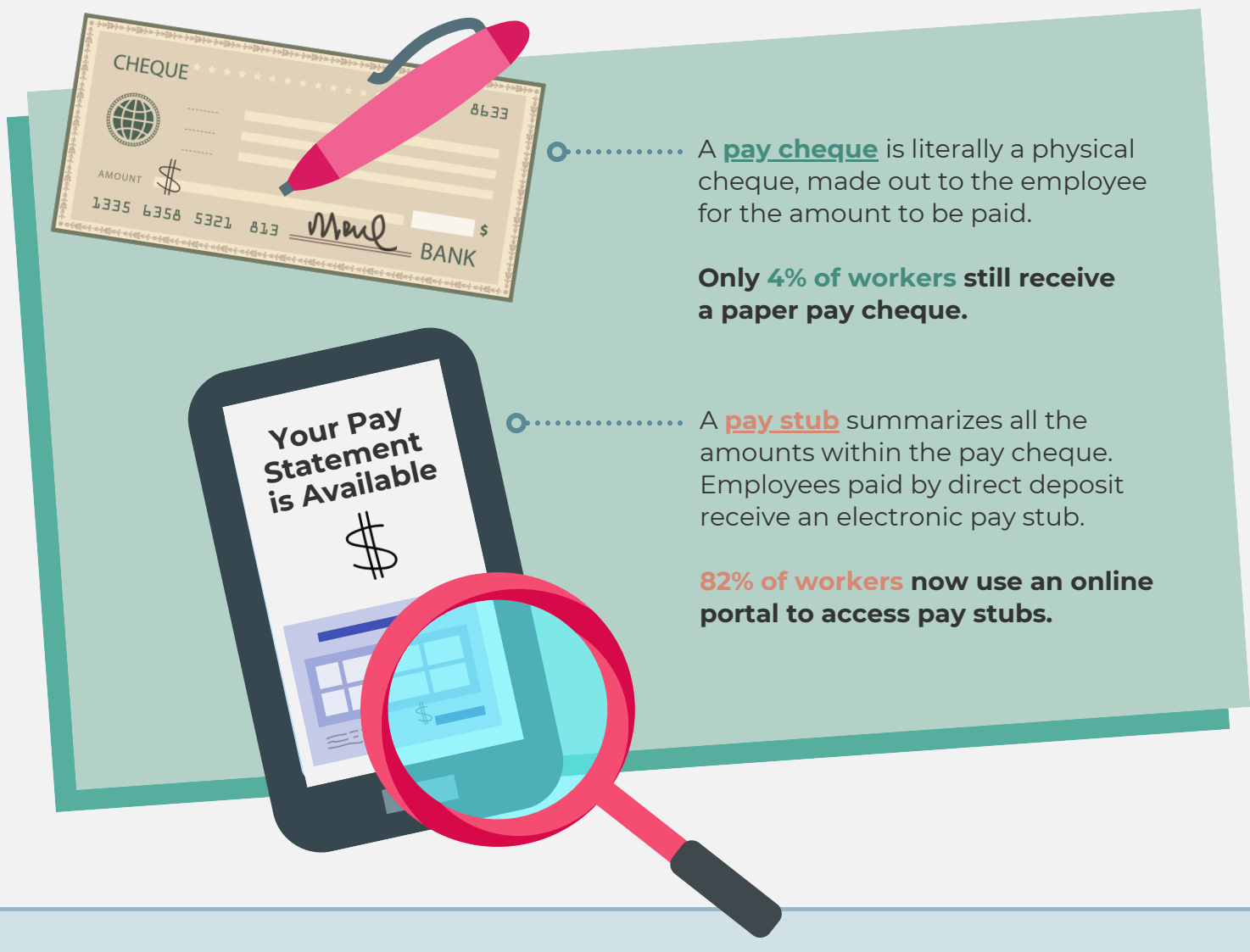


Education

82%

would be interested in financial education provided by employers.

Pay Cheque vs. Pay Stub



A **pay cheque** is literally a physical cheque, made out to the employee for the amount to be paid.

Only 4% of workers still receive a paper pay cheque.

A **pay stub** summarizes all the amounts within the pay cheque. Employees paid by direct deposit receive an electronic pay stub.

82% of workers now use an online portal to access pay stubs.

Basic Pay Stub Details

Opening Summary

Pay rate:

If an employee is hourly, the pay rate will show the hourly wage.

If an employee is salaried, it will show the standard total per pay or total annual income.

Pay period:

The start and finish dates for the period of time that the pay cheque covers.

Pay date: Feb. 8
Pay rate: \$50.00/hr.
Pay period: Jan. 20 - Feb. 2

Total pay: \$4,000

Company and Employee Information

Company Information

Ima Employer
Main Street
Anywhere, CA
A2B 2Z1

Employee Information

Seymour Green
Living the Dream
Anywhere, CA
A2B 2Z1

The company address

needs to be the same address the business used when registering with the tax authorities. This should also be the same address listed at the bank.

Employee information must also be up-to-date, including first and last name, street address, city, province and postal code.



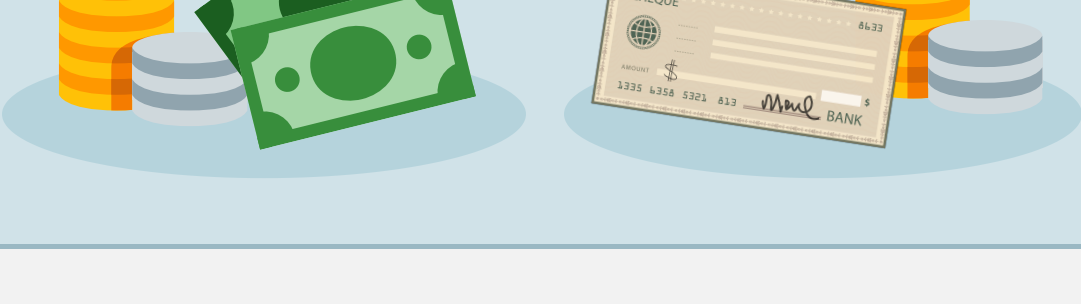
Incorrect or inconsistent information can cause delays and confusion. Within the tax agencies, inconsistencies may also cause delays in bank approvals and direct deposits.

Total Pay (Gross Pay)

The amount **before** all of the **deductions** and **contributions** are applied.

Net Pay (Final Pay)

The amount **after** all of the **deductions** and **contributions** are applied.



Additional Pay Stub Details



Deductions

The amounts subtracted (withheld) from the total pay, including:

- Income tax:** % of the employee's gross wages. Amounts are withheld for both federal and provincial or territorial income tax.*
- Employment insurance (EI):** Premiums are applied for each dollar of insurable earnings up to a yearly maximum.*
- Canada Pension Plan (CPP):** 4.95% up to the maximum annual contribution.*
- Other:** Can include registered retirement savings plan (RRSP) contributions, insurance payments, profit sharing, union dues and garnishments.



Contributions

The required tax amounts added to the pay cheque by the employer, including:

- Employment insurance (EI):** 1.4X the employee's amount.*
- Canada Pension Plan (CPP):** Matches the employee's contribution.*



Other Income & Paid Time Off

As income, the following are also **subject to income tax**:

- Overtime
- Tips
- Bonuses
- Commissions
- Sick time
- Vacation
- Personal time

Total vs. Year-to-Date



Total

Represents the amount or amounts for the **specific pay period**.

Year-to-Date (YTD)

Represents the **cumulative** amount or amounts from the first payroll of the year up to and including the specific pay period.

What Happens to the Money the Employer Takes Out or Puts In?

The employer is responsible for collecting, reporting and forwarding the amounts to the **Canada Revenue Agency (CRA)** or provincial agency like Revenue Québec (RQ). Automating this process is one of the main reasons businesses use payroll software.



Pay Stub vs. T4

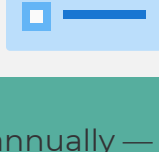


Pay Stub

Issued with every pay cheque.

Summarizes the specific pay period and YTD amounts.

Pay stubs should be kept for 1 year and used to verify the amounts in the employee's T4.**

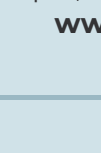


T4

Issued annually — due to employees by the last day in February each year.

Summarizes the entire year's worth of pay information — including the amounts deducted for income tax, EI and CPP.

As this form is used for filing personal and business income tax, it should be kept for at least 6 years (or longer if required).**



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*Income tax rates and EI and CPP premiums are reviewed and updated annually.

The CRA Payroll Deductions Online Calculator (PDOL) is updated twice a year on January 1 and July 1.

**Due to labour law and tax implications, employers will keep payroll records several years longer than employees.

SOURCES:

- Canada Revenue Agency — Record Keeping
- Canada Revenue Agency — Payroll Deductions and Contributions
- Canadian Payroll Association — 2017 National Payroll Week Survey Results
- Canadian Payroll Association — Survey: Half of Workers Say Financial Stress Impacts Work Performance
- Kronos Workforce Institute — 2017 Engaging Employees Through Payroll Survey
- Wagepoint — What You Need to Know About Your Payroll Remittance Schedule
- Image of Cheque — Created by Freepik