

GoForth's Guide to Paying an Employee

Hiring your first employee is an exciting day and a milestone on your journey to success. Let GoForth take the guesswork out of the process so you and your new team can spend your valuable time on building a business rather than digging for information. Here's how to pay your first employee.

Step 1: Open your payroll account

- Set up a [Payroll Account](#) with the **Canada Revenue Agency** - refer to *GoForth's Guide to Setting up a Payroll Account* for step-by-step instructions

Step 2: Have all new employees complete a TD1 form

- [TD1 forms](#) determine the amount of tax to be deducted from an employee's income
- There are federal and provincial/territorial forms to be completed and both should be kept with employee records – **Do not** send Canada Revenue Agency a copy

Step 3: Record employee SIN cards

- Record employee name and number exactly as it appears on their SIN card.
- Ensure that SIN cards beginning with a "9" have not expired
- Employees who need to apply for a SIN card can do so at Service Canada Centres

Step 4: Review provincial and territorial legislation

- Determine wage payment guidelines
- Vacation pay rules
- Guidelines for work hours, breaks, payment of overtime

Step 5: Determine the source deductions

- Federal tax, CPP – Canada Pension Plan, Employment insurance
- Enlist the help of specific accounting software or a payroll service, etc. to calculate deductions or visit [Payroll Deductions Tables](#)
- Visit the Workers Compensation website to determine if your province or territory requires deductions



Step 6: File a T4 for each employee annually

- The T4 must be filed with the federal government at the end of each tax year
- They must be post-marked by the last day in February, the following year – therefore the filing date for the 2010 tax year is February 28, 2011.
- Two copies of the T4 must be received by each employee by that date as well
- Penalties for late filing can be \$25/day

Step 7: Remitting source deductions to the government

- Send a letter along with a cheque or money order to the taxation centre
- The letter must state the following:
 - You are remitting for the first time
 - The remittance period
 - Your company name, address and telephone number
 - Your business number
- Once you've remitted, you'll receive a form for the next remittance, and each one to follow
- Penalties apply if you fail to remit

Visit www.cra-arc.gc.ca for more information on payroll deductions, tax information, etc.

