An Introduction To Payroll Administration 2025 (Canadian) 1st edition Dryden Solutions Manual

SKU: 9781264683932-SOLUTIONS

Chapter 1
Introduction to Canadian Payroll

Solutions to Questions

Review Questions:

1-1 The criteria are:

- What was the intent of the parties in entering the contract.
- The degree of control that the payer exerts over the worker
- Who provides the necessary tools for the work to be performed
- Whether the worker can sub-contract work to others or hire assistants
- Whether or not the worker has financial investment in a business to perform the work
- The degree of financial risk that the worker has
- If there is opportunity for additional profit, or risk of financial loss in performing the contract
- The degree of integration of the worker into the payer's organization

1-2 The employer must receive a Social Insurance Number from the employee within three days of commencing the employment contract, or terminated employment.

The Social Insurance Number should be kept confidential and only used in communicating employee information to the government.
If the Social Insurance Number starts with the number 9 then it is a temporary number. The employer need to know the expiry date and if the employee cannot provide a permanent number, or evidence of expiry extension then the employment contract needs to be terminated by the expiry date.

1-3 Industries covered by federal legislation include:

- banks
- inter-provincial marine shipping, ferry and port services
- air transportation, including airports and airlines
- railway and road transportation that involves crossing provincial or international borders
- canals, pipelines, tunnels and bridges (crossing provincial borders)
- telephone, telegraph and cable systems
- radio and television broadcasting
- grain elevators, feed and seed mills

©2025 Copyright McGraw Hill LLC. All Rights Reserved.

An Introduction To Payroll Administration 2025 (Canadian) 1st edition Dryden Solutions Manual

- uranium mining and processing
- businesses dealing with the protection of fisheries as a natural resource
- many First Nation activities
- most federal Crown corporations
- private businesses necessary to the operation of a federal act

1-4 Stakeholders for payroll administration within the company are all employees, as well as accounting, human resources and management.

1-5 External stakeholders for payroll administration include the Canada Revenue Agency, Revenue Quebec, provincial/territorial agencies, courts, unions, pension administrators, group benefit insurance carriers, charities and any other party for which there are deductions from the employees' wages.

Suggested Exercises:

1-1 The seven criteria should be discussed with the class, depending on what personal information the instructor is willing to share. In most situations the instructor will be an employee.

1-2 The different criteria used in Quebec should be compared to the Canada Revenue Agency. Discussions should lead to students to understand that the differences are more semantic than substantive and either set of criteria will likely lead to the same determination.

1-3 The exercise is expected to entice a variety of different opinions to be expressed as to why each industry is of the "national interest". Responses will vary by class.

1-4 As education is provincial responsibility it is expected that all schools will fall under provincial or territorial jurisdiction.

1-5 The employer challenges in administering the Social Insurance Number identified by students will vary widely based on individual experience and work knowledge. Emphasis should be placed on the initial request, monitoring temporary numbers and maintaining confidentiality.

1-6 This exercise will provide for discussion of internal and external stakeholders for the payroll process. Internal parties should include employees, business owners and managers, as well as departments such as accounting, human resources and information technology. External stakeholders list should include the Canada Revenue Agency, Service Canada, courts, unions and benefit providers.

©2025 Copyright McGraw Hill LLC. All Rights Reserved.

An Introduction To Payroll Administration 2025 (Canadian) 1st edition Dryden Solutions Manual

Assessment Questions:

1-1 d) All of the above
1-2 b) The worker can hire assistants
1-3 d) Contact the Canada Revenue Agency for a ruling.
1-4 a) Three days
1-5 c) Request the employee provide card expiry date
1-6 a) Banking
1-7 c) Credit Unions
1-8 d) National retailer
1-9 c) Human resources
1-10 a) Canada Revenue Agency

©2025 Copyright McGraw Hill LLC. All Rights Reserved.

An Introduction To Payroll Administration 2025 (Canadian) 1st edition Dryden Solutions Manual

Chapter 1

Introduction to Canadian Payroll

LO1 Determine if an organization is an employer or has contracted for services

The first learning objective relates to identifying whether there is a contract of employment between the worker and employer or whether the relationship is a contract for service. Students are required to understand that if a contract of employment is deemed to exist then there are significant liabilities for the employer to withhold and remit statutory deductions, as well as pay workers compensation insurance premiums and possibly health taxes on the employment income.

If there is a contract for service then the employer is simply responsible for paying the worker based on invoiced amounts, inclusive of sales taxes. The worker is responsible for remitting any amounts due to government agencies dependant on whether they are self-employed or working for a corporation providing the contracted services.

It should be stressed that the Canada Revenue Agency and workers' compensation boards look at the substance of the agreement and not simply the contract. The Agency publishes a document to explain how to interpret a particular situation in RC4110. They key subjective test to be applied are:

Step 1 is to determine the intent of the worker and payer was at the commencement of the working agreement, whether employment and therefore a Contract of Service, or a business relationship which would be known as of Contract for Services.

Step 2 is to evaluate the essential nature of the working relationship based on the following fact

1. The degree of control that the payer exerts over the performance of the worker is considered. If the worker performs the job function without supervision or direction that would be appropriate for an employee, then it would be indicative that they are self-employed. On the other hand, if they follow prescribed hours of work, are supervised by the employer and the rate of pay is set unilaterally by the employer then this situation would indicate an employee/employer relationship. A key element to consider is whether the payer has the rights to exercise control over the worker's activities, whether or not the right is enforced on the jobsite.

2. The provision and ownership of tools used by the worker is also used as a test. If the worker owns most of the equipment that they use and are responsible for the repair, maintenance and insurance of these tools it is an indication of self-employment. If most of the tools are

©2025 Copyright McGraw Hill LLC. All Rights Reserved.

An Introduction To Payroll Administration 2025 (Canadian) 1st edition Dryden Solutions Manual

provided by the payer who accepts risk of the ownership, then an employer/employee relationship is evident.

3. Another indicator to be considered is if the worker has the option to hire assistants or to sub-contract work to other workers. If they can independently make this decision, then it would be an indication of self-employment. If the payer makes all decision on hiring assistants or other workers, then it is an indication that the worker is an employee.

4. The degree of personal financial risk that the worker bears in performing the work is an indicator in that a self-employed person typically has expenses or other financial risk in performing the work. Examples may be the cost of carrying liability insurance or have fixed costs not reimbursed by the payer.

5. If the worker has responsibility for investment in business premises or activities to do the work, then it indicates they are self-employed. This would be further evidenced if the worker had the responsibility for managing and compensating employees directly.

6. If a worker has an opportunity for additional profit or chance of reduced profit from the contract, then there is evidence of self-employment. If the payer however pays for services performed at a fixed rate per unit of time or production and reimburses the worker for any expenses paid on behalf of the payer, then the situation is indicative of an employer/employee relationship.

7. The worker's degree of integration in the operations of the payer is also a consideration. If the worker acts and behaves as an employee, then they will be assumed to be an employee. However, if they demonstrate independence of decision making and use of personal resources then this may be indicative of self-employment.

For employees in Quebec we would use the following criteria based on the guidelines of Revenue Quebec:

To evaluate the contract in Quebec there are three steps involved:

1. Examine the intent of worker and payer on entering the contract through review of any documents and/or discussion with the parties.

2. Determine if the employment meets the definition of contact of employment based on the following factors:
   - The performance of the work must be performed by the individual.
   - The method of calculation of remuneration.
   - Relationship of subordination, which looks at the degree of control or autonomy of the worker compared to the payer's right to exercise control over the worker.

©2025 Copyright McGraw Hill LLC. All Rights Reserved.

An Introduction To Payroll Administration 2025 (Canadian) 1st edition Dryden Solutions Manual

3. Compare the intentions of the parties to the contract to the actual working relationship to determine the status of the contract.

It is suggested in discussing the two sets of criteria to point out that each essentially looks at the contract similarly and will arrive typically at the same conclusion.

LO2 The use of the Social Insurance Number

The use of the Social Insurance Number is a straightforward section of the chapter but students may be intrigued by the reference to a "check digit" to validate mathematical correctness of the number. Instructors may choose to demonstrate the calculation by using the following steps:

1. Use the first eight digits of the Social Insurance Number for calculation
2. Multiply each of the second, fourth, sixth and eighth by two
3. Add the digits of the results in step two (eight numbers)
4. Add the first, third, fifth and seventh digit in the Social Insurance Number
5. Add the results of step 3 and 4
6. Subtract the result of step 5 from the next highest number ending in zero, the result should be the last digit in the Social Insurance number.

The following example shows the calculation:

1. Social Insurance Number given is 990 101 065
2. Multiply each of the second, fourth, sixth and eighth by two
   (9x2) =18, (1x2) =2, (1x2) =2, (6x2) =12

3. Add the digits of the results in step two (eight numbers)
   +1+8+0+2+0+2+1+2=16
4. Add the first, third, fifth and seventh digit in the Social Insurance Number
   +9+0+0+0=9
5. Add the results of step 3 and 4
   +16+9=15
6. Subtract the result of step 5 from the next highest number ending in zero, the result should be the last digit in the Social Insurance number.
   +20-15=5

LO3 Determine if an organization is impacted by Federal or Provincial employment legislation

©2025 Copyright McGraw Hill LLC. All Rights Reserved.

An Introduction To Payroll Administration 2025 (Canadian) 1st edition Dryden Solutions Manual

If a worker is deemed to be an employee, then the next important step is to determine the jurisdiction that applies to the employment contract. This is important to understand whether federal or provincial employment standards are applied for payroll purposes.

The general rule is that an employer is specifically included under federal legislation if their operations fit into designated federal controlled industries as outlined in the text. If the employer is not specifically under federal jurisdiction, then they must follow provincial legislation and regulations.

Instructors may want to refer to the following website for class discussion: It should be: https://www.canada.ca/en/services/jobs/workplace/federally-regulated-industries.html

LO4 Understand the stakeholders in the payroll process

The balance of the chapter examines the various stakeholders in the payroll administration for an employer. This section can be used for active class discussion on identifying the stakeholders and what their interest is for the accurate and timely processing of payroll**.**

©2025 Copyright McGraw Hill LLC. All Rights Reserved.

An Introduction To Payroll Administration 2025 (Canadian) 1st edition Dryden Solutions Manual