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Canada

Payroll & Employment Law Guide

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Federal and provincial payroll, tax and employment standards

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For general information purposes only

Overview

A reference for employing in Canada

Company and payroll registration in Canada have two layers. A company may incorporate federally or provincially, but it may also need registration in every province or territory where it carries on business. Before the first payroll, the employer opens a Business Number and payroll program account with the Canada Revenue Agency.

CAD 18.15	40h	5.95%	1.63%
FEDERAL MINIMUM WAGE FROM APRIL 1	FEDERAL STANDARD WORKING WEEK	EMPLOYEE AND EMPLOYER CPP	EMPLOYEE EI OUTSIDE QUEBEC

WHAT THIS GUIDE COVERS

I	**Setting Up and Doing Business**	Company and payroll registration in Canada have two layers.
II	**Working Conditions and Leave**	The applicable employment standard depends on the industry and work location.
III	**Tax and Social Security**	Canadian payroll combines federal tax, provincial tax based on province of employment and social contributions.
IV	**Payroll Operations**	Payroll combines income tax, CPP or QPP, EI and QPIP in Quebec.
V	**Hiring and Termination**	At hiring, confirm identity, work authorization, Social Insurance Number and the correct employment standard.
VI	**Compensation and Benefits**	Canada has no nationwide statutory 13th salary or automatic annual raise.
VII	**Visas and Work Permits**	Verify a foreign worker's authorization before work starts.
VIII	**Practical Notes and Watchpoints**	The most common Canadian payroll error is using one parameter set as if a single national rule applied.
IX	**Incentives and Employer Support**	Canada has no single automatic contribution-reduction catalogue equivalent to Turkey's SGK incentives.

I

Setting Up and Doing Business

Company and payroll registration in Canada have two layers. A company may incorporate federally or provincially, but it may also need registration in every province or territory where it carries on business. Before the first payroll, the employer opens a Business Number and payroll program account with the Canada Revenue Agency.

INCORPORATION AND REGISTRATION CHAIN

STEP	AUTHORITY	PAYROLL OUTCOME
Incorporation	Corporations Canada or provincial registry	Articles and registered office
Additional registration	Province or territory of operation	Extra-provincial registration
Tax number	CRA	9-digit Business Number
Payroll account	CRA	15-character RP account
Quebec operations	Revenu Quebec	Separate source deductions account

STRUCTURE AND EMPLOYER MODEL

OPTION	USE	CONTROL POINT
Federal corporation	Brand and operations across provinces	Register in each province
Provincial corporation	Operations focused on one province	Register in other provinces
Foreign-company branch	Direct activity by the parent	Permanent-establishment tax risk
EOR	Hire without a local entity	Provincial agency licensing

> Verify before payroll
>
> Conditional application: Canada has no single federal EOR licence. Temporary-help and recruitment rules vary by province, so the service model requires local verification. Tax, immigration and employment-standard duties continue under every model.

II

Working Conditions and Leave

The applicable employment standard depends on the industry and work location. The Canada Labour Code applies to federal sectors such as banking, telecommunications and interprovincial transport. Most employees are governed by provincial or territorial law. The table below is the rule for federal coverage, not a national floor for every employee.

FEDERAL WORKING TIME

TOPIC	FEDERAL STANDARD	PAYROLL TREATMENT
Standard hours	8 hours/day, 40 hours/week	Excess is overtime
Weekly maximum	Generally 48 hours	Check exceptions and averaging
Overtime	At least 1.5 times	1.5 hours off by written agreement
Weekly rest	1 full day	Usually Sunday
General holidays	10 federal days	1.5 times plus holiday pay if worked

FEDERAL LEAVE

RIGHT	DURATION OR RATE	CONDITION
Annual vacation	2 weeks and 4% after 1 year	3 weeks and 6% after 5 years
Long-service vacation	4 weeks and 8% after 10 years	Continuous service
Paid medical leave	Up to 10 days per year	Federal coverage
Maternity leave	Up to 17 unpaid weeks	Job-protected leave
Parental leave	63 weeks or 71 when shared	EI benefits assessed separately

> Verify before payroll
>
> Provincial difference: In Ontario, overtime generally starts after 44 hours in a week. Leave, holiday and exemption lists must be configured separately for each province.

III

Tax and Social Security

Canadian payroll combines federal tax, provincial tax based on province of employment and social contributions. Quebec uses QPP instead of CPP and also applies QPIP. The payroll engine must map the employee using the work establishment and province of employment, not only the home address.

FEDERAL INCOME TAX 2026

TAXABLE INCOME	FEDERAL RATE	ADDITIONAL LAYER
CAD 0 - 58,523	14%	Provincial tax added
CAD 58,523 - 117,045	20.5%	Progressive calculation
CAD 117,045 - 181,440	26%	Progressive calculation
CAD 181,440 - 258,482	29%	Progressive calculation
Above CAD 258,482	33%	Progressive calculation

CPP, EI AND QUEBEC LAYERS

ITEM	EMPLOYEE	EMPLOYER	2026 CEILING
CPP	5.95%	5.95%	CAD 74,600 YMPE
CPP2	4%	4%	CAD 74,600 - 85,000
EI outside Quebec	1.63%	2.282%	CAD 68,900
QPP in Quebec	6.30%	6.30%	CAD 74,600 YMPE
QPIP in Quebec	0.430%	0.602%	CAD 103,000

> Verify before payroll
> 2026 wage floor: The federal minimum wage is CAD 18.15 per hour from April 1, 2026. A higher provincial floor prevails for a federally regulated employee. Ontario's floor is CAD 17.95 from October 1, 2026.

IV

Payroll Operations

Payroll combines income tax, CPP or QPP, EI and QPIP in Quebec. The employer adds its shares and remits to the appropriate authority. When the province of employment changes, tax and contribution parameters must be redetermined using the new establishment facts.

PAYROLL CALENDAR

PROCESS	CHANNEL	DEADLINE OR RETENTION
Source deductions	CRA My Business Account	Based on remitter class
Quebec deductions	Revenu Quebec	Separate filing and payment
T4 and T4 Summary	CRA	Last day of following February
Record of Employment	ROE Web	Generally 5 days after period end
Payroll records	Employer system	At least 6 years after the year

EMPLOYEE AND PAYMENT CONTROLS

CONTROL	PAYROLL FIELD	RISK
Social Insurance Number	Employee identity	Incorrect T4 and ROE
Province of employment	Tax table	Wrong provincial withholding
CPP or QPP	Pension plan	Duplicate or missing premium
EI and QPIP	Insurance plan	Missing Quebec difference
Taxable benefit	T4 box	Understated tax base

> Verify before payroll
>
> Foreign employer: An employer resident outside Canada may still have Canadian payroll duties for services in Canada. Treaty relief, social-security agreements and the certified non-resident employer regime require local tax review.

V

Hiring and Termination

At hiring, confirm identity, work authorization, Social Insurance Number and the correct employment standard. At termination, the statutory minimum is not always the complete exposure. Provincial common-law principles or a contract can create a greater entitlement. The federal table applies only to federally regulated employees.

FEDERAL TERMINATION RIGHTS

SERVICE	NOTICE	ADDITIONAL PAYMENT
Less than 3 months	No statutory notice	Check the contract
3 months - 3 years	At least 2 weeks	Notice or pay
3 years or more	1 week per completed year	Maximum 8 weeks
12 months or more	Severance in addition to notice	Greater of 2 days per year or 5 days
Group termination	50 or more within 4 weeks	Usually 16 weeks' authority notice

ONTARIO EXAMPLE

SERVICE	ESA MINIMUM NOTICE	NOTE
3 months - 1 year	1 week	Notice or pay
1 - 3 years	2 weeks	Benefits continue
3 - 8 years	1 week per completed year	3 to 7 weeks
8 years or more	8 weeks	Review common law separately

> Verify before payroll
>
> Departure record: Track the ROE deadline when an interruption of earnings occurs. Reconcile the reason for termination, leave balance, vacation pay and all benefits in the same closing file.

VI

Compensation and Benefits

Canada has no nationwide statutory 13th salary or automatic annual raise. Salary increases, bonuses, private health coverage and employer pension plans are generally contractual or collectively bargained. Minimum wage, vacation pay, equal-pay obligations and provincial transparency rules still constrain that flexibility.

COMPENSATION PACKAGE CONTROL

ITEM	GENERAL POSITION	PAYROLL TREATMENT
Base pay	Cannot fall below minimum wage	Hours and period test
Bonus	May be contractual	Taxable remuneration
Private health	Depends on employer plan	Tax varies by benefit type
Pension plan	Contractual or collective	Plan deduction and T4
Meals and vehicle	Depends on CRA classification	Taxable-benefit test
13th salary	No general legal requirement	Include if policy applies

PROVINCIAL AND CONTRACT LAYER

QUESTION	WHY IT MATTERS	CONTROL
Where is the work location	Wage and holiday rules change	Province of employment
Is there a collective agreement	Pay and shift premiums may increase	Agreement matrix
Is the benefit cash	Tax treatment changes	CRA benefit type
Does the employee work in Quebec	QPP and QPIP arise	Revenu Quebec account

> Verify before payroll
>
> Conditional field: Health, meal, housing, vehicle and remote-work payments cannot be managed through one tax-free list. Classify each benefit separately under the CRA rule and its business purpose.

VII

Visas and Work Permits

Verify a foreign worker's authorization before work starts. An employer-specific work permit generally rests on either a positive LMIA or an exemption under the International Mobility Program. The employer does not follow the same offer process for an open work permit holder, but must still verify permit conditions.

PERMIT CHAIN

SCENARIO	EMPLOYER STEP	WORKER STEP
LMIA required	Apply to ESDC for LMIA	Apply with positive LMIA
LMIA exempt	Submit offer in Employer Portal	Apply with offer number
IMP employer fee	Generally CAD 230	Paid before application
Open work permit	Verify permit conditions	Work for eligible employer
Quebec assignment	Add provincial control	CAQ may be required

PAYROLL ENTRY GATES

EVIDENCE	PAYROLL DECISION	RETENTION
Work permit	Employer, occupation and term	Monitor until expiry
Social Insurance Number	T4 and ROE identity	Privacy-controlled record
Province of employment	Tax and contribution table	Update on every transfer
Offer or LMIA	Wage and occupation match	Audit file

> Verify before payroll
>
> Term management: Canada has no single validity period for all permits. The program, LMIA or exemption and passport validity limit the term. Extension is not automatic.

VIII

Practical Notes and Watchpoints

The most common Canadian payroll error is using one parameter set as if a single national rule applied. A federal-sector employee may still benefit from a higher provincial minimum wage. A provincial transfer, remote-work change or move to Quebec can trigger tax, contribution, language and privacy reviews together.

SETUP GATES

GATE	EVIDENCE	OUTCOME
Jurisdiction	Industry and work location	Federal or provincial rule
Tax location	Province of employment	Withholding table
Quebec layer	Establishment and work location	QPP, QPIP and language review
Data transfer	Processing and storage country	PIPEDA and provincial law
Equity duty	100 or more employees	Federal coverage test

DATA AND WORKFORCE DUTIES

TOPIC	2026 CONTROL	CONDITION
PIPEDA	Commercial personal data and transfers	Provincial exception may apply
Employment Equity Act	Federal private sector	100 or more employees
Federal Contractors Program	Federal contract	100 employees and CAD 1 million
Official language	Federal filing in EN, FR or both	Quebec may add duties

> Verify before payroll
>
> Operational note: Do not select a province code solely from the employee's home address. Assess the CRA province of employment approach using the physical work location and employer establishment together.

IX

Incentives and Employer Support

Canada has no single automatic contribution-reduction catalogue equivalent to Turkey's SGK incentives. The standard 2026 employer burden outside Quebec includes matching CPP and 2.282% EI up to their respective ceilings. Support takes the form of targeted grants, wage subsidies, apprenticeship and workforce-retention programs.

EMPLOYER SUPPORT

PROGRAM	EMPLOYER BENEFIT	2026 CONTROL
Apprenticeship Service	Up to CAD 10,000 for a first-year apprentice	Eligible trade and partner
Work-Sharing	EI support during reduced hours	At least 2 core employees
Retention and Retraining	Income support during training	Approved Work-Sharing
Opportunities Fund	May subsidize paid placement	Project and provider based
Provincial training grants	Training-cost support	Province and intake based

APPLICATION AND PAYROLL EFFECT

STEP	OWNER	PAYROLL TREATMENT
Eligibility review	Employer and program provider	Before hiring commitment
Formal application	Service Canada or province	No automatic premium code
Hours record	Employer	Weekly Work-Sharing record
Grant reconciliation	Finance and payroll	Track wage and grant separately
End-of-term check	Program owner	Return to normal hours

> Verify before payroll
> Conditional support: Program amount, target group and intake window can change. Do not deduct an expected grant from employment cost until written approval is received.

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EOR & PAYROLL, HANDLED

Manage Canada payroll & employment from one center with Datassist.

Tax, contribution, employment and mobility controls must operate on one calendar. Datassist helps international employers coordinate Canada payroll and employment operations from one center.

Schedule a Meeting →

CAD 18.15	40h	2026
FEDERAL MINIMUM WAGE FROM APRIL 1	FEDERAL STANDARD WORKING WEEK	CURRENT LEGISLATION BASE

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