

Once you decide to expand into Canada, you must shift your focus to hiring local talent that will help expand your company's reach. Entitlement and termination terms, taxation rules, and your different payroll options are all critical factors to consider before officially hiring an employee.

Taxation Rules for Payroll

Canada operates under a progressive tax system that varies by province. Each province has its own social security system and contribution rates, and all employees' contributions are deducted from their paycheck every month. The top federal tax rate is 33%, and provincial rates vary from 4% to 21%.

Canada's federal taxes include employee contributions to Employment Insurance and the Canada Pension Plan. Payroll taxation rules govern the maximum employer and employee contributions. The social security system also offers numerous child-related benefits such as the Universal Child Care Benefit, Fitness Tax Credit, and the Child Tax Benefit.

Canada Payroll Options

You have a few different options when it comes to choosing a Canada payroll processing company:

- Work with a local payroll administrator that acts as a payroll provider for your employees. As the Employer of Record, you are still held liable for any compensation errors, but you won't have to worry about payments, filings, and other calculations.
- Larger companies may decide to handle payroll themselves after they [establish a subsidiary](#). This route requires a substantial amount of time and money to understand and adhere to Canada's taxation and payroll laws.
- Outsourcing payroll with a [global PEO such as Globalization Partners](#) is an excellent option if you want to work with a payroll processing company while also shedding the liability that comes with being an Employer of Record.

How to Set up Canada Payroll

If you decide to do your payroll yourself, you will have to set up a subsidiary first. Companies can choose to incorporate at the federal or provincial level.

Federal incorporation lets companies trade overseas and throughout any Canadian province. Provincial incorporation allows companies to trade internationally and only in the province in which it incorporated. You'll then need to get a Business Number (BN) from the federal government — or a Quebec Enterprise Number (NEQ) if you are incorporating in Quebec. Your number allows you to open a payroll program account with the Canada Revenue Agency.

Entitlement and Termination Terms for Canada Payroll Options

Canada doesn't require an employment contract before or after hiring an employee. However, it is best practice to draft one that includes clear entitlement and termination terms.

Retail business employees in Ontario have the right to refuse to work on Sundays if they were hired before September 4, 2001. Employees also have the legal right to paid or unpaid time off work for reasons including:

- Bereavement
- Citizenship
- Compassionate Care
- Jury Duty
- Maternity, Parental, Paternal, Adoption, and Child Care Needs
- Sick
- Voting
- Wedding

Employers also need to give their employees a notice period — or pay wages instead of the notice — before termination, if the employee worked for three months or more.

Instead of worrying about your Canada payroll options, work with a Canada payroll processing company such as Globalization Partners. We hire employees on your behalf, [handle compensation](#), and take the stress out of compliance issues. Contact us today to learn more.