

The 3 Most Costly Payroll Errors and How to Avoid Them

How Managed Payroll With Direct Deposit Reduces Financial Risk

As a small business owner, you know that when the business day ends, your paperwork shift begins. Countless tasks need your attention – from paying invoices to recording receipts to replying to customer emails, never mind trying to sit down to dinner.

And then there's payroll...

More staff may spread out the work, but they also create a complex administrative burden and increased liability for you: employees expect to be paid on time, every time; the CRA expects to receive CPP, EI and tax too. On top of that, you need to meet provincial employment standards as it relates to vacation, statutory pay and overtime.

Get it wrong and you could wind up being in debt to the CRA, accumulating penalties and interest, or worse, having your bank accounts frozen.

DIY PAYROLL INCREASES BUSINESS RISK

You may think that outsourcing payroll is too costly or just not worth it with so few employees. However, small business owners with under 10 employees are most at risk when it comes to compliance. Why? Because they are not payroll experts.

Many owners do their very best to process their own payroll using a spreadsheet and a deduction calculator. However, federal deductions and provincial employment standards are so complex, mistakes easily creep in. Some owners get so frustrated, they start making guesstimates, assuming it will all even out in the wash. But it never evens out – it only creates a headache and compliance risk.



PAYROLL SOFTWARE CREATES EXTRA WORK

Still, other owners use payroll software to try and lessen the burden, but here's the thing: you need to learn how to use the software properly. The time it takes to learn and properly use payroll software just creates another hurdle.

Plus, when you're making so many detailed inputs into a program, one extra zero can literally cost you thousands – never mind the time and energy it takes to find and fix the mistake. Meanwhile, your crew goes unpaid, and they lose a little respect for the guy that promised he was going to run his business differently.



DON'T FORGET - IT'S NOT **ALL** YOUR MONEY

Worse yet, many owners don't hold back any funds to pay their portion of EI, CPP, etc. This can really sabotage their success when they go to file their taxes.

Suddenly, they find themselves owing thousands that they can't afford to pay. Then they start being charged penalties for late payment and interest on top of that, and it just snowballs from there.

**But there's an easy way to fix all that and stop problems before they start:
a managed payroll service with direct deposit.**

HOW DIRECT DEPOSIT SAVES THE DAY – AND POTENTIALLY, YOUR BUSINESS

End-to-end payroll solutions are not only affordable, they also offer a host of services to help make your payroll and staffing process run smoothly with little effort – including direct deposit.


Direct deposit is convenient because you only need to track employee working hours to complete payroll. However, it also helps reduce risk to your business in the following ways:

1. FEDERAL DEDUCTION AND REMITTANCE AS YOU GO

There's a tendency to see all the money that comes in from a job or a sale as your money, but this is simply not true. Like it or not, a portion must be paid to the government in the form of deductions and tax.

And so, when payroll comes, not only do you have to calculate and remit your employee's deductions – you also need to calculate your deductions AND hold back your portion of these deductions to pay later. It's easy to do this in theory, but a lot harder to do in practice. This is one way you can end up with a tax bill so high that it devastates your business.

When you use direct deposit, all the deductions are calculated and remitted at the same time. You don't have to worry about holding back money or figuring out how you're going to pay what's owed. It's money in, money out – without negatively impacting your business or your bottom line.



“ I am much more useful on the job site versus trying to be an accountant. I'm not trained to do that. I'm super happy with the service. And find it's a really good value for what it costs to have FBC do it all for you.”

-Nathan D. (Ontario), Owner at NDH Construction

FBC Payroll User Since 2019

2. REGULAR PAYMENTS MAKE EVERYONE HAPPY – INCLUDING THE CRA

Not only do employees respect owners that pay them the right way at the right time, the CRA also likes to be paid as you go. And if you're in arrears, regular payments show the CRA good faith that you are trying to be compliant going forward.

There are three ways CRA requests payment for payroll that can be calculated at the time of payroll as part of a direct deposit process:

Option 1: Quarterly

Occurs typically when the business or farm is small with one or two employees. Must have good standing with all CRA accounts (GST, HST, Corporate, payroll) meaning no arrears or amounts owing. Payments are due April 15, July 15, Oct. 15, and Jan. 15.

Option 2: Monthly

Most common – Businesses and farms are required to pay by the 15th of each month for source deductions made in previous month. For example, April remittance due May 15th and so on.

Option 3: Bi-Monthly


Twice a month – This requirement is for those larger companies with payroll expenses well over \$500,000. Payments are required on the 10th and 25th of each month.

By calculating your remittance at the same time you process your payroll, it makes it so much easier to pay the CRA the right amount, at the right time.

3. PROVINCIAL EMPLOYMENT STANDARDS

If you didn't have enough to worry about, running payroll means you also need to comply with provincial labour standards. To make it more complex, these can vary from industry to industry, and province to province.

Here are just some examples of how statutory pay and overtime can be completely different, depending on your industry and where your business is located:



A managed payroll service with direct deposit will make sure employee pay is calculated correctly to meet provincial employment standards.

Construction - Statutory Pay

Alberta

Typically, stat pay is not paid, but the employees receive extra vacation pay to make up for it. For example, retail employees would receive 4% vacation pay plus stat pay when applicable. In construction, the employee would receive 9.5% vacation pay all the time with NO stat pay.

Ontario

Statutory pay is paid as usual for MOST industries.

Trucking - Overtime

Alberta

Overtime is calculated two ways: after 40 hours; or after 8 hours per day, whichever is less.

Ontario

Normal overtime is after 44 hours, however in the trucking industry, overtime is calculated after 55 hours.

FBC PAYROLL IS AN AFFORDABLE, RELIABLE OPTION

When you partner with FBC, you're gaining access to a payroll expert that calculates and prepares your payroll for you. The only thing you need to track is employee working hours.

For one, monthly fee, our Payroll Service comes with privacy safeguards and a suite of time-saving payroll support – from preparing T4s and ROEs, to direct deposit, to creating accurate journal and remittance reports for your books. And in case you do get audited at some point, you will have accurate records showing your compliance.

Even with just one employee, outsourcing will save you time and manual work, and keep you compliant. You'll rest easy knowing that you won't be staring down a huge tax bill at the end of the year.

CONTACT FBC

The best payroll solution is a managed payroll solution with direct deposit. When you sign on with FBC, your Payroll Specialist will calculate all tax deductions, meet government remittance deadlines, prepare your payroll for year-end, and handle all pay-related paperwork like ROEs.

All you need to worry about is getting us employee working hours.

If you'd like to learn more about how FBC can support your business, call us at 1-800-265-1002 or email fbc@fbc.ca.