Chapter 9

QuickBooks Online Payroll
When you use QuickBooks Online you can track your small business accounting. You can track sales, expenses and manage all your day-to-day transactions.

As you grow, QuickBooks Online lets you manage your company payroll. You can add employees, track time, and pay employees using cheques or via direct deposit. You can track and pay your payroll liabilities and create year-end forms like T4’s and Records of Employment.

QuickBooks lets you manage all of your payroll needs directly within in QuickBooks Online.

**Objectives**

In this chapter you’ll learn the following:

- Setting up pay items
- Setting up employees
- Creating Paycheques
- Track and pay liabilities
- Create T4’s
- Create Records of Employment
- Tracking and paying liabilities

**Payroll Setup**

To get started in QuickBooks Payroll it’s a good idea to gather some basic information before entering information into QuickBooks. Please see a few sample items that will help you get up and running quickly in QuickBooks Online Payroll.

To get started using QuickBooks Online Payroll, do the following:

1. Click **Employees**.
2. Click **Setup Payroll**.

3. Select the options that apply to your business. In this class we will only use the Standard Payroll product. This means that you are limited to choosing **Direct deposit**, **Payroll reports** and **Year-End forms & reporting**. After making your selections select how often you run payroll to determine how often you run payroll.
4. Choose **Standard Payroll** and then click **Turn on Payroll Now**.

5. Click **Get started with payroll**.

6. Enter your business information including your company contact information.
7. Click **Continue**.

QuickBooks needs to know if you’ve paid employees before using QuickBooks Online Payroll. If you have, you’ll select the option **Yes, I’ve already paid T4 employees this year**.

8. If you are starting QuickBooks Payroll from scratch, you’ll select **No, I’m a brand new employer paying T4 employees for the first time**. Click **Continue**.
NOTE When you’re setting up payroll in QuickBooks, you need to enter summarized payroll amounts if you’re just beginning to use QuickBooks payroll but you’ve already written pay cheques earlier in the calendar year. The summarized amounts ensure correct year-to-date totals on the pay cheques you write for the rest of this year.

9. QuickBooks now asks if you have completed TD1 forms. Click Yes, I have completed TD1 forms from all (or most) of my employees.

NOTE The Canada Revenue Agency (CRA) requires you to keep a current federal and provincial TD1 form on file for each of your employees. For Québec employees, you must keep a federal TD1 form and a provincial TP-1015.3 form on file.
These forms tell you how much income tax to deduct from your employees’ pay cheques. For this reason, it is very important that you keep your employees forms current. If you need to print TD1 forms for your employees, click the link labeled Need to print TD1 forms? QuickBooks will let you view and print the forms directly from this window for both Federal and Provincial requirements.

Next, you’ll complete each of the 6 steps for the employee you’re setting up.
10. First, enter the employee’s **First Name** and **Last Name**. The middle initial is optional. Next, click the **Enter TD1 form**.

![Image of TD1 form]

11. Complete the TD form for the employees. You must enter the **Last Name**, **First Name**, **Home Address** (including **Postal Code**), **Date of Birth** and **Social Insurance Number**.

12. Enter the Federal TD1 amount in the appropriate field. This number comes from the employee field. If necessary, you can use the default number that QuickBooks enters based on a regular TD1 form.

13. Click the **Provincial Taxes** down arrow and enter the Provincial TD1 amount.
14. Click **Done**.

**NOTE** You can deduct additional tax amounts from employees pay cheques. If an employee requests this, enter the extra amount to be deducted in the box labeled, **Additional tax amounts that you want to deduct from each pay cheque**.
In rare cases, you can make an employee exempt from paying CPP and EI. To do this click the Tax exemptions down arrow and make the appropriate selections. This should only be done when instructed by the Canada Revenue Agency or other government authority.

QuickBooks returns you to the Edit Employee Details window.

The second step is to answer the question: **How often do you pay Jane?** (or another employee name)

15. Click **Enter a pay schedule**.

16. Next, answer the questions listed in the Pay Schedule window.
17. Choose how often you pay the employee. Click the menu under **How often do you pay Jane?**

You can choose from the following selections:

- Every Week
- Every other week (Bi-weekly)
- Twice a month
- Every month

18. Enter the next payday date in the **When’s the next payday?** field.

19. Enter the last day of work for the payday in the **When’s the last day of work (pay period) for that payday?**
20. Name the pay schedule in the **What do you want to name this pay schedule?** field.

![Pay Schedule Setup](image)

**NOTE** To attach this pay schedule to all future employees, select **Use this schedule for employees you add after Jane.**

21. Click **Done** to complete the payroll schedule setup.
QuickBooks returns you to the Edit Employee Details window.

22. Next, you’ll tell QuickBooks how much you pay the employee. Click the down arrow in step 3 under How much do you pay Jane? You can choose from Hourly, Salary or Commission Only. If you pay the employee hourly you can enter their hourly account in the appropriate field.

23. If you choose Salary, you can enter the Salary amount in the appropriate field and tell QuickBooks the time-period for the salary. This tells QuickBooks how much to pay in every pay period. You can choose per year, per month or per week.
24. During the employee setup, you will add wage items to the employee’s record. In step 3 you can also add **Additional pay types**. Click the **Edit** button to setup additional pay types.

The additional pay types are the following:

- **Overtime Pay**—this pay type pays the overtime wage of 1.5 X regular wage.
- **Double Overtime Pay**—this pay type pays the overtime wage of 2 X regular wage.
- **Sick Pay**—used to pay out sick time accrued.
- **Bonus**—used to pay bonuses as needed throughout the year.
- **Commission**—used to pay out commissions. The commission item is an amount your enter on the pay cheque. QuickBooks will not track or calculate the commission amounts.
- **Reimbursement**—used to reimburse employees for various items.
- **Allowance**—if your business pays out allowances you will setup an allowance.
- **Other Earnings**—use this item to record any other earnings item that does not fit in the above categories.
25. Select the items you need to appear on the employee pay cheque in the left-hand column.

<table>
<thead>
<tr>
<th>How much do you pay Jane?</th>
</tr>
</thead>
<tbody>
<tr>
<td>You pay Jane:</td>
</tr>
<tr>
<td>Hourly</td>
</tr>
<tr>
<td>☑ Hourly 2</td>
</tr>
</tbody>
</table>

Add an hourly rate

<table>
<thead>
<tr>
<th>You can also pay Jane:</th>
</tr>
</thead>
<tbody>
<tr>
<td>☑ Overtime Pay</td>
</tr>
<tr>
<td>☑ Double Overtime Pay</td>
</tr>
</tbody>
</table>

26. To add a **Sick pay policy** click select **Sick Pay**. Choose a policy that works for your company’s situation. You can choose from the following:

- a. at beginning of year
- b. each pay period
- c. per hour worked
- d. on anniversary date

27. Enter the number of **hours per** and the **Maximum allowed** (optional field).

28. Click **OK** to setup the policy.
29. Click **Bonus** and **Commission** to add these pay types to the pay cheque. When these items are selected, it means that they’ll display on each pay cheque.

30. Add any additional pay types. Enter the recurring amounts in the appropriate fields if necessary. This automates the pay outs of these items on the employee pay cheque.

31. Click **Done** to return to the **Edit Employee** details window.

32. In Step 4 click **Enter a Vacation Policy**.
33. Answer the question **What is Jane’s Vacation policy?** You can choose to accrue vacation (most common) or to pay vacation pay each pay period.

```
What is Jane’s vacation policy?

- Jane accrues vacation
- Jane receives vacation pay each pay period (recommended for part-time employees)
```

34. Choosing to accrue vacation lets you choose when the employee accrues vacation and enter how many hours the employee accrues per period.

```
What is Jane’s vacation policy?

- Jane accrues vacation
  Ontario employees earn a minimum of 2 weeks of vacation. For full-time employees, that’s 80 hours.
  Learn more about percent accruals, wage items, and other Canadian vacation policies.

  ENTER THE VACATION INFORMATION
  When does Jane accrue? Jane earns
  at beginning of year 80 hours per year (this is equivalent to 10 eight-hour days)

  Use this vacation policy for employees you add after Jane

  Minimum rate for vacation
  We’ve set the vacation rate to Ontario’s minimum for a full-time employee (based on a 40-hour work week).

- Jane receives vacation pay each pay period (recommended for part-time employees)
```

**NOTE** You can choose one of the following options to accrue vacation:

- at beginning of year
- each pay period
- per hour worked
- on anniversary date
NOTE If you pay out every period you will be required to enter a vacation % amount in the appropriate field.

**What is Jane’s vacation policy?**

- Jane accrues vacation
- Jane receives vacation pay each pay period (recommended for part-time employees)
  Ontario employees have a minimum pay out rate of 4%.
  Learn more about percent accruals, wage items, and other Canadian vacation policies.

<table>
<thead>
<tr>
<th>ENTER THE VACATION INFORMATION</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jane earns</td>
</tr>
<tr>
<td>4.00</td>
</tr>
</tbody>
</table>

- Use this vacation policy for employees you add after Jane.

35. If the employee has a balance you will enter it here.

36. Click **OK** to return to the **Edit employee details** window.

37. To add deductions and contributions to the employee record, click the drop-down menu in the **What deductions or contributions does Jane have?**
38. These deductions/contributions are optional and will only be setup if your company offers these types of benefits. Choose the first type of deduction: **Health Insurance**.

![Health Insurance Deduction/Contribution Table]

39. Complete the information to setup the Health Insurance deduction/contribution.

   I. Enter the Provider name. This is the provider of the benefit offered. QuickBooks will print the supplier name on the cheque.

   II. In the left-hand column under **Employee deduction**, enter the **Amount per pay period**. You can also choose **% of gross pay**.

   ![Employee Deduction Table]

   III. In the right-hand column enter the **Company-paid contribution** portions.

   IV. Enter the **Amount per pay period**.

   V. Enter the **Annual Maximum (optional)**. This means that you will cap the amount that the company pays to the benefit.
VI. Click OK.

What deductions or contributions does Jane have?

Deduction/contribution type

Type

Provider (appears on pay cheque)

Employee deduction

Amount per pay period

$ amount $ 25.00

Annual maximum (Optional)

$ 1

Company-paid contribution

Amount per pay period

$ amount $ 25.00

Annual maximum (Optional)

$ 1

40. Next, choose Retirement Plans.

41. Choose the Type. You can choose Registered Retirement Savings Plan or Registered Pension Plan.

What deductions or contributions does Jane have?

Deduction/contribution type

Type

Registered Retirement Savings Plan

Registered Pension Plan

42. Complete the information as needed for the retirement savings benefit. The same information is required in these fields as in the previous benefit.
43. Click **OK** to complete the setup.

![Image of QuickBooks Online Payroll](image)

**What deductions or contributions does Jane have?**

<table>
<thead>
<tr>
<th>Deduction/contribution type</th>
<th>Type</th>
<th>Provider (appears on pay cheque)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirement Plans</td>
<td>Registered Retirement Savings Plan</td>
<td>Canada Life</td>
</tr>
</tbody>
</table>

**Employee deduction**

- Amount per pay period: $100.00
- Annual maximum (Optional): $2,500.00

**Company-paid contribution**

- Amount per pay period: $100.00

44. Create any other deductions needed for your business. Click the drop-down menu under **What deductions or contributions does Jane have?**

45. Choose the deduction to create. For example, you can create **Union Dues**.

![Image of QuickBooks Online Payroll](image)

**What deductions or contributions does Jane have?**

- Deduction/contribution type: Other deductions
- Type: (choose one)
  - Cash Advance Repayment
  - Loan Repayment
  - Charitable Donation
  - Union Dues
  - Other after-tax deductions

46. Click **OK**. Enter the name of the deduction in the **Description**. Enter the name that will display on the employee pay cheque.

47. Enter the amount to be deducted per pay period. Enter the **Annual maximum** if necessary.
48. Click **OK** to complete the setup.

QuickBooks returns to the **Edit employee details** window. To complete the setup complete the information in **Step 6—How do you want to pay Jane?**

49. Click the edit button to choose **Paper cheques** or **Direct deposit**.
50. Choose **Paper cheque** to write or print cheques to employees.

51. Choose **Direct Deposit** to setup the employee to receive their pay via direct deposit in their bank account.

52. Enter the employee’s bank account information.

53. Click **Edit company direct deposit info** to enter the company bank information.
54. Click **OK** to complete the employee setup.

**Your company’s direct deposit info**

**Your company’s bank account**

Each time you run payroll, we’ll use this bank account for direct deposit payments.

<table>
<thead>
<tr>
<th>Transit number</th>
<th>Institution number</th>
<th>Account number</th>
</tr>
</thead>
<tbody>
<tr>
<td>1234</td>
<td>5678</td>
<td>9012</td>
</tr>
</tbody>
</table>

**The principal officer for your company’s bank account**

We need more info about the main person associated with this bank account. Banks usually call this person the principal officer.

**Principal officer**

**NOTE**  When setting up direct deposit, you’ll be required to add the company’s principal personal information.

**The principal officer for your company’s bank account**

We need more info about the main person associated with this bank account. Banks usually call this person the principal officer.

**Principal officer**

**Officer home address**

City or town: [Enter]
Province: [Enter]
Postal code: [Enter]

Social Insurance number [Optional]: [Enter]

Date of birth: [Enter]

By clicking **OK**, I authorize Intuit to credit and debit my bank account per the ACH Authorization in the Terms of Service. I waive the right to receive notice from Intuit of all amounts to be debited from my bank account, transaction dates, and any future changes to the amounts or payment dates.

I also give my authorization for Intuit to obtain my credit report to use for this service.
This completes the employee setup.

**Time Tracking in QuickBooks**

QuickBooks Online lets you track time for your employees and subcontractors. When you track time you can import the hours into QuickBooks payroll and add the hours to the employee's pay cheque.

You can track time using a weekly timesheet or by entering single time activities.

![NOTE] Time tracking is a feature only available in the QuickBooks Online Plus version.

To enable time tracking in QuickBooks:

1. Click the Gear icon and then click Company Settings.
2. Click Advanced.
3. Click Time Tracking.

![Advanced Time Tracking Settings]

![NOTE] QuickBooks lets you make time activities billable to customers. You can also assign the first day of the work week to display on the timesheet.

**Enter Single Time Activity**

You can enter a single time activity. From this window you can enter the name of the employee, the date and the start and end time of the time activity.

![NOTE] You can also add the Customer name to track the time to a specific customer.
1. To enter a single time activity click the Create + menu and then click Single Time Activity.

2. Enter the employee Name.

3. Enter the Date. Ensure the date is correct as the date determines when the time will be imported into the pay cheque.

4. Enter the Time for the Start Time and End Time. QuickBooks calculates the total hours. To make entries in these fields, select the Enter Start and End Times checkbox.

5. Enter a Description if necessary.

6. Click Save.
**Enter Weekly Timesheet**

The weekly timesheet is helpful to enter an entire week of timesheet information. You can enter the same field as a single time activity with one exception, the start and end time.

To fill in a weekly timesheet:

1. Click **Create (+) > Weekly Timesheet**.
2. Choose a **Name** from the list.
3. Select the week for which you want to record activities.
4. For each type of activity, enter an activity line:

<table>
<thead>
<tr>
<th>Field</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>CUSTOMER</td>
<td>Choose a customer if you want to bill the activity to the customer or track expenses for the customer.</td>
</tr>
<tr>
<td>SERVICE</td>
<td>(Optional) If you use services to enter time, choose a service that represents this activity. If you don’t see it, Add Service field to timesheets is turned off.</td>
</tr>
<tr>
<td>CLASS</td>
<td>(Optional) Choose a Class. If you don’t see Class, class tracking is turned off.</td>
</tr>
<tr>
<td>LOCATION</td>
<td>(Optional) Choose a Location/Department. If you don’t see it, location/department tracking is turned off.</td>
</tr>
<tr>
<td>DESCRIPTION</td>
<td>Enter a description of the activity. If the activity is billed to a customer, the Description appears on their invoice, depending on your company settings. Text for the description appears automatically if you select an item from the optional Service field.</td>
</tr>
<tr>
<td>BILLABLE</td>
<td>Select this checkbox if you want to bill the activity to the customer. Enter a rate per hour and select Taxable if the activity is taxable.</td>
</tr>
</tbody>
</table>
5. For each day of the week this activity occurred, enter the number of hours spent on this activity for that day.

You can add more activity lines if needed or clear all lines and begin again.

6. Click **Save** to enter the timesheet.

**NOTE** If the last timesheet is like the current time period, click **Copy last timesheet**.
NOTE To customize what you see on the timesheet form, click the Gear icon on the timesheet form.

Run Payroll in QuickBooks
To run payroll in QuickBooks you’ll start on the Employees page. On the employees window, click Run payroll.
1. Choose the **Bank account** where the money will come out from.

2. Choose the **Pay Period** and **Pay Date** (when running a regular Pay Schedule, these dates should auto-fill for you.

3. If you’ve entered timesheets that coincide with the pay period, QuickBooks automatically imports the hours. They’ll display in the **Regular Pay Hrs**... section.
4. Click the pencil (edit) icon to view each employee pay cheque.

5. Click the arrow next to Pay to expand the pay information.
6. Click Employee Taxes and Employee Deductions to expand the sections.

<table>
<thead>
<tr>
<th>Run Payroll: Semi-monthly</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employee taxes</strong></td>
</tr>
<tr>
<td>TYPE</td>
</tr>
<tr>
<td>Employment Insurance</td>
</tr>
<tr>
<td>Canada Pension Plan</td>
</tr>
<tr>
<td>Income Tax</td>
</tr>
<tr>
<td>TOTAL</td>
</tr>
</tbody>
</table>

| **Employee deductions**   |
| TYPE                      | CURRENT | YTD  |
| Union Dues                | $15.00  | $55.50|
| Advance                   | $25.00  | $100.00|
| Canada Life               | $100.00 | $100.00|
| Canada Life               | $25.00  | $25.00|
| TOTAL                     | $305.50 | $305.50|

**NOTE** Some of the fields are editable. You cannot edit the CPP and EI employee or employer portions in any circumstance. However, you can edit the Federal Tax amount if needed.

7. Click Employer Taxes and Company-Paid Contributions to view the information.

<table>
<thead>
<tr>
<th>Run Payroll: Semi-monthly</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employee taxes</strong></td>
</tr>
<tr>
<td><strong>Employee deductions</strong></td>
</tr>
<tr>
<td><strong>Employer taxes</strong></td>
</tr>
<tr>
<td>TYPE</td>
</tr>
<tr>
<td>Employment Insurance Employer</td>
</tr>
<tr>
<td>Canada Pension Plan Employer</td>
</tr>
<tr>
<td>TOTAL</td>
</tr>
</tbody>
</table>

| **Company-paid contributions** |
| TYPE                      | CURRENT | YTD  |
| Canada Life               | $100.00 | $100.00|
| Canada Life               | $25.00  | $25.00|
| TOTAL                     | $125.00 | $125.00|

Paid time off:
- Vacation:
  - Hours used: 0.00
  - Hours available: 0.00

Memo
8. Click **OK** to move to the next employee and review the same process if necessary.
9. Click **Save for Later** to come later to complete the payroll or click **Submit Payroll** to complete the payroll run.

10. From the Run Payroll window you can click to **Print pay stubs**, or enter a **Cheque Number**. You can also **Print Payroll Reports** from this window.
11. Click **Print pay stubs**.

12. Click **View Payroll Reports** to view and export your payroll reports to Excel.

13. Click **OK**.

14. Select the reports to view and then click **OK**. QuickBooks exports your reports to Excel.
Paying Payroll Liabilities

QuickBooks automatically tracks your payroll liabilities for your company. After your first payroll run, QuickBooks will prompt you to setup your payroll taxes so that you’re ready to pay when they come due.

You’ll see the following window after your first payroll run.

1. Click **Set up taxes now**.

2. Click **Continue**.

3. QuickBooks checks to see if you’ve entered the correct hire and birth dates for employees you’ve paid this year.
4. Click **Continue**.

Payroll Taxes Setup and Compliance

Employee details
We need valid hire and birth dates only for employees you paid this year. We use this info to fill out your payroll taxes and forms.

<table>
<thead>
<tr>
<th>NAME</th>
<th>HIRE DATE</th>
<th>WITHHOLDINGS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peterson, Jane</td>
<td>03/01/201</td>
<td>T01 info</td>
</tr>
<tr>
<td>Thurensen, Joel</td>
<td>03/01/201</td>
<td>T01 info</td>
</tr>
</tbody>
</table>

5. Add or edit any Business Details. Enter the **CRA payroll account number** if you’ve received it or select **No, I haven’t received it yet**, or **I don’t have it handy**.

6. Choose **How often the CRA requires you to remit payroll deductions and contributions**.

7. Click **Continue**.
8. Now you’re ready to remit your taxes. From the Payroll Tax Centre you can Pay taxes, edit your tax setup or view Monthly, Annual or Employer Forms.

9. Click Monthly Forms to view the current payroll liabilities. QuickBooks now lets you view the PD7A report.
10. Click the **PD7A Report** link.

11. **Select the period** for the report.

12. Click **View**. QuickBooks displays the PD7A report.
13. After viewing and printing the report you can close the browser tab.

14. Click **Back** to go back to the Payroll Tax Centre.

15. Click **Pay Taxes**.

16. Click **Record Payment**.

17. Choose the **Bank Account** from which you’ll pay the liabilities.
18. Enter the **Payment Date** and review the amounts.

19. Click **Record and Print**.

### Creating and Printing T4’s at Year End

At the end of the calendar year you’re required to print T4 or Releve 1 forms for your employees. T4 forms are the yearly forms, which report employee earnings and deductions. Manually preparing these forms can be a daunting task. Luckily, QuickBooks assists you in preparing T4 forms.

The following checklist provides six simple steps for small businesses to get their payroll data in order:

1. Verify employee data.
2. Verify and review benefit information for your employees.
3. Verify and review payroll deductions.
4. Complete a T4 slip for each employee.

5. Complete and remit a T4 Summary form.

6. Review employee wages and benefits for next year.

Preparing T4s
A T4 slip is the end-of-year form that you give to each employee and submit to Canada Revenue Agency (CRA)—usually no later than the last day in February. T4s report the employee’s wages and taxes withheld for the calendar year. See the following checklist for the things to report on a T4 slip:

- salary, wages (including pay in lieu of termination notice), tips or gratuities, bonuses, vacation pay, employment commissions, and all other remuneration you paid to employees during the year;
- allowances;
- deductions you withheld during the year

T4 Summary
Once all T4s are printed, you must prepare a T4 Summary. Your T4 Summary is a report that Revenue Canada requires. This summary report totals all employees earnings as recorded on the T4s. It also totals the deductions and payroll taxes (CPP and EI) withheld from the employees during the calendar year. Lastly, this form is used to reconcile those amounts with the source deduction payments that you remitted to CRA.

Your T4 Summary Report is due to be filed with Revenue Canada by the last day of February of the following year.

To Print T4’s for your employees:

1. On the left navigation bar, click Taxes.

2. Click Payroll Tax.

3. Click Annual Forms.
4. Click T4 slip (employee).

5. Select the **Period**.

6. Click **View**.
Create Records of Employment

In Canada, you’re required to issue a Record of Employment (ROE) when an employee:

- quits your company
- is laid off or terminated
- goes on leave

**NOTE** Please visit the HRDC website for more information regarding who qualifies for a Record of Employment.

The Record of Employment gives the employee all the information they need to submit to the government to claim any benefits they qualify for.

To create a Record of Employment:

1. First you must tell QuickBooks that the person is leaving the company or going on leave. Click **Employees**.
2. Click the **employee name**.
3. Click the Employee name and then click **Edit Employee**.

4. Enter the new **Status**, **Reason for Status change** and the **Termination date**.

5. Click **Done**.
6. From the **Payroll Tax Centre**, click **Employer Forms**.

7. Choose the employee name.

8. Click **ROE**.
9. Click **View**.

**NOTE** You cannot submit this information directly to the HRDC from QuickBooks Online. However, this information can be used to complete the ROE web form for submission.