



2015 Payroll Fact Sheet

How US Companies Pay Canadian Employees

If you're a US-based employer trying to pay Canadian employees, the process can be deceptively simple. You may think that all you have to do is convert US dollars to Canadian, then send a check across the border. However, if you use this approach to pay Canadian employees, you'll soon run afoul of the Canadian Revenue Agency (CRA). The CRA administers and oversees Canadian payroll tax laws and tax withholdings, and they have some very stringent requirements for how you must pay Canadian employees.

Working around the Laws

Some US businesses are tempted to try and work around the Canadian payroll laws. They do this by paying Canadian employees as independent contractors. As with most workarounds, this approach fails to meet the intent, and the letter, of Canadian payroll laws. The CRA has made a concerted effort to crack down on employers who abuse the independent contractor system. A US-based business caught trying to pay Canadian employees in this manner will almost certainly face fines, back tax payments, and even criminal actions.

Working within the Laws

Trying to pay Canadian employees within the letter of the law can be equally challenging. The payroll laws are complicated and lengthy. Learning all of them takes a lot of time, and understanding them takes a lot of experience. The complexities of the laws can affect their application from one situation to the next. This can impact everything from withholding amounts to required workplace training. Failure to understand, and properly apply, these laws can also result in expensive penalties.

Working with a Partner

One way to pay Canadian employees without having to worry about workarounds or learning complex legal codes is by working with a professional payroll service provider. They can act as your Employer of Record (EOR) in Canada, allowing them to legally pay Canadian employees on your behalf. As an EOR, they already have the infrastructure and accounts that are necessary for hiring and paying employees legally. They also have the advantage of already being established, so they can begin paying employees almost immediately. Compare this to the weeks or months it will take you to establish yourself legally in Canada so you can pay employees on your own.