QuickBooks Online Student Guide

Chapter 9

QuickBooks Online Payroll

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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:

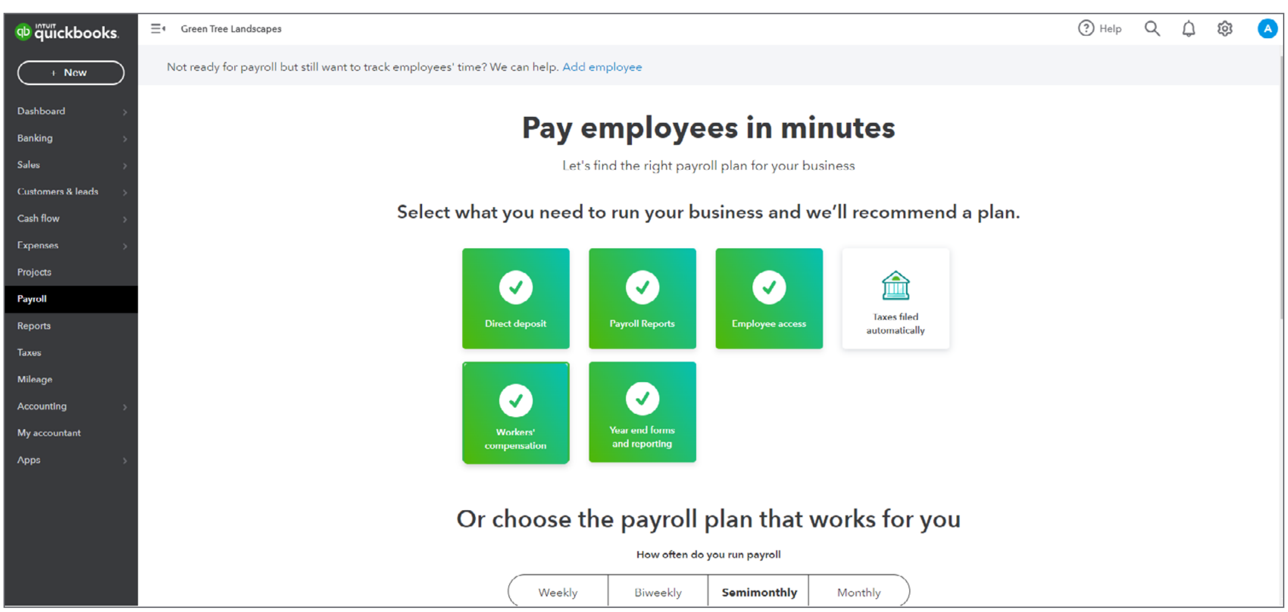
- Setting up pay items
- Setting up employees
- Creating Paycheques
- Track and pay liabilities
- Create T4's
- Create Records of Employment
- Tracking and paying liabilities

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.

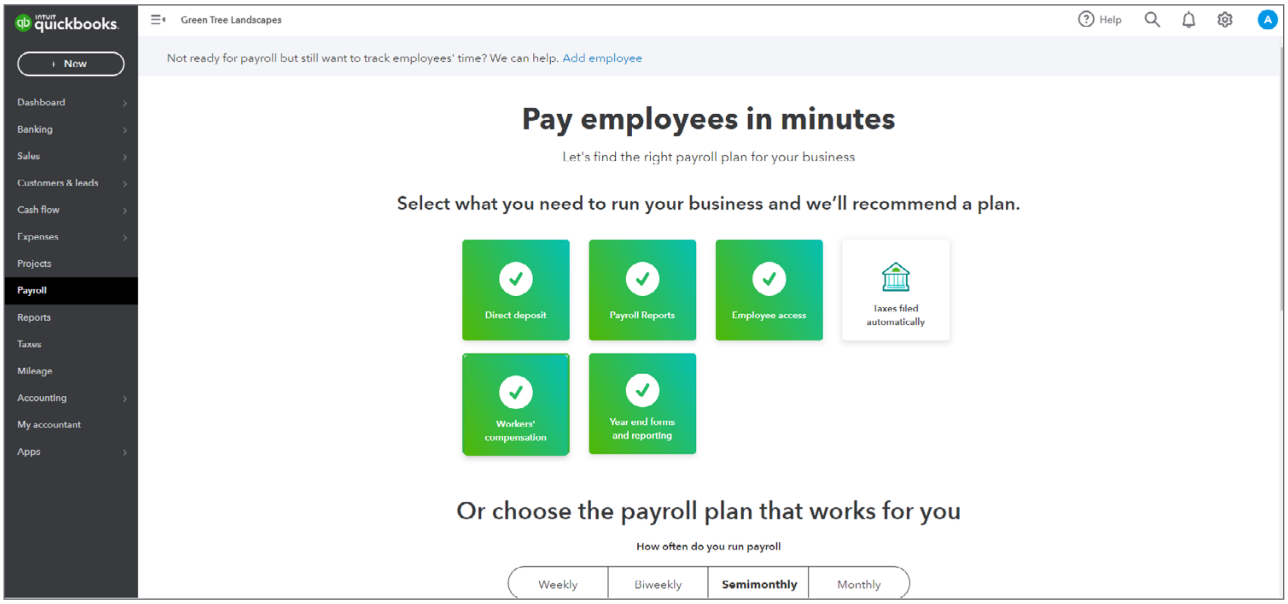
To get started using QuickBooks Online Payroll, do the following:

1. Click **Payroll**.

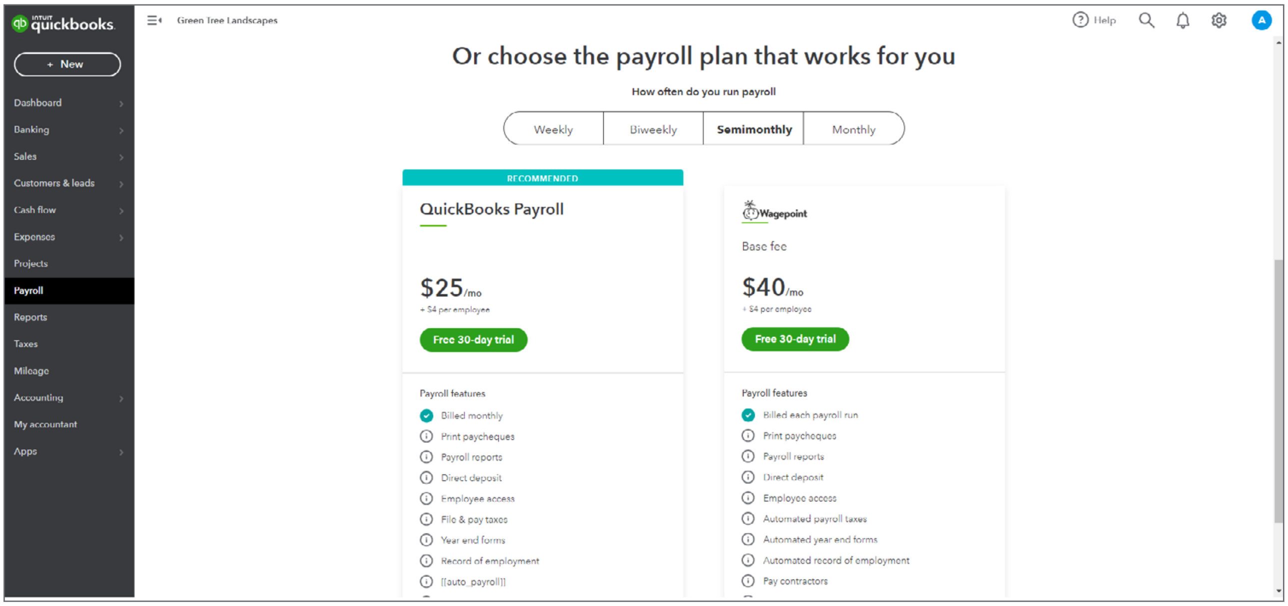


2. Select the options that apply to your business. In this class we will use QuickBooks Payroll. The options available in QuickBooks Payroll are:

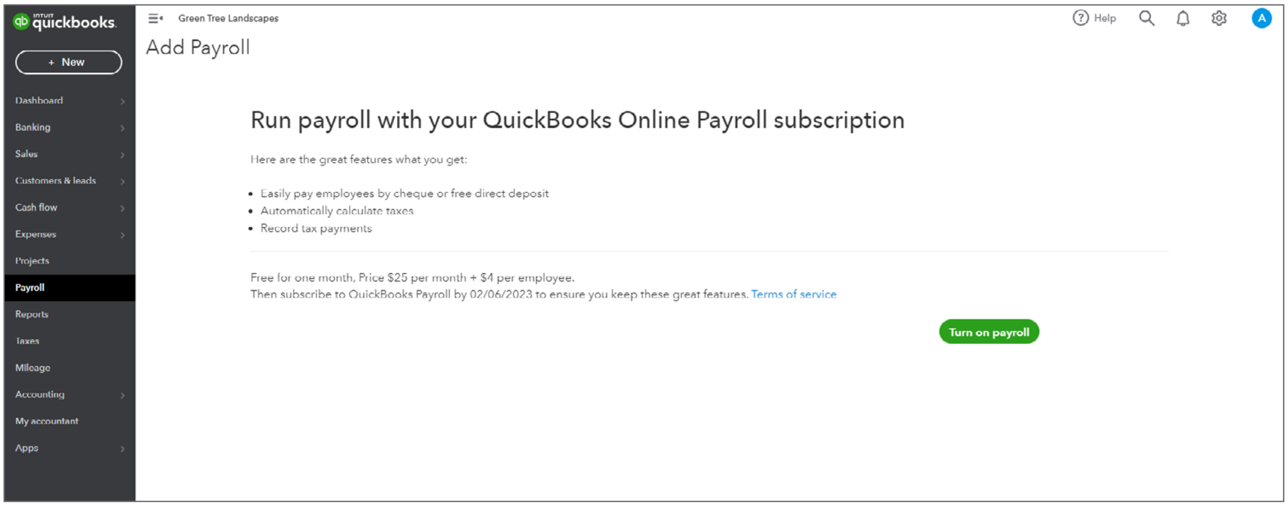
   - Direct Deposit
   - Payroll Reports
   - Employee Access
   - Workers' Compensation
   - Year end forms and reporting



3. Choose your Pay Frequency. You can choose **Weekly**, **Biweekly**, **Semimonthly**, or **Monthly**.



4. Click **Free 30-Day trial** to choose QuickBooks Payroll.

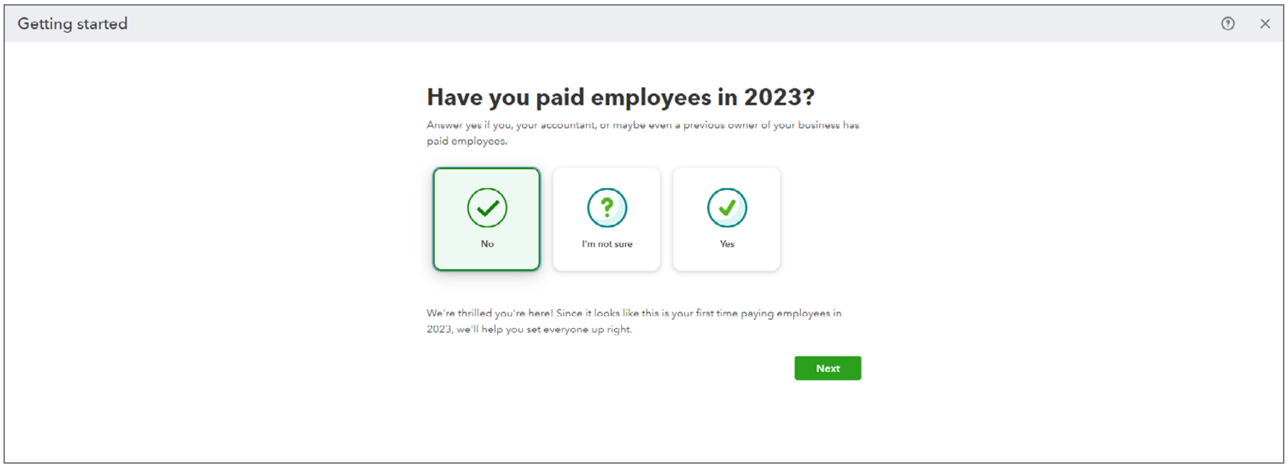


5. Click **Turn on payroll**.

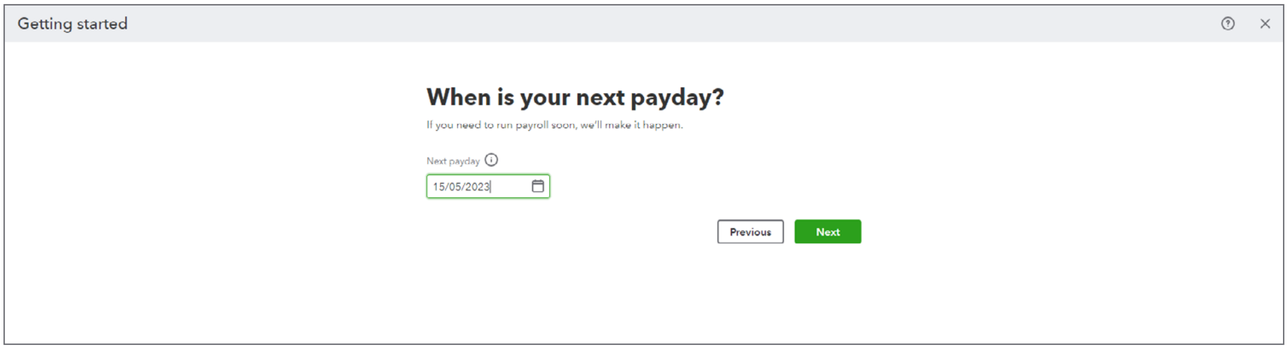
6. Click **Get started**.

7. Answer the following question **Have you paid employees in 2023?** For the purposes of this course the answer will be no.

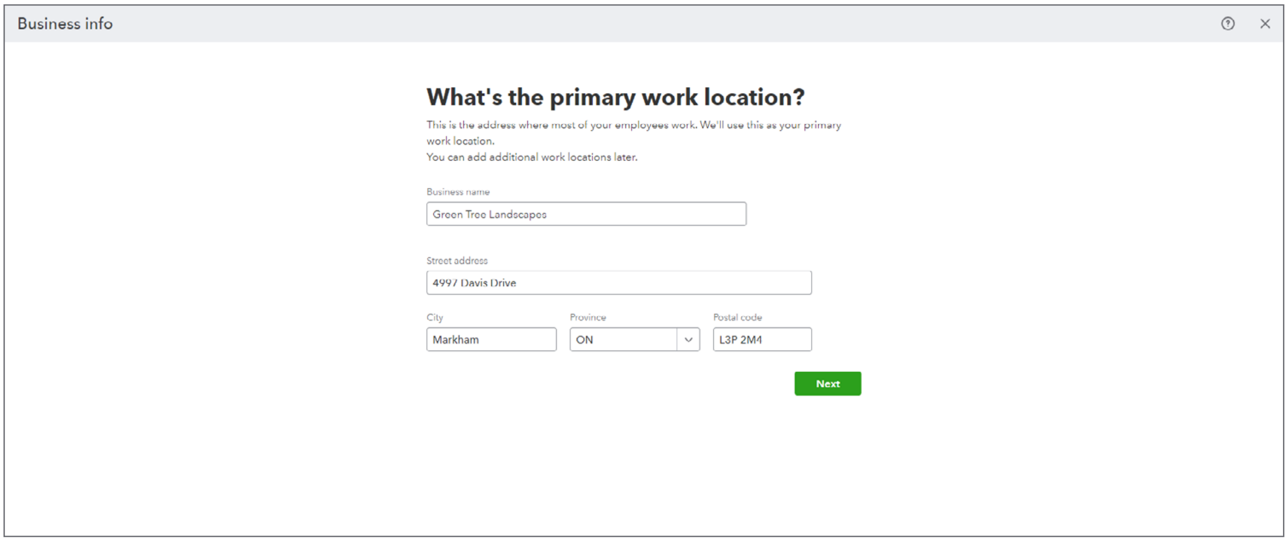
8. Click **Next**.



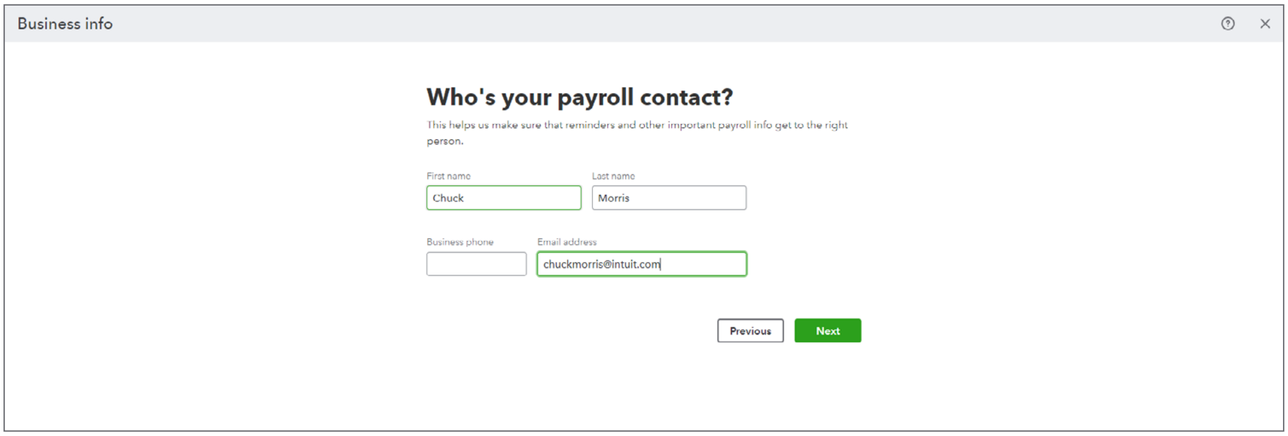
9. Choose your next pay day. Click **Next**.



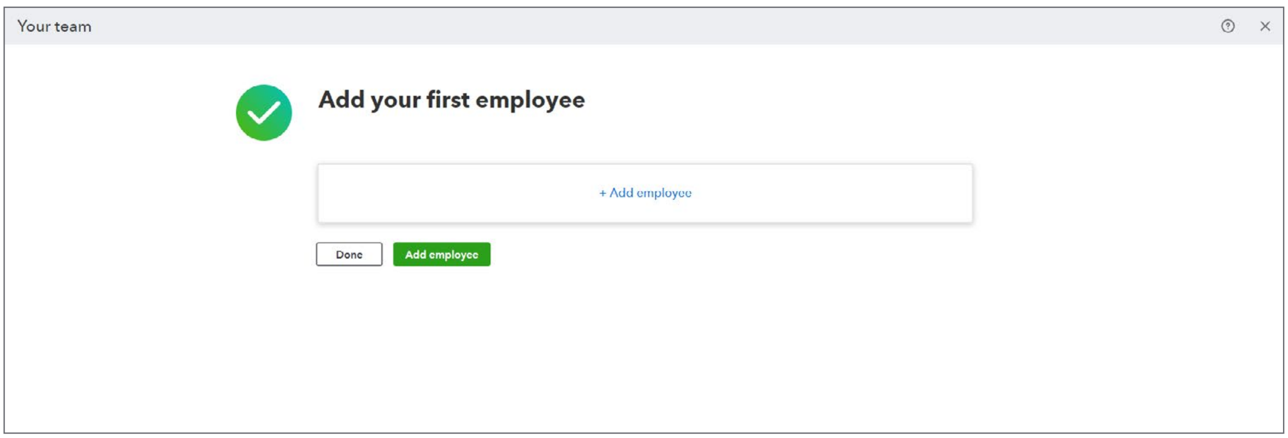
10. Enter the primary work location as required. Click **Next**.



11. Enter the name and contact information of the company's payroll contact. Click **Next**.



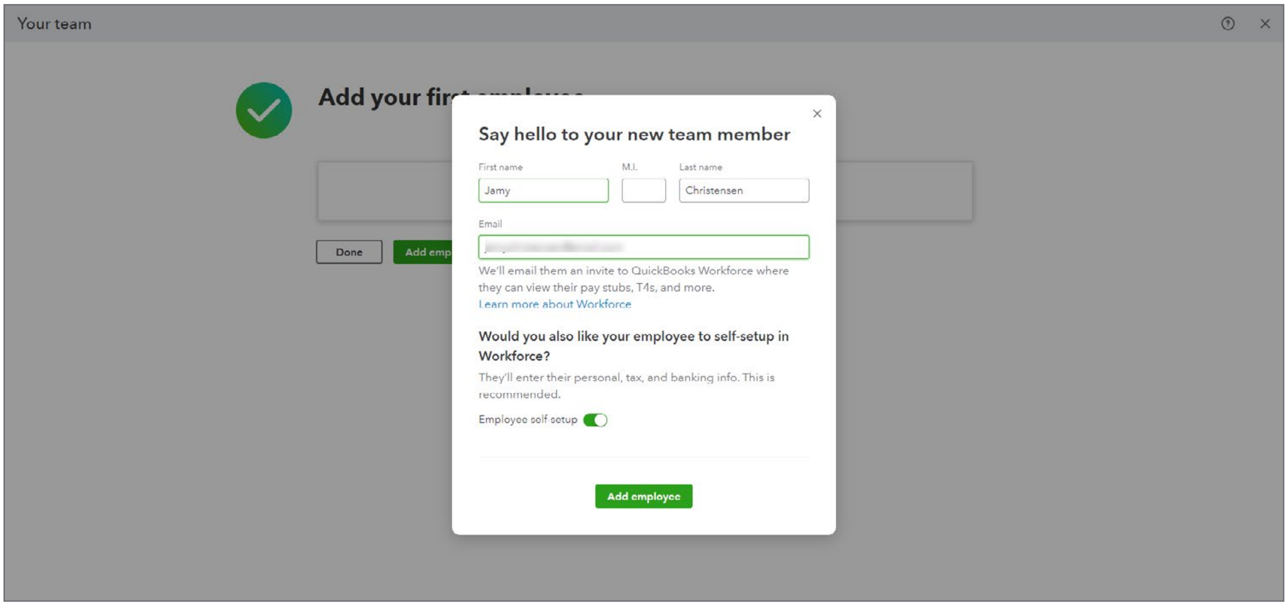
12. Click **Add employee** to get started.

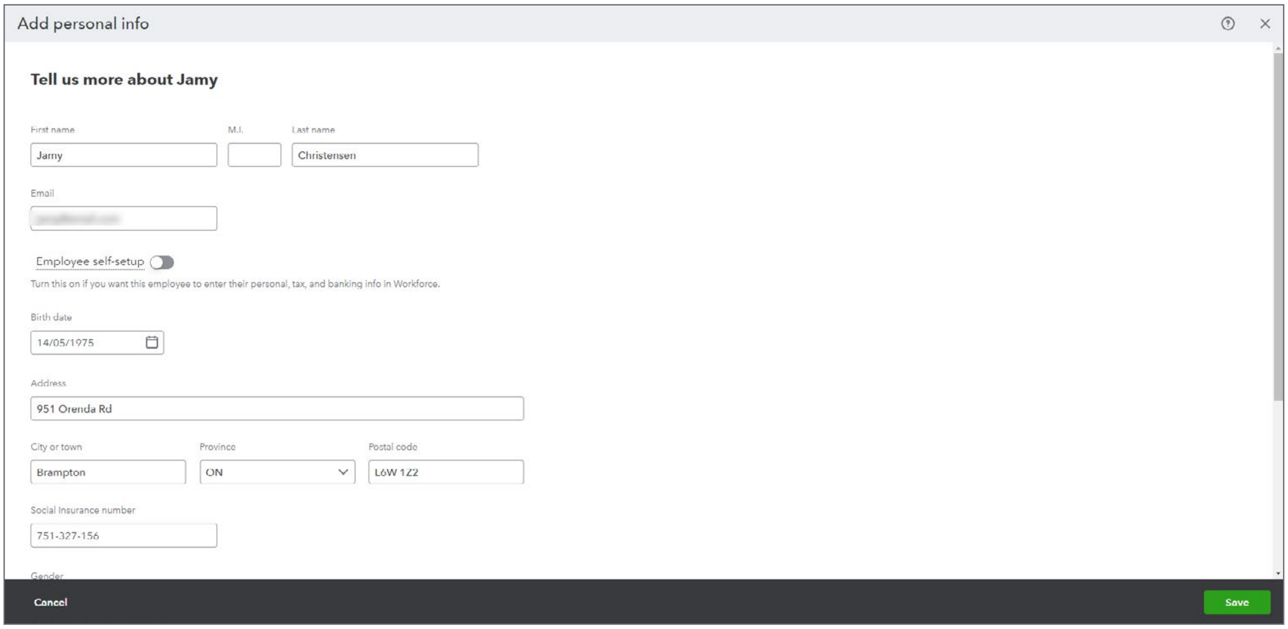


Employee Setup

Personal Info

1. Enter the **First name** and **Last name** of the employee. Enter the employee **Email**.
2. Click **Add employee**.





3. You can select the option Employee self-setup to invite the employee to setup their own information. For the purposes of this class, you'll slide the button to the off position, and you'll enter the information manually.

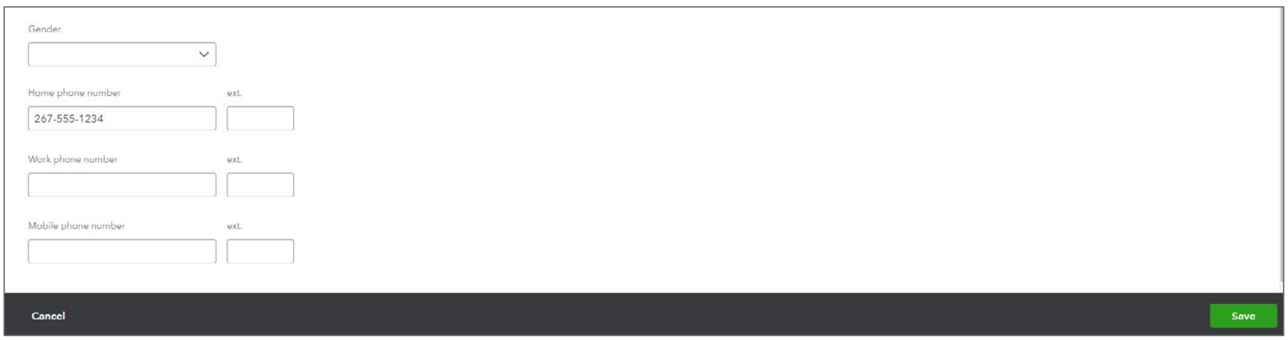
4. From this window, you'll complete the employee setup. Click **Edit** in the Personal info window.

   a. Enter the employee **Birth date**. This information is required. QuickBooks uses this information to determine the payroll deductions.

   b. Enter the employee **Address**.

   c. Enter the employee **Social Insurance number**.

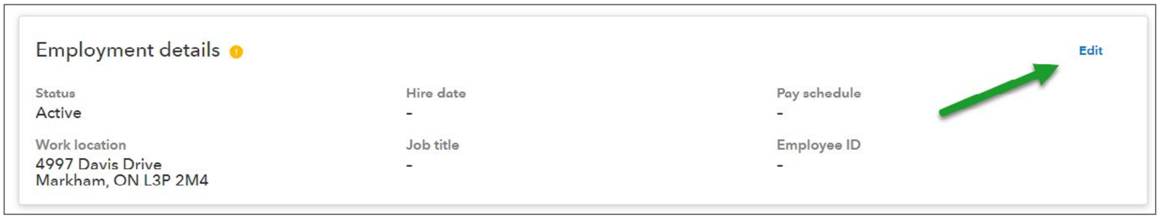
   d. Click **Save**.

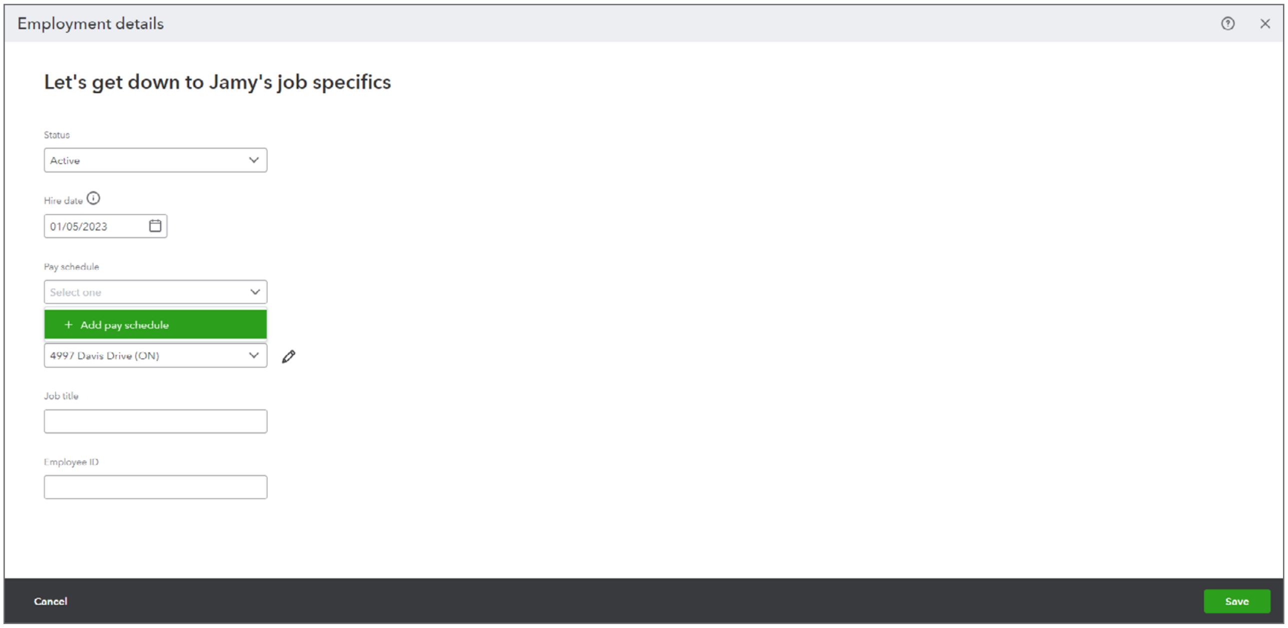


Employment Details

In the employment details, you'll enter information related to the employee's role.

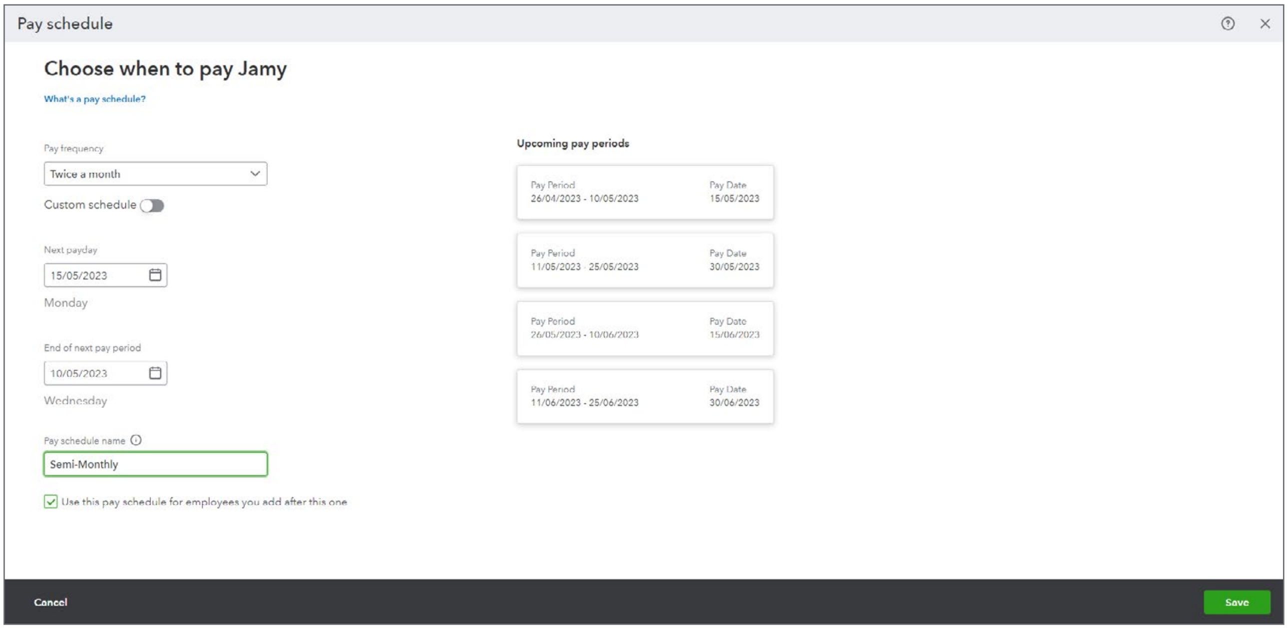
1. In the Employment details section, click **Edit**.





2. Enter the **Hire date**.
3. Click Pay schedule and then choose **+Add pay schedule**. A pay schedule lets you group your employees together and pay them according to a schedule that you can customize around your business.
4. Enter your **Pay Frequency**.
5. Enter the **Next payday**.
6. Enter the **End of next pay period**.
7. Enter the **Pay schedule name**.
8. Select the checkbox labeled **Use this pay schedule for employees you add after this one**. This saves you time when adding new employees.

9. Click **Save**.



10. Choose the Work location.

11. Enter the optional fields of Job title and Employee ID if required.

12. Click Save.

Tax Withholding

You'll edit the employee's tax information in the tax withholding section.

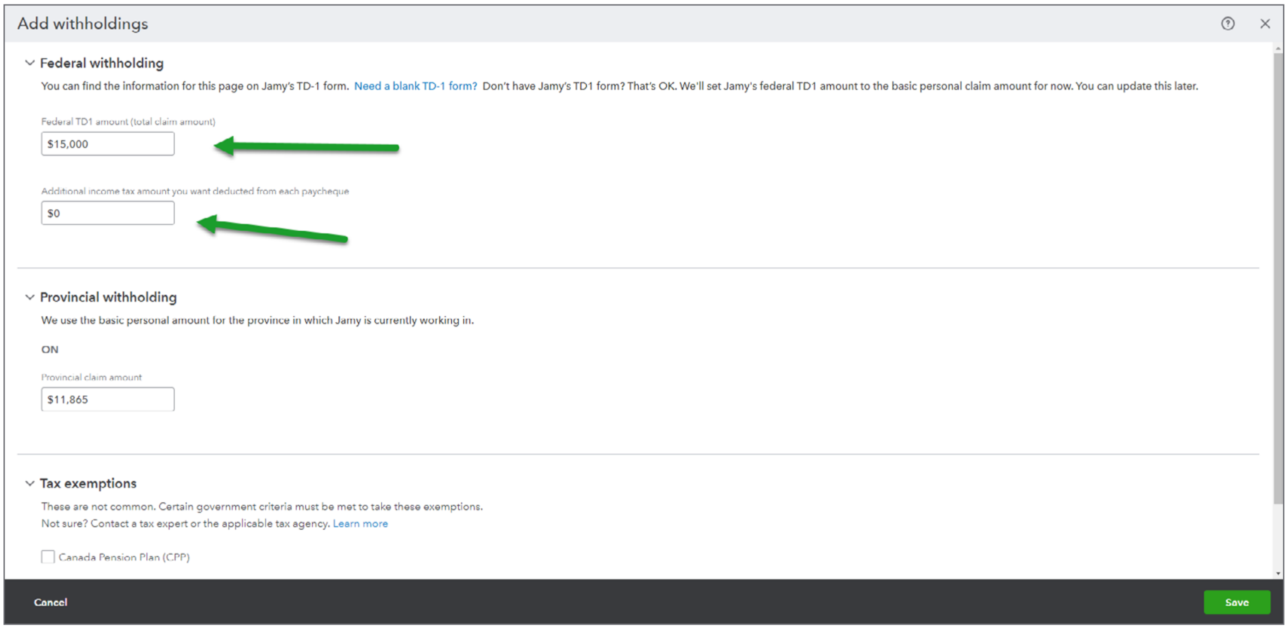
1. Click **Edit**.

2. Every employee should complete a TD-1 form. You'll use the employee TD-1 form to edit the Federal and Provincial withholdings as needed. QuickBooks enters the default basic amounts. You can edit the Federal TD1 amount and Provincial claim amount as needed.

3. If an employee would like to have additional income withheld, you can enter the amount in the box labeled, **Additional income tax amount you want deducted from each paycheque**.

4. In some instances, you may need to make tax exemptions. If this is the case, you can select the employee tax exemptions by selecting the Canada Pension Plan. Employment Insurance and Federal Income Tax boxes.

5. Click **Save**.

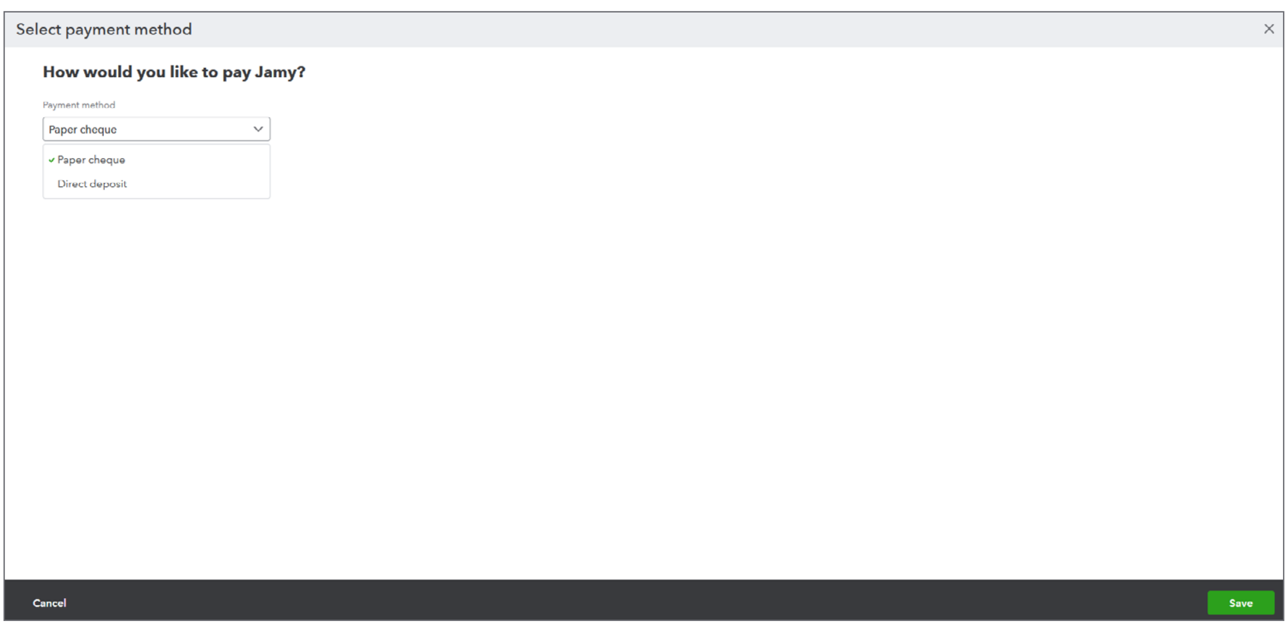


Payment Method

In this section, you'll choose how to pay the employee.

1. Click **Start**.

2. Click the **Payment method** menu. You have two options: Paper cheque or Direct Deposit. A paper cheque lets you print cheques for employees. When you choose direct deposit, you'll continue to set up the employee's direct deposit information.



3. Complete the Direct Deposit information for the employee including the bank account **Transit Number**, **Institution number**, and **Account number**.

4. Click **Save**.

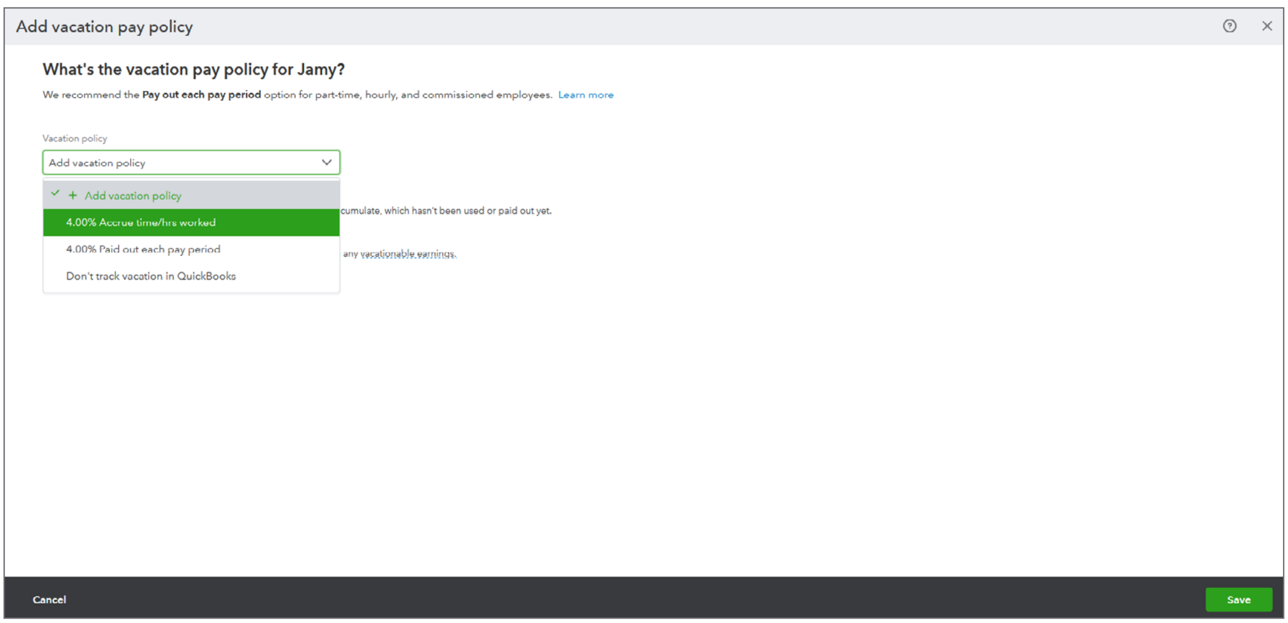
> **NOTE** QuickBooks gives you several options for direct deposit. You can deposit to one or more accounts and deposit with the balance printed on a cheque.

Vacation Policy

In this section, you'll set up a vacation policy for the employee.

1. Click **Start**.

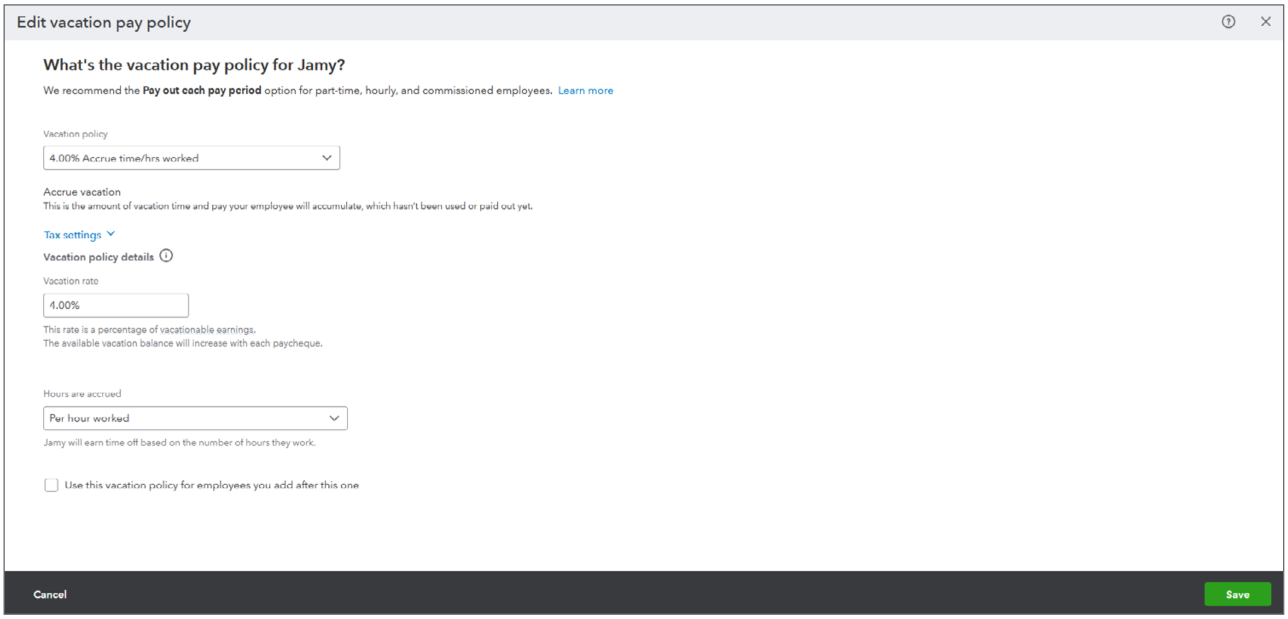
2. QuickBooks lets you choose a preset policy or create one from scratch. To keep it simple, we recommend choosing a preset policy. Click the **Vacation policy** menu.



3. Choose the 4.00% Accrue time/hrs worked for hourly workers. QuickBooks completes the remaining fields for you.

4. Click the **Hours are accrued** menu to change when the vacation pay is accrued.

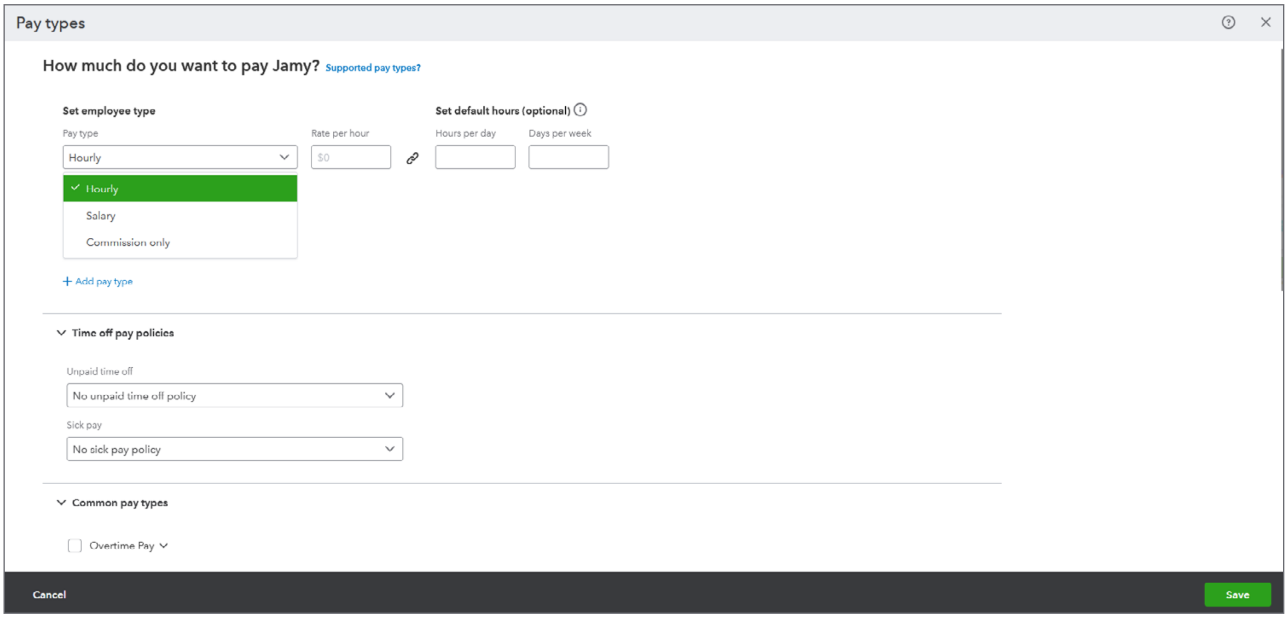
5. Select the checkbox labeled **Use this vacation policy for employees you add after this one**, to apply the policy to all new employees.



Pay Types

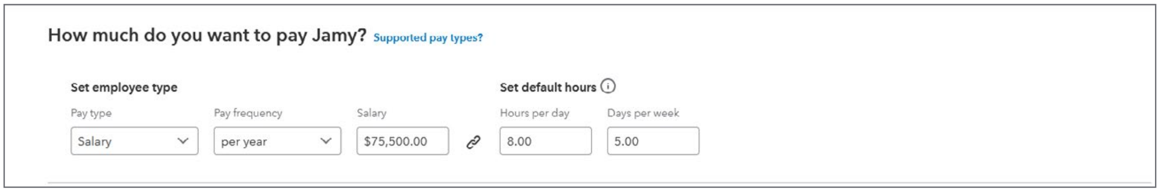
In this section, you'll set up pay types and add the rates of pay for the employee.

1. Click **Start**.
2. Click the **Pay type** menu. You can choose from **Hourly**, **Salary**, or **Commision only**.
3. Choose **Hourly**.



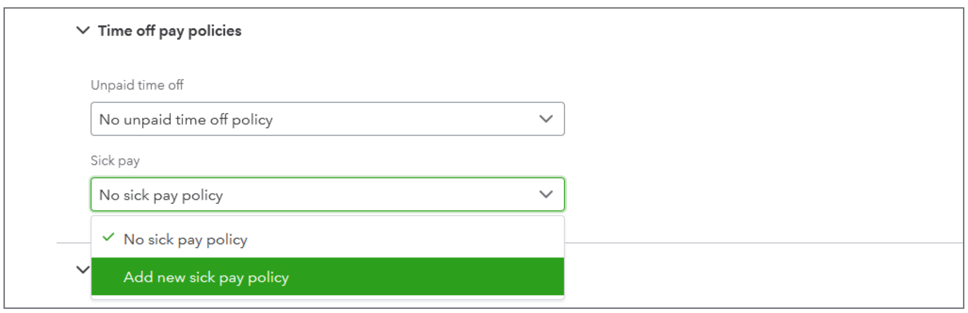
4. Enter the **Rate per hour**. You can add default hours per day or per week, to help you complete your payroll faster.

NOTE If you have salary employees, choose **Salary** from the **Pay type** menu. Choose the **Pay frequency** and enter the **Salary** that corresponds to the **pay frequency**.



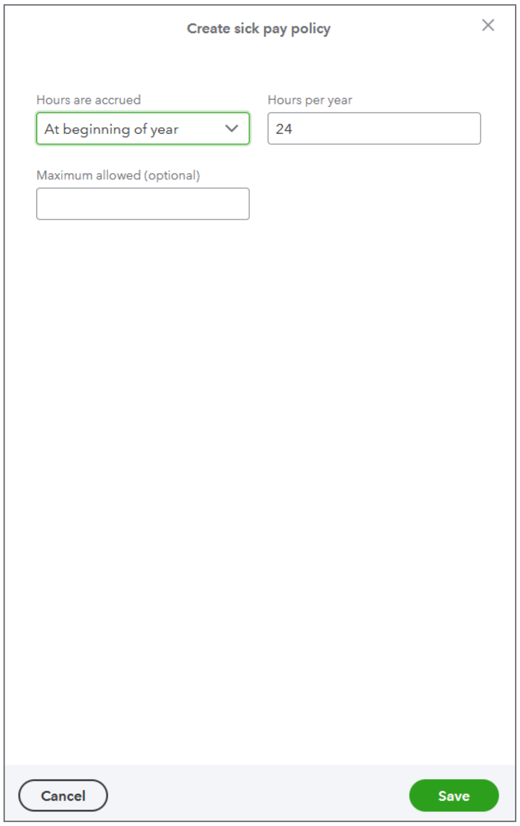
Next you can add **Time off pay policies**. You can add **Unpaid time off** or **Sick pay**.

1. To add sick pay, click the **Sick pay** menu.
2. Choose **Add new sick pay policy**. A window display on the right side of the window.



3. Choose when Hours are accrued. You can choose **At beginning of year**, **Each pay period**, **Per hour worked**, or **On anniversary date**.
4. Enter the **Hours per**.

5. Click **Save**.



During the employee setup, you can add additional pay types to the employee's record. The additional pay types are the following:

Overtime Pay–pays the overtime wage of 1.5 x regular wage.

Double Overtime Pay–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 you enter on the pay cheque. QuickBooks will not track or calculate the commission amounts.

Reimbursement–used to reimburse employees for various items.

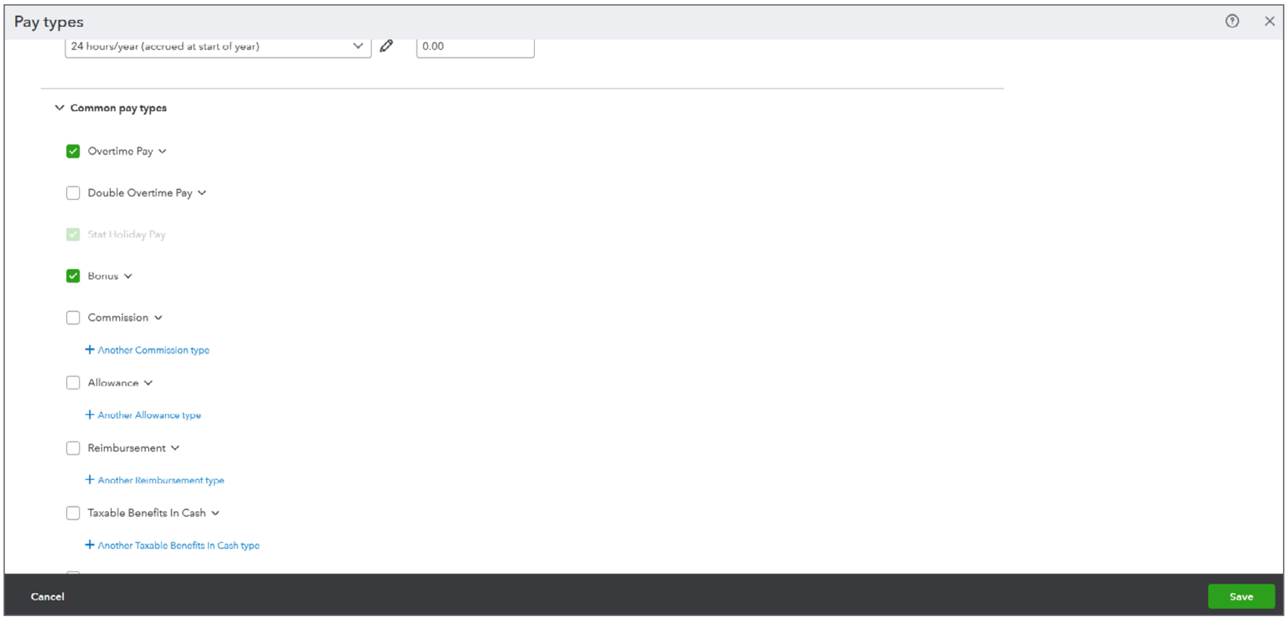
Allowance–if your business pays out allowances you will setup an allowance.

Other Earnings–use this item to record any other earnings item that does not fit in the above categories.

1. Select any of the required pay types. When you select one of these pay types, it will display on the employee paycheque to be used when running payroll.
2. Select **Overtime pay** to add overtime to the paycheque window.

3. Select **Bonus** to add a bonus to the paycheque window.

4. Click **Save**.

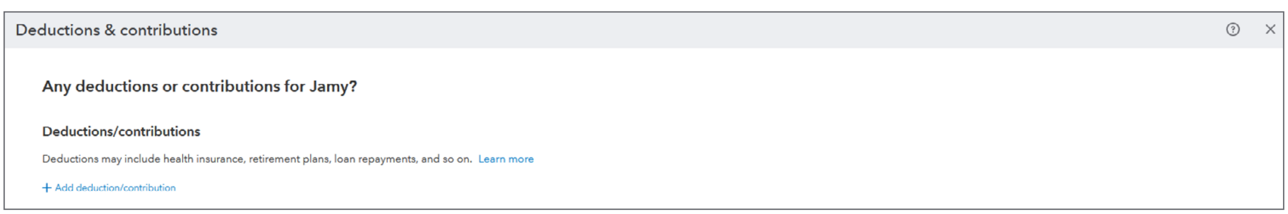


Deductions & Contributions

In this section, you'll add deductions from employee pay and company contributions to the employee pay. Deductions may include items like retirement plans, health benefits, and more.

1. Click **Start**.

2. Click **Add deduction/contribution**.



3. Choose **Health Insurance**. In this example, a company may contribute 100% and the employee does not contribute to the plan.

4. Choose the **Type**.

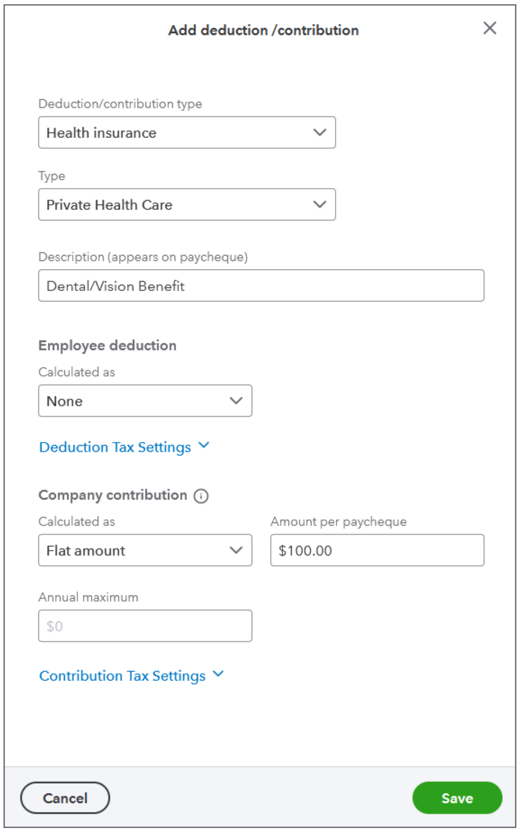
5. Enter the name of the benefit in the **Description (appears on paycheque)**.

6. In the employee deduction section, choose **None** in the **Calculated as** menu.

7. In the **Company Contribution** section choose Flat amount in the calculated as section.

8. Enter the **Amount per paycheque**.

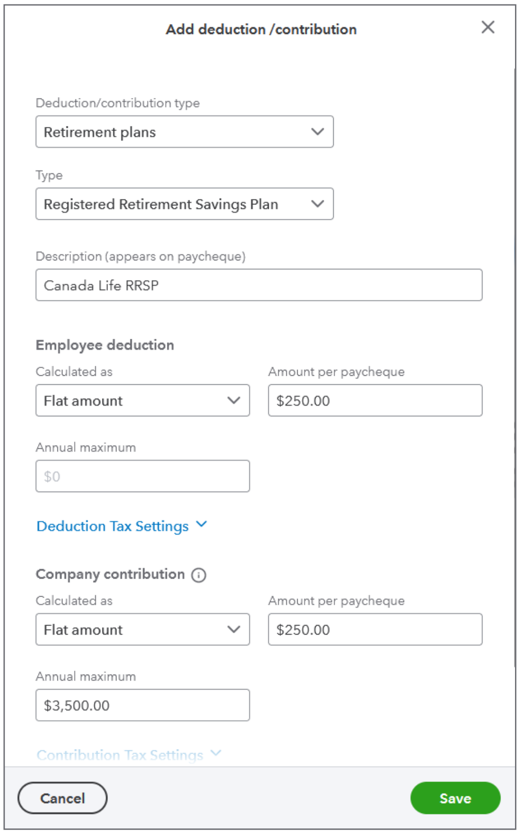
9. Click **Save**. QuickBooks adds the company contribution to the employee paycheque as a preset pay item.



Another example of a deduction and company contribution is retirement plans. To add a retirement savings plan:

1. Click **Add deduction/contribution**.
2. Choose **Retirement plans** under **Deduction/contribution type**.
3. Choose the **Type** from the menu.
4. Enter the plan name in the **Description** field.
5. Under the **Employee deduction** section, choose how you want to calculate the deduction. In this example you'll choose **Flat amount**.
6. Enter the **Amount per paycheque**.
7. **Enter an annual maximum if required.**
8. In the **Company contribution section**, choose **Calculated as flat amount**.
9. Enter the **Amount per paycheque**.
10. Enter the **Annual Maximum** if required. When the employee reaches the maximum, QuickBooks stops the contribution.

11. Click **Done**.



Workers' Compensation

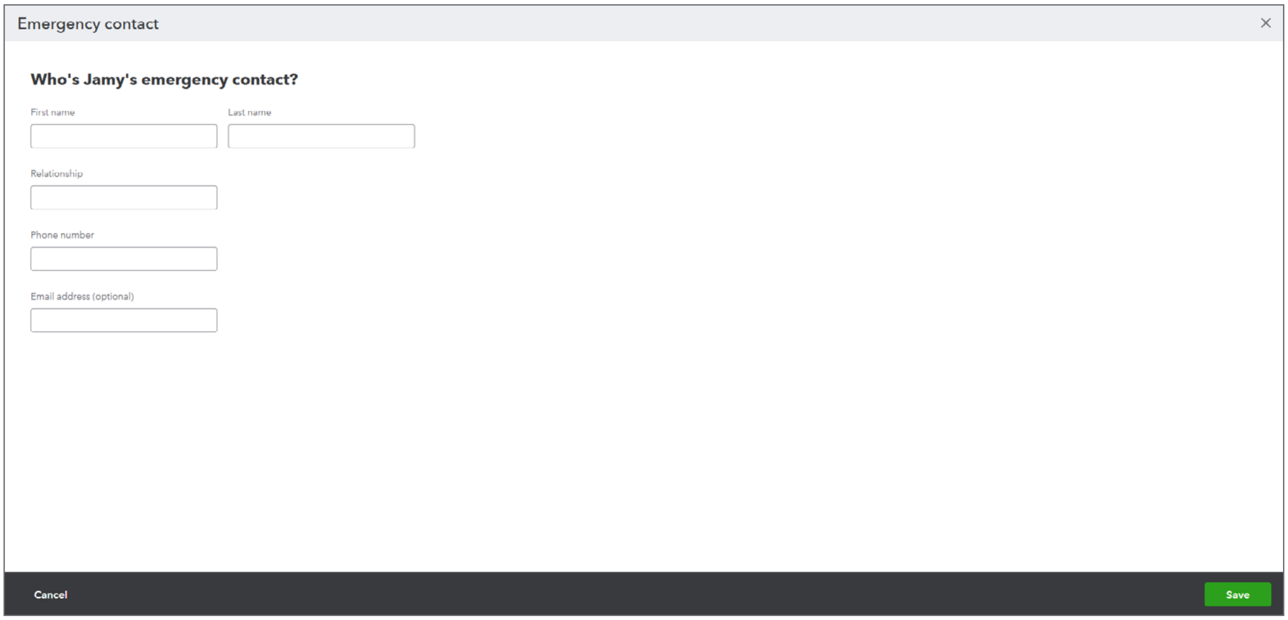
You can add Worker's compensation tracking when you go to the **Payroll** settings under the **Gear** menu.

Emergency Contact

In this section, you can add emergency contact information for your employees.

1. Click **Start**.
2. Enter the emergency contact information.

3. Click **Save**.

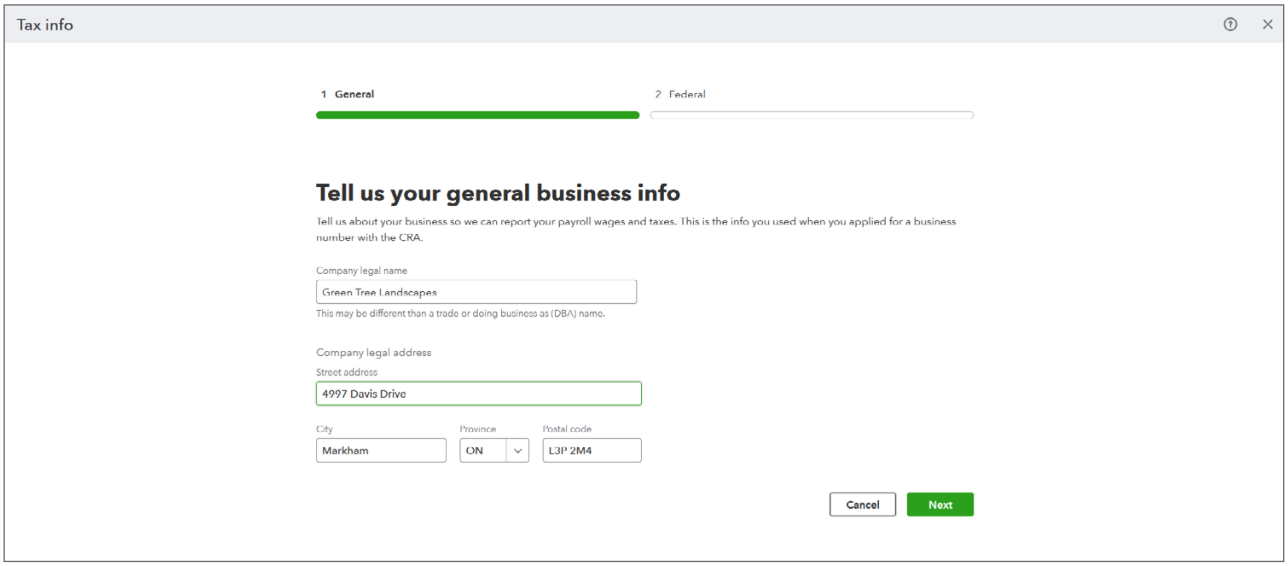


Click **Done** to complete the employee set up.

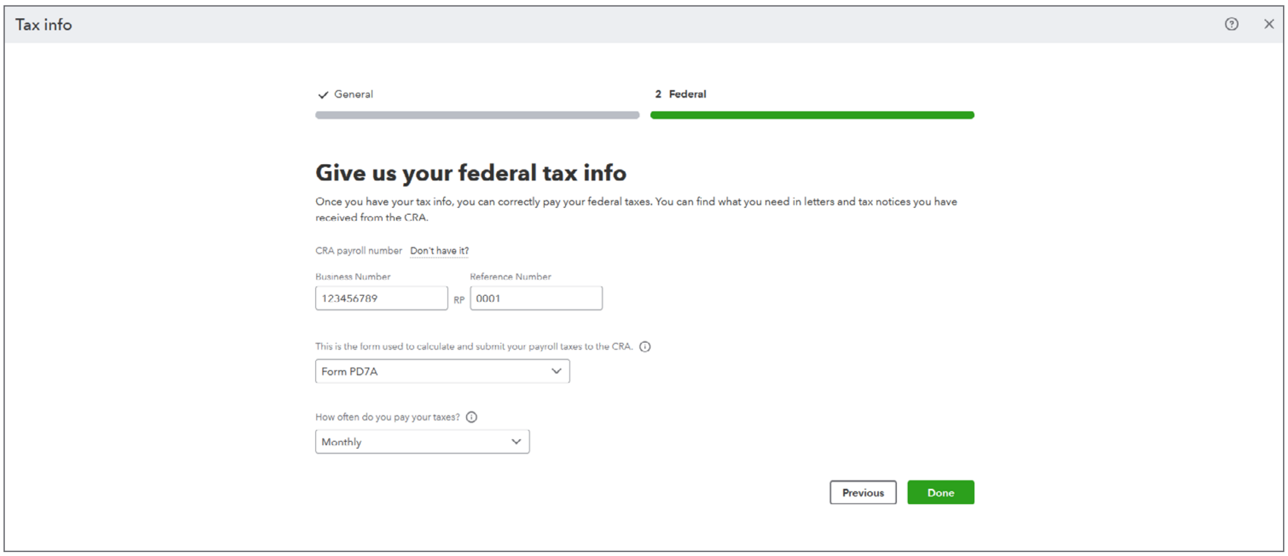
Enter Your Tax Info

Before running your first payroll, you need to add your business and payroll account numbers. You'll add this information in the **Enter your tax info** section.

1. Click **Start**.
2. Enter or update the information as needed.
3. Click **Next**.



4. Enter your **Business Number**. This information will be provided to you from the Canada Revenue Agency.
5. QuickBooks presets the Form PD7A.
6. Choose **How often you pay your taxes?** This will also be determined by the Canada Revenue Agency.
7. Click **Done**.



To learn how to setup employees and add pay items watch this video: https://youtu.be/ruBfNbmGvLY

Time Tracking in QuickBooks

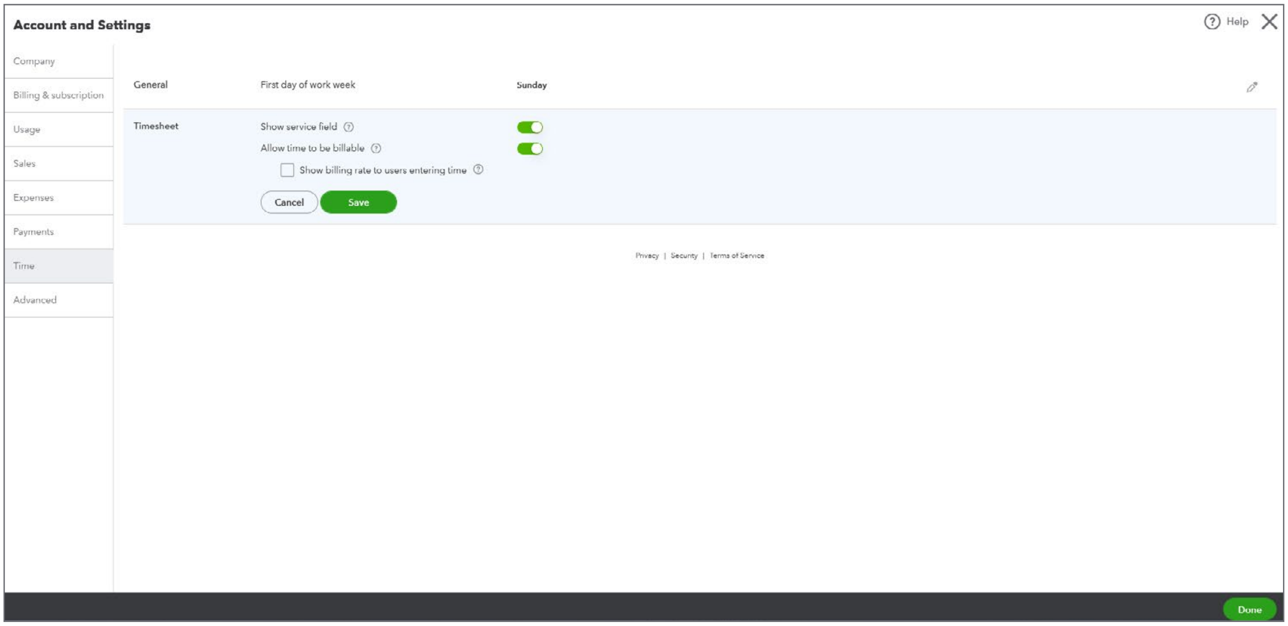
QuickBooks Online lets you track time for your employees and subcontractors. When you track time you can import the hours into QuickBooks payroll and add the hours to the employee's pay cheque.

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 edit time tracking settings in QuickBooks:

1. Click the **Gear** menu and then click **Accounts & Settings**.
2. Click **Time**.



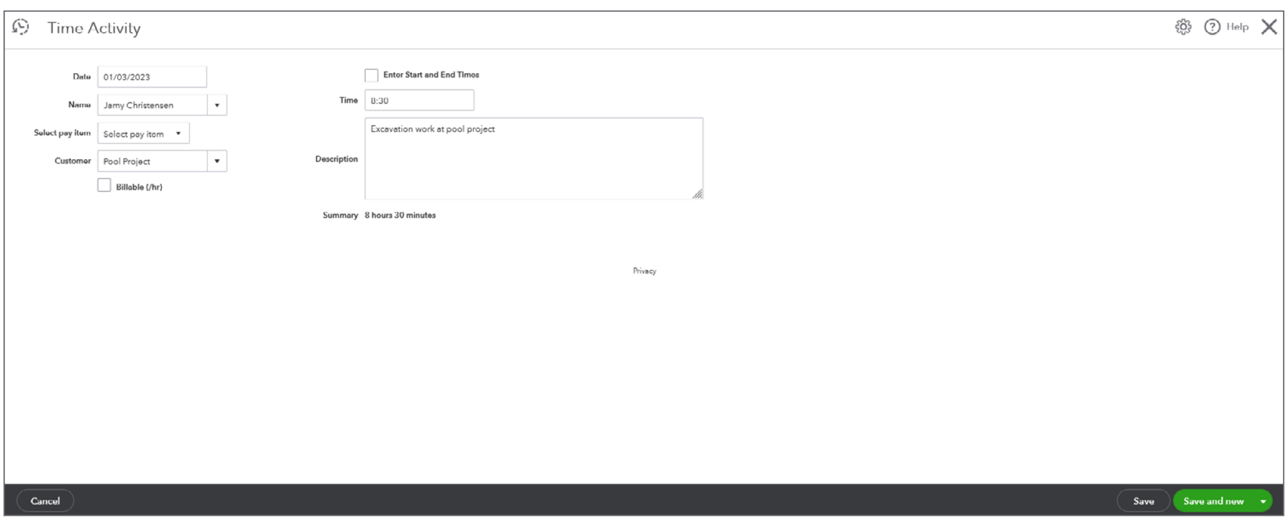
NOTE QuickBooks lets you make time activities billable to customers. You can also assign the first day of the work week to display on the timesheet.

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.

1. To enter a single time activity click the **New** 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

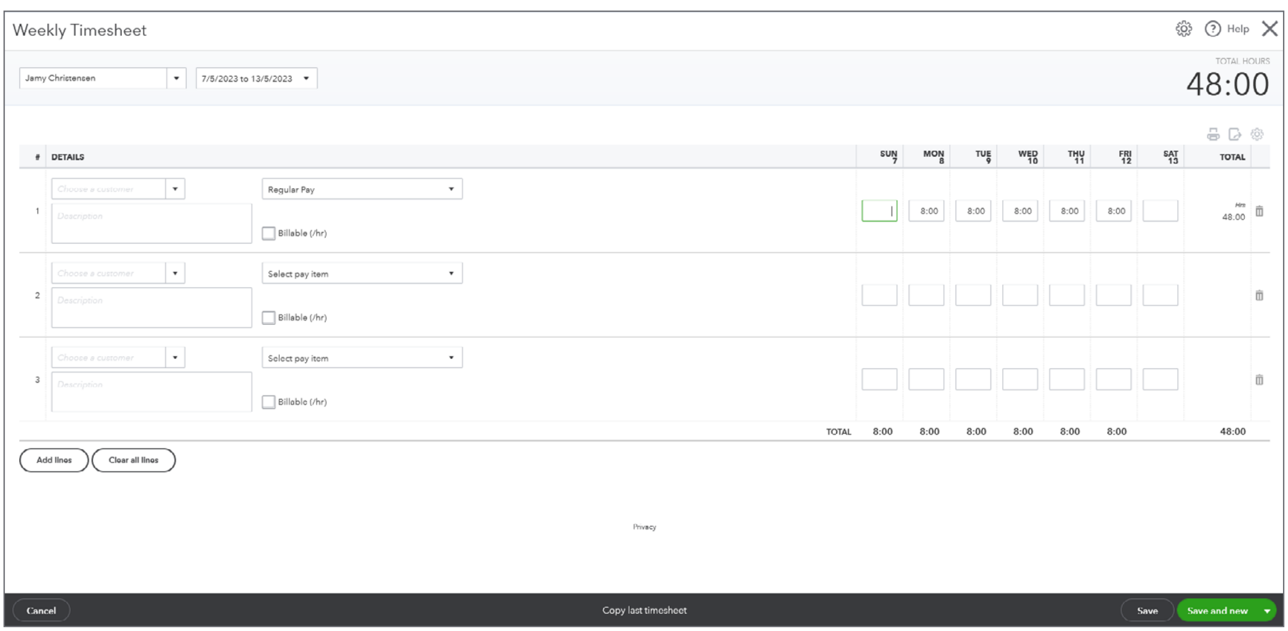
The weekly timesheet it helpful to enter an entire week of timesheet information. You can enter the same field as a single time activity with one exception, the start and end time.

To fill in a weekly timesheet:

1. Click **New > 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:

CUSTOMER	Choose a customer if you want to bill the activity to the customer or track expenses for the customer.
SERVICE	(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.
CLASS	(Optional) Choose a Class. If you don't see Class, class tracking is turned off.
LOCATION	(Optional) Choose a Location/Department. If you don't see it, location/department tracking is turned off.
DESCRIPTION	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.
BILLABLE	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.



5. For each day of the week this activity occurred, enter the number of hours spent on this activity for that day.

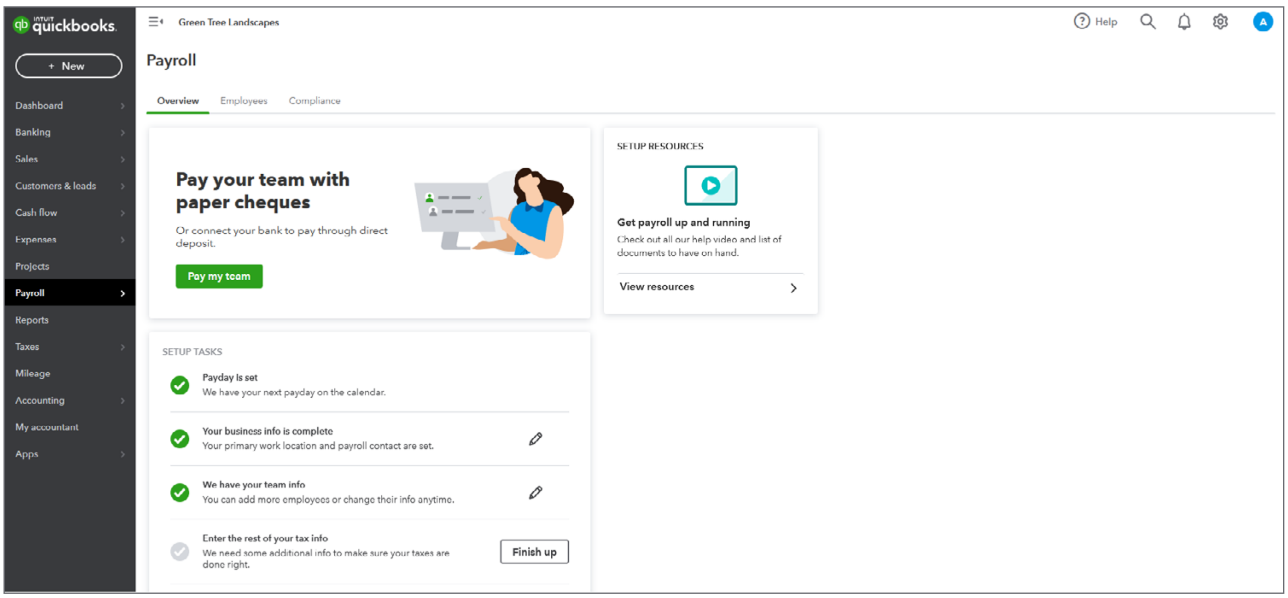
You can add more activity lines if needed or clear all lines and begin again.

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

NOTE If the last timesheet is like the current time period, click **Copy last timesheet**.

Run Payroll in QuickBooks

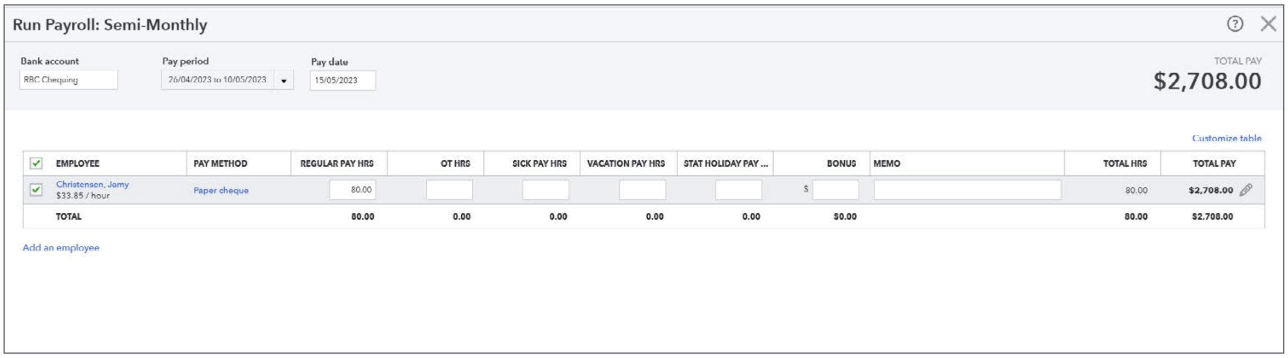
To run payroll in QuickBooks you'll start on the Employees page. On the employees window, click **Pay my team**.



1. Choose the **Bank account** where the money will be paid from.

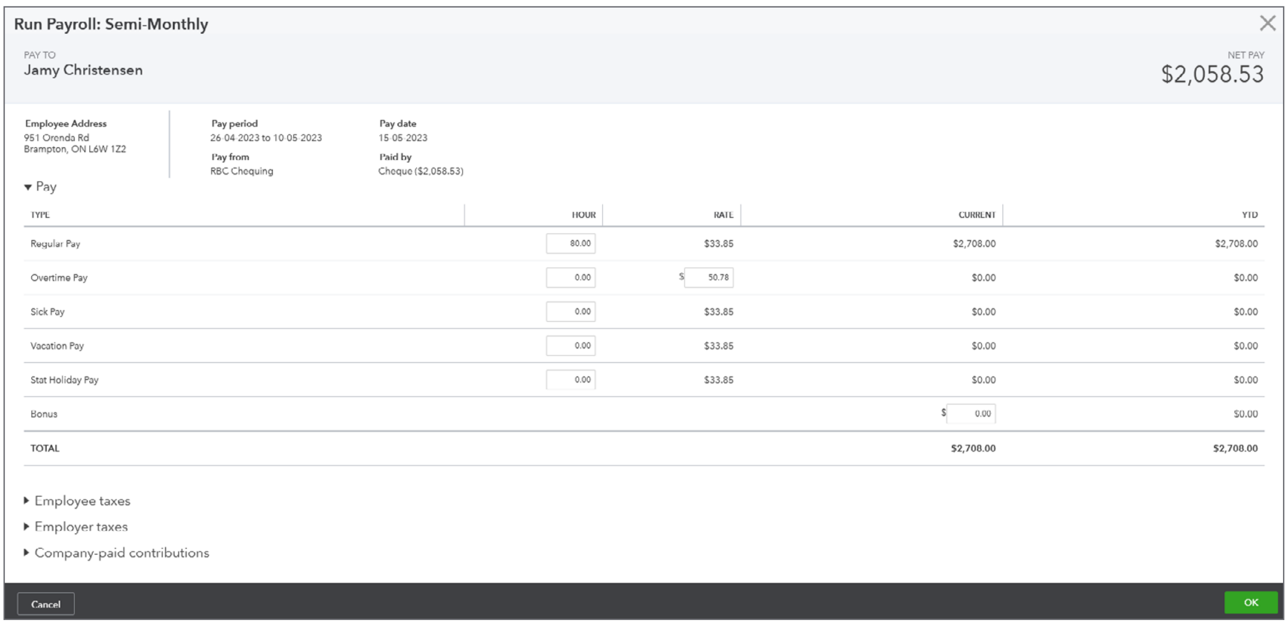
2. Choose the **Pay Period** and **Pay Date** (when running a regular Pay Schedule, these dates should auto-fill for you.

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.



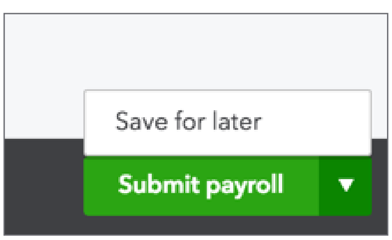
4. Click the pencil (edit) icon to view each employee pay cheque.

5. Click the arrow next to **Pay** to expand the pay information.

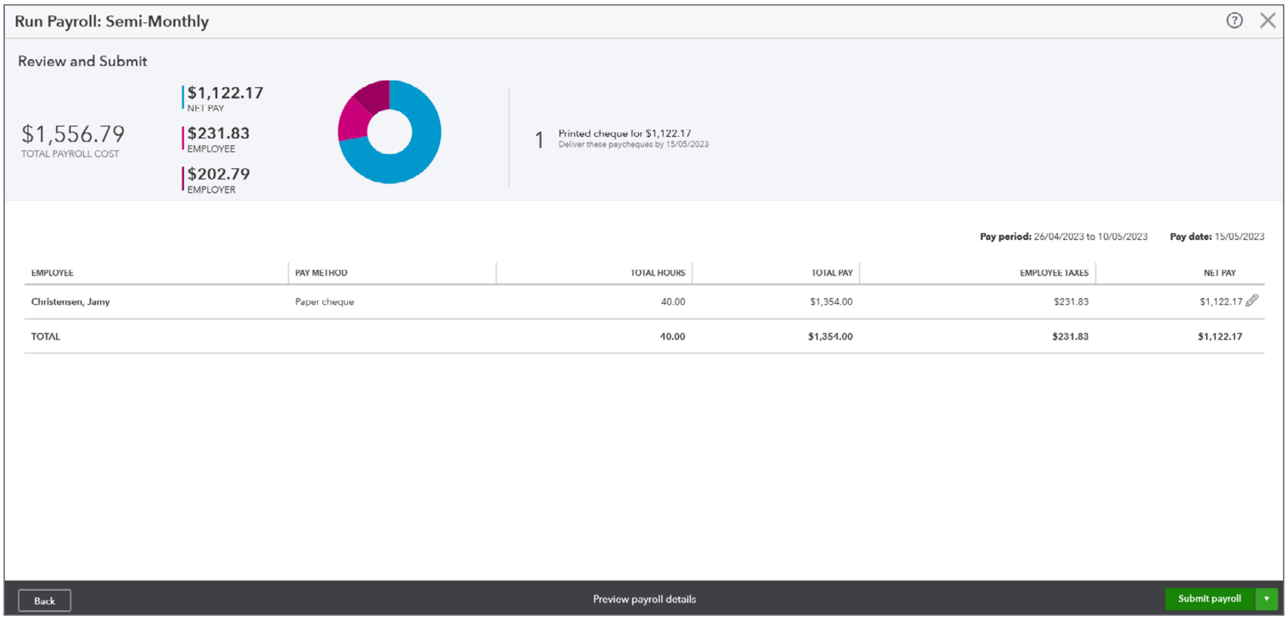


6. Click **OK**.

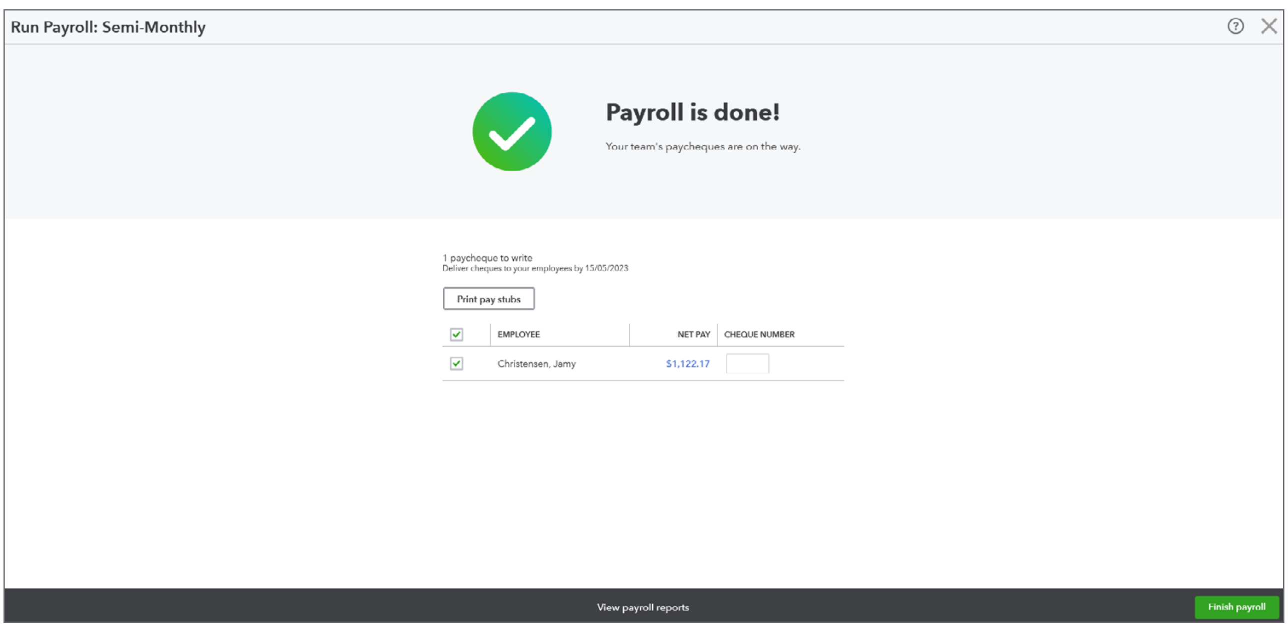
7. Click **Save for Later** to complete the payroll at a later time or click **Submit Payroll** to complete the payroll run.



8. Click **Preview Payroll**.

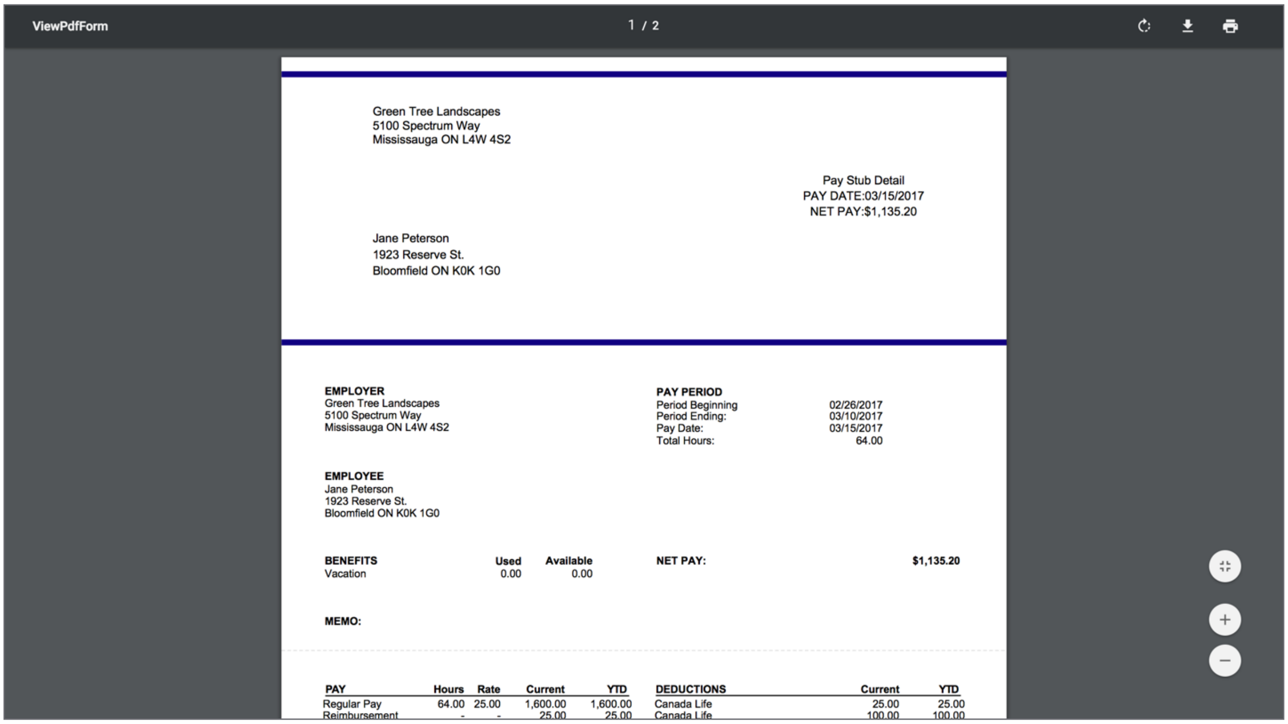


9. Click **Submit Payroll**.



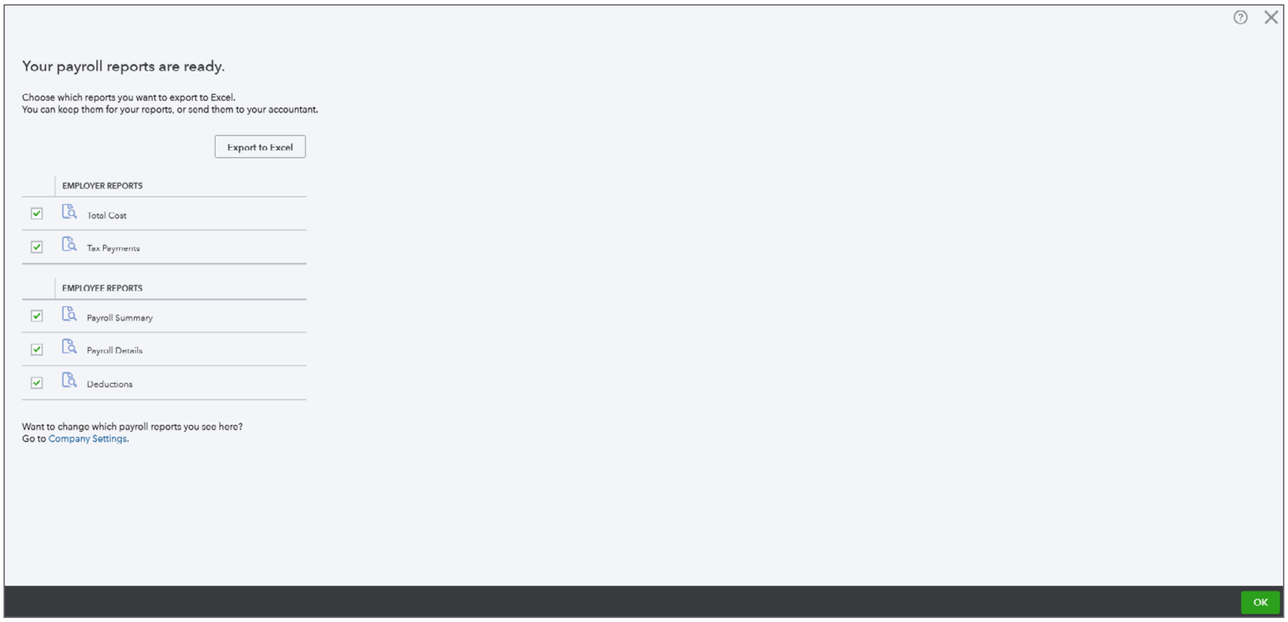
To learn how to pay employees watch this video: https://youtu.be/WHG-AIo_bfE

10. Click **Print pay stubs**.



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

12. Click **OK**.

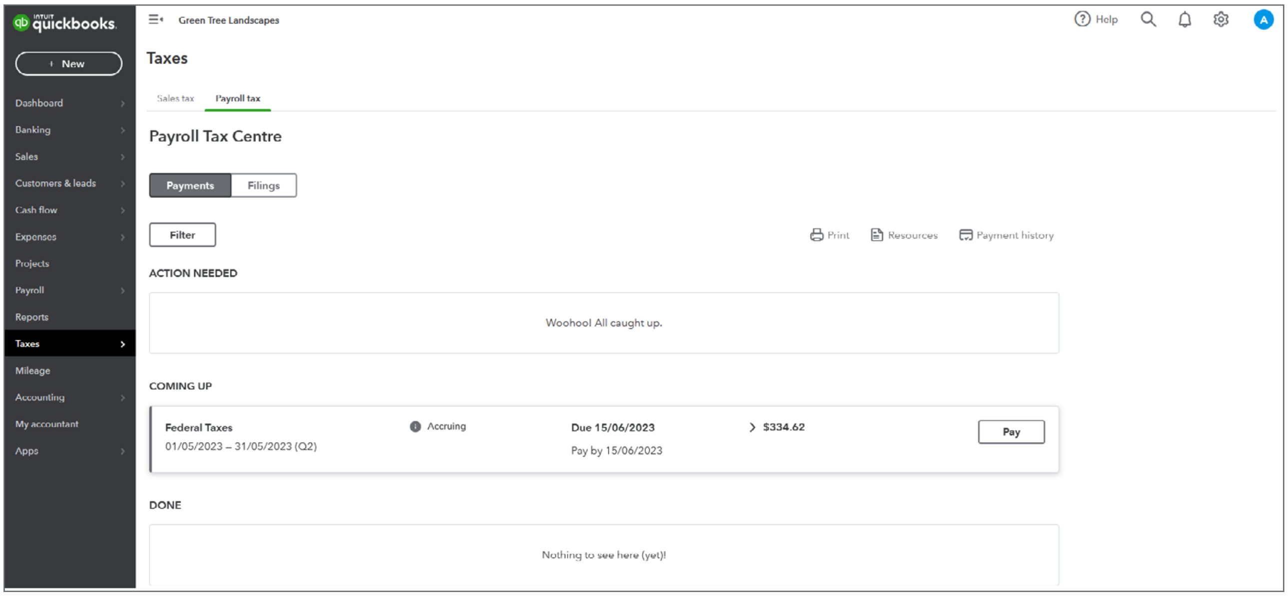


13. Click **OK**. Click **Finish payroll.**

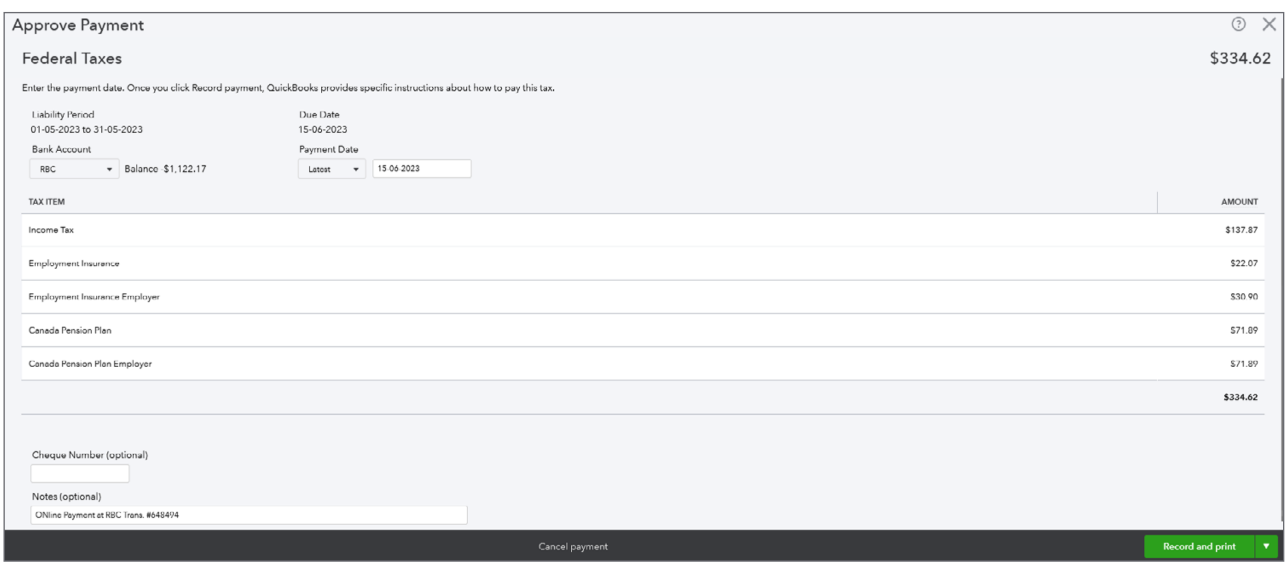
Paying Payroll Liabilities

To pay your payroll liabilities:

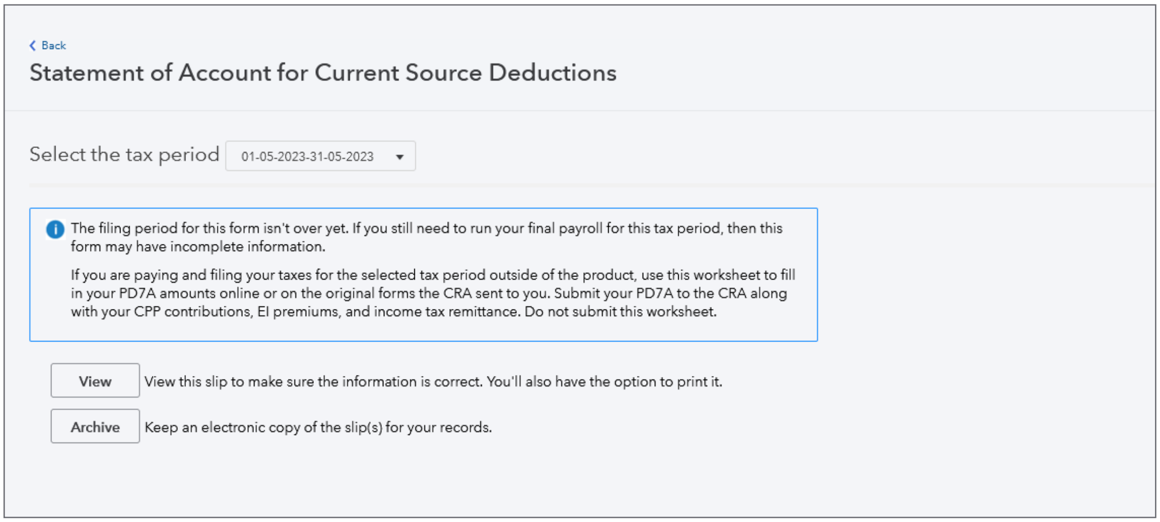
1. Click **Taxes**.
2. Click **Pay**.

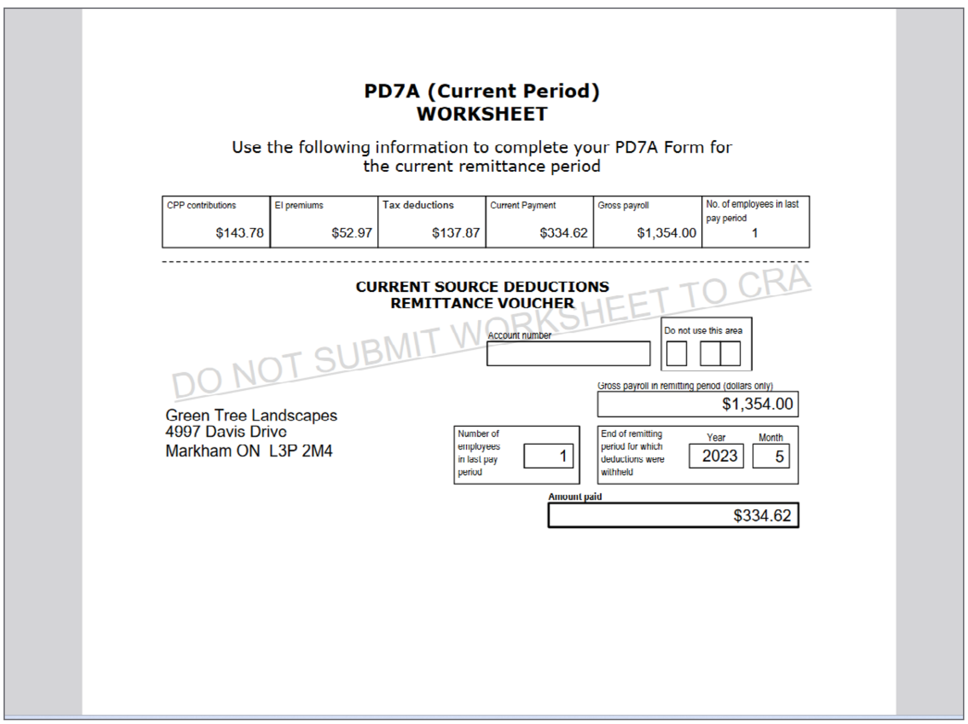


1. You can record your payment by cheque if required. Enter a **Cheque Number** if you're not printing the cheque.
2. Alternatively, if you make the payment online you can click the drop-down menu and choose **Record Payment**. If you make an online payment, you can enter details of the payment in the Notes section prior to clicking **Record Payment**.



3. After clicking Record Payment, the **Statement of Account for Current Source Deductions** window displays.
4. Click **View** to display the PD7A details.





PD7A (Current Period)
WORKSHEET

Use the following information to complete your PD7A Form for the current remittance period

CPP contributions	EI premiums	Tax deductions	Current Payment	Gross payroll	No. of employees in last pay period
$143.78	$52.97	$137.87	$334.62	$1,354.00	1

CURRENT SOURCE DEDUCTIONS
REMITTANCE VOUCHER

DO NOT SUBMIT WORKSHEET TO CRA

Account number

Do not use this area

Gross payroll in remitting period (dollars only): $1,354.00

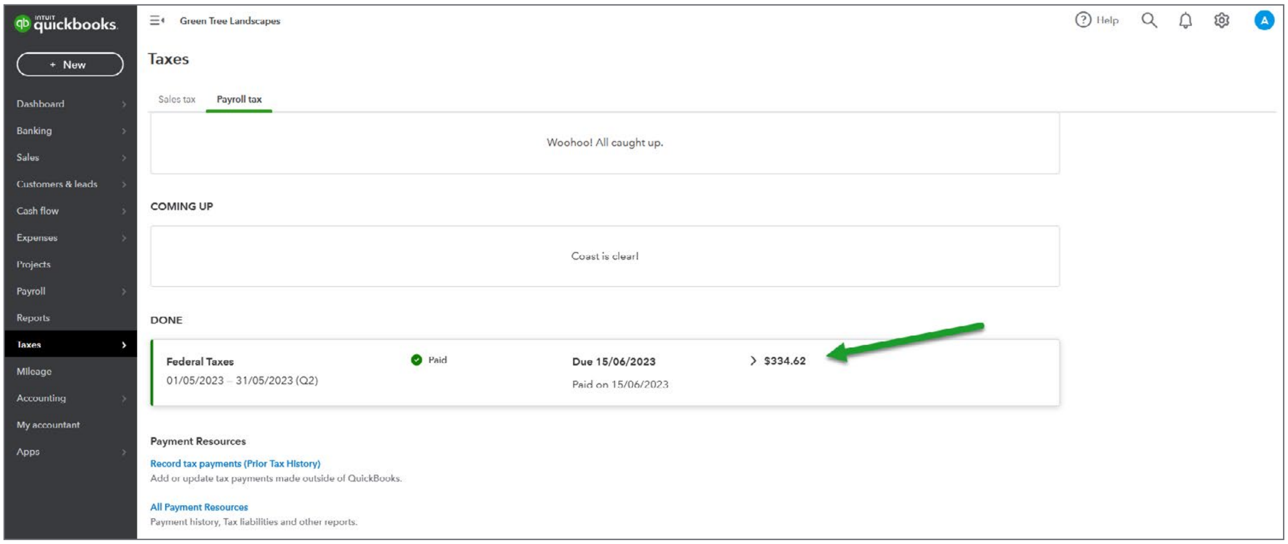
Green Tree Landscapes
4997 Davis Drive
Markham ON L3P 2M4

Number of employees in last pay period: 1

End of remitting period for which deductions were withheld: Year 2023 Month 5

Amount paid: $334.62

5. QuickBooks now marks the Taxes as Paid.



6. Click **Monthly Forms** to view the current payroll liabilities. QuickBooks now lets you view the PD7A report.

To learn how to pay taxes watch this video: https://youtu.be/iI6QqxOskFU

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

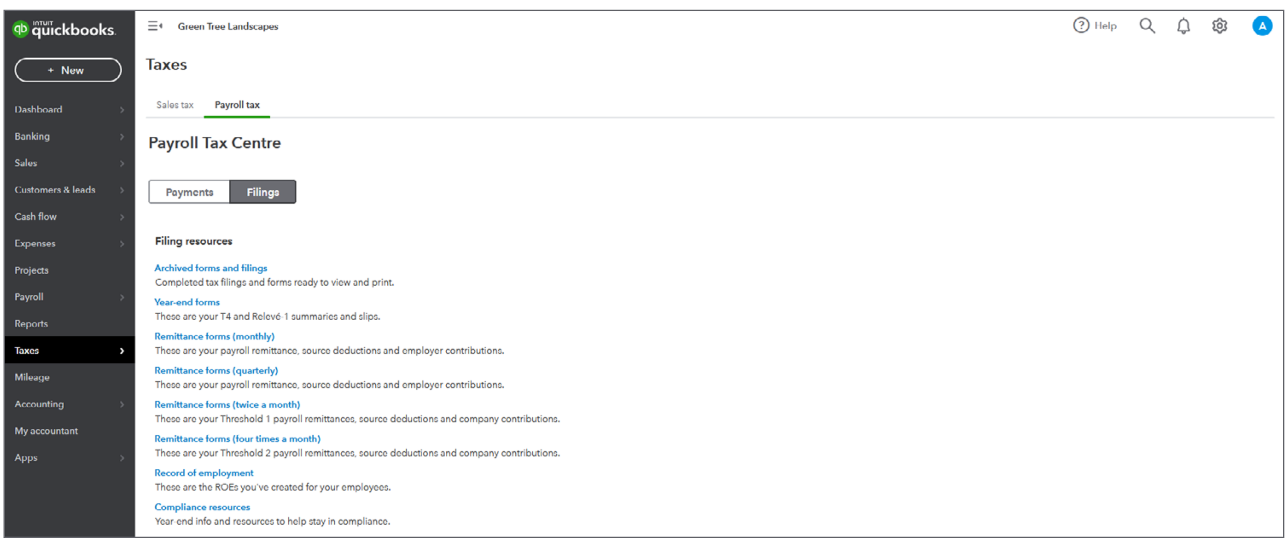
T4 Summary

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.

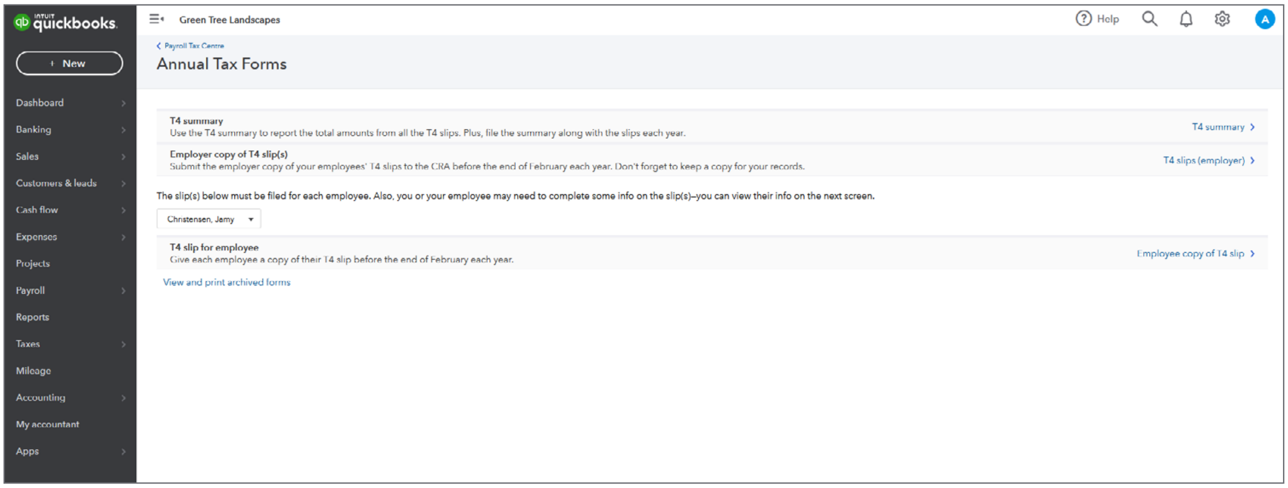
To Print T4's for your employees:

1. On the left navigation bar, click **Taxes**.
2. Click **Payroll Tax**.
3. Click **Filings**.
4. Click **Year-end forms**.

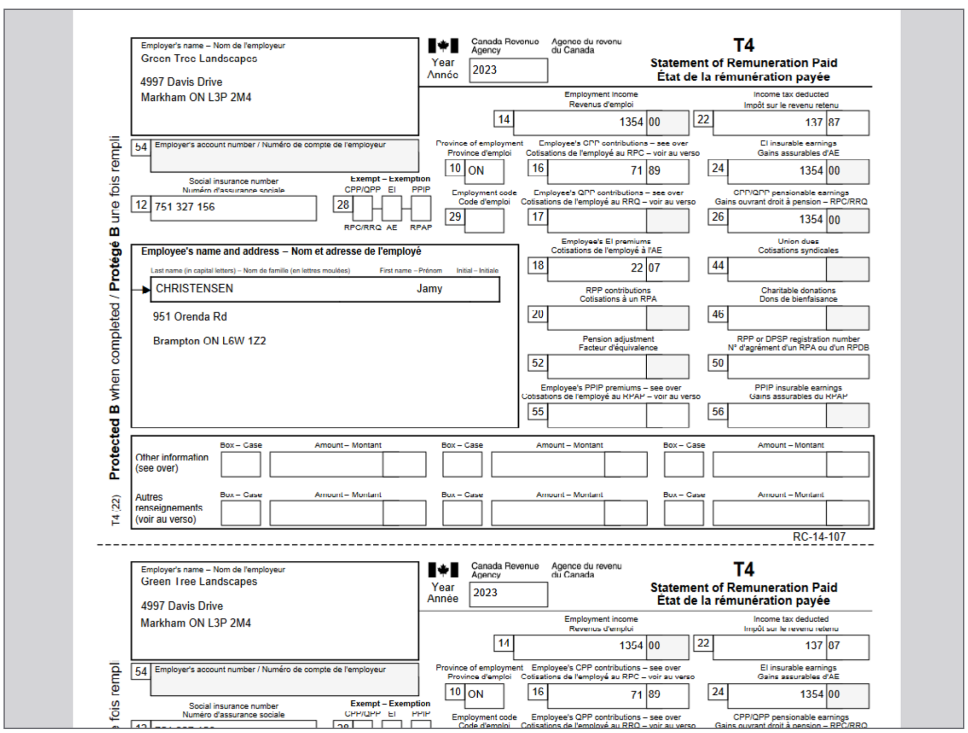


5. Choose the employee.

6. Click **Employee copy of the T4 slip**.



7. Click **View**. Print the form if required.



▶ To learn how to create a T4 watch this video: https://youtu.be/wHPQFHrPyWM

Create Records of Employment

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

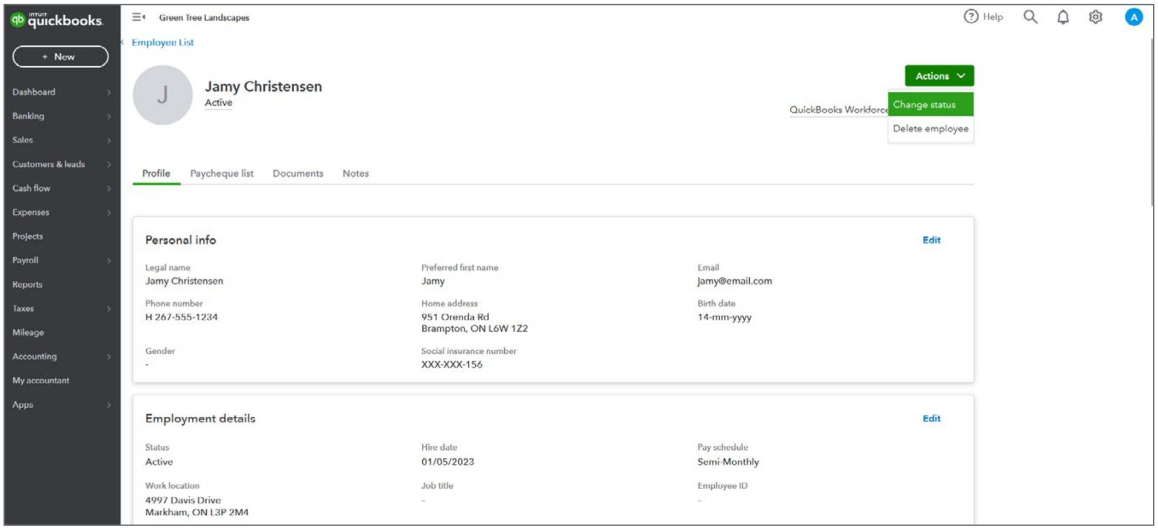
- quits your company
- is laid off or terminated
- goes on leave

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.

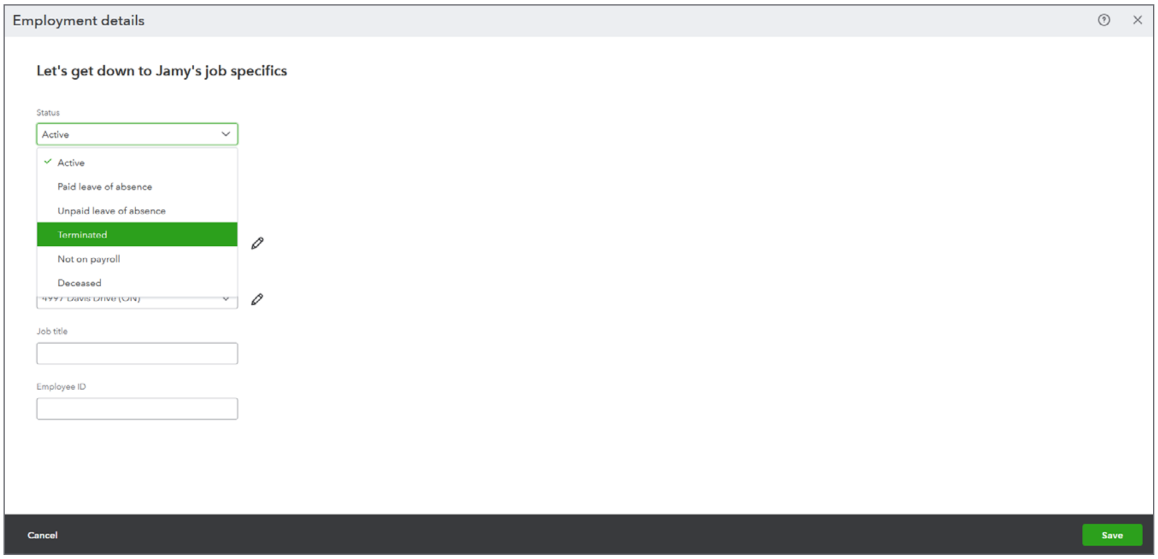
To create a Record of Employment:

1. First you must tell QuickBooks that the person is leaving the company or going on leave. Click **Payroll**.
2. Click the **Employees**.
3. Click the Employee name.
4. Click **Actions** and then click **Change status**.

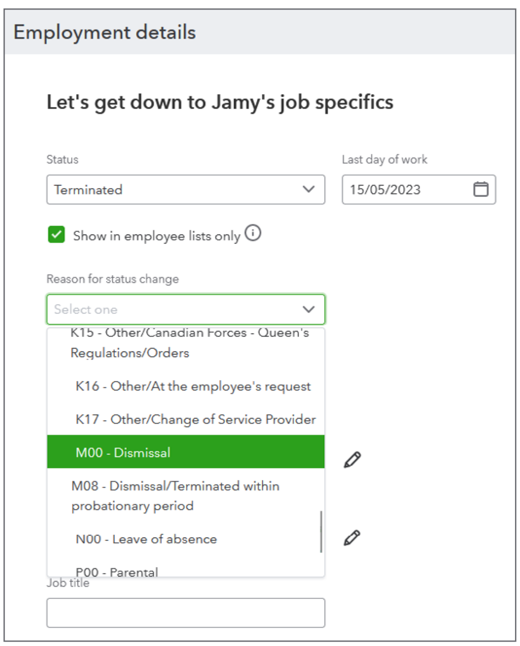


5. Click the **Status** menu to edit the status to reflect the new employee changes.

6. Enter the **Last day of work**.

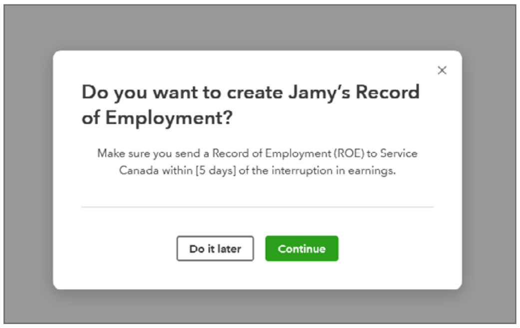


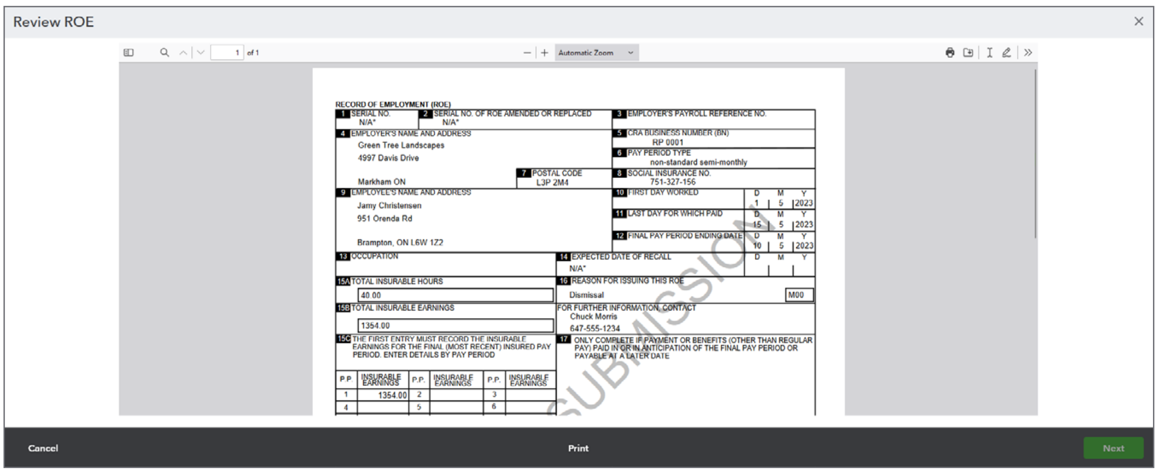
7. Choose the **Reason for status change**.



8. Click **Save**.

9. Click **Continue**.





10. QuickBooks displays a preview of the ROE.

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.