

Guide

# Payroll in Canada 2026

A Strategic Guide for Small Business Owners

Sage

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Payroll in Canada is entering a new phase. With regulatory updates and increasing complexity across provinces, small businesses need clarity, structure, and a plan.

This guide is built for small business owners who want to approach payroll in 2026 with confidence and intention. The goal is to stay compliant, reduce errors, and strengthen processes.

Inside, you'll find practical insights and strategic considerations to help you navigate federal and provincial changes, streamline payroll processes, and evaluate whether your current payroll setup is still serving your needs.

**Let's get started.**

# Regulatory Changes You Should Know

Make sure you've accounted for a few of the critical updates that applied to your 2025 year-end payroll.

- Starting in January of 2024, if you file 6 or more slips in a year (T4, T4A, T5, etc.), you **must file electronically** or could incur penalties.
- The previous "50-slip safe zone" is gone. After December 31, 2023, **businesses with more than 5 slips must e-file**.
- CRA introduced new **T4 codes** in relation to payments made to First Nations workers and **Québec's RL-1 slip** had updates for phased retirement reporting.
- Effective July 1, 2025, CRA released the **121st edition of Payroll Deductions Formulas**, reflecting new income tax adjustments and provincial/territorial updates for the second half of the year. When doing year-end reconciliations, be mindful that tax withholding is not uniform across the year due to this mid-year shift.





# 2026 Payroll – Federal and Provincial Updates

In 2026, staying on top of payroll changes continues to be essential. What follows is a summary of **changes taking effect in 2026.**



## Federal Updates

- **Income tax rates:** The lowest federal income tax bracket was prorated to 14.5% (from 15%) for the second half of 2025. The new 14% rate is in effect for 2026 and applies to taxable income up to an indexed amount, which was $57,375.
- **CPP enhancements:** The CRA indicated **the maximum CPP contribution** increased to $4,646.45 for employees and employers (or double for the self-employed), for income above $85,000.
- **Capital gains inclusion rate:** The increase to the capital gains inclusion rate (from 50% to 66%) took effect on January 1, 2026. This affects corporations, trusts, and individuals with more than $250,000 in capital gains in a given year.
- **Crypto-asset reporting:** Canada will implement the **OECD Crypto-Asset Reporting Framework**, with new international rules on due diligence and reporting for crypto-assets effective for the 2026 calendar year.

## Provincial Highlights

- **Ontario**
  **New pay transparency legislation** took effect January 1, 2026. Employers with 25 or more employees must include salary ranges in job postings and may face new disclosure requirements.
- **Québec**
  **Adjustments to deductions, employer contributions, and remittance** schedules are expected. Monitor **www.revenuquebec.ca/en/** for updates.
- **Saskatchewan**
  Various amendments to The Saskatchewan Employment Act took effect on January 1, 2026. Changes include allowing a calendar-based day for scheduling, prohibiting employers from withholding tips, and extending certain leave provisions.
- **Atlantic Canada**
  **Minimum wage increases** are taking place in several provinces, including Prince Edward Island on April 1, 2026. Other provinces will announce updates closer to year-end.

**What's Ahead**
Keep an eye on **official CRA** and provincial updates to ensure your pay runs reflect the latest requirements.

# Common Payroll Challenges

Payroll is never static. The challenges you face are often rooted in complexity across systems, jurisdictions, and expectations. This section outlines the most common payroll challenges, and how you can avoid headaches at year-end.



**Multi-Province Compliance**
Managing payroll across provinces means navigating different rules for minimum wage, statutory holidays, source deductions, and employment standards. **Québec** requires separate calculations for QPP and QPIP, while Ontario, British Columbia, and others have distinct remittance schedules and reporting formats.

**Manual Processes and Reconciliation**
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Spreadsheets and legacy systems slow down reconciliation and increase the risk of errors. Year-end reporting using manual workflows makes it harder to catch discrepancies in taxable benefits, remittances, and T4 totals.

**Multiple Pay Schedules**
Weekly, bi-weekly, and monthly pay frequencies each come with their own timing and reconciliation requirements. Extra pay periods in a calendar year can affect CPP and EI calculations, and each schedule must be closed out correctly.

# How Sage Payroll Helps

Sage has been serving Canadian small businesses for decades. Through partnerships with CPA Canada, CPB Canada, and CFIB, and by investing in local events, webinars, and content syndication, Sage continues to support the evolving needs of small businesses across the country. From bilingual product support to region-specific compliance updates, the platform is built with Canadian payroll complexity in mind.

Switching systems is only part of the equation. The real value comes from what the new system enables. Sage Payroll is designed to help you manage complexity, stay compliant, and deliver a better experience to clients and employees.

**Compliance you can trust**
Sage Payroll is updated regularly to reflect the latest CRA and Revenu Québec requirements and legislation. T4s, RL-1s, and ROEs can be generated electronically, with built-in validation. Automated workflows recalculate year-to-date figures and handle year-end adjustments to reduce the risk of filing errors.



**Seamless integration**
Payroll data flows directly into Sage Accounting, eliminating the need for manual journal entries or reconciliation. You can also export the data and sync seamlessly with your preferred accounting software. This reduces duplication and ensures that payroll and financial reporting stay aligned.

**Read a Sage Accounting Success Story**

**All-in-one payroll and HR**
Accurately track and manage employee leave. Organize, manage, and sign documents electronically, and empower employees to securely view their pay slips and T4s online, anywhere.

**Multi-Province and Multi-Pay Period Support**
Sage Payroll handles provincial variations in tax rates, remittance schedules, employment standards, and multiple pay periods. Whether you're processing payroll in Ontario, Québec, or across multiple jurisdictions, the system is designed to keep you compliant.

**Built-In Year-End Tools**
Let Sage Payroll take care of your year-end adjustments automatically before your last pay period. With automated reminders, step-by-step workflows, and built-in compliance, you stay on track to close out the year, accurately and on time.

**Sage Payroll full details**

Sage Payroll brings together compliance and automation in one platform. It's built to reduce manual work, improve accuracy, and deliver more value through payroll.

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# Staying Prepared for 2026

Now that 2025 year-end is wrapped, the focus shifts to what's next. Now it's time to make sure everything is more strategic and streamlined for the year ahead.

**Review the CRA's guidance regularly.** Confirm that your system reflects the latest CPP, EI, and income tax rates. If you're operating in Québec, check Revenu Québec's latest source deduction tables and remittance schedules. Updates often come with small but important changes that can affect how you calculate and report earnings.

**Make sure your internal teams are aligned.** Share updated payroll calendars, deduction rates, and filing deadlines with HR and finance. If you're rolling over vacation balances, banked overtime, or adjusting taxable benefits, confirm that those updates are reflected in both your payroll system and your general ledger.

**Keep an eye on provincial updates, especially if you're managing payroll across multiple jurisdictions.** Minimum wage changes, new leave entitlements, and employer health tax adjustments can have major impacts. Subscribe to CRA and Revenu Québec bulletins so you're not caught off guard by mid-year clarifications.



**Update Strategy for This Guide**
This guide reflects changes as of January15, 2025. Final legislation and CRA guidance may shift. Bookmark the **CRA's payroll overview page** and the **Revenu Québec** business portal to stay current.

Staying prepared in 2026 means aligning your systems, teams, and clients so payroll runs smoothly from day one to year-end.

# Resources & Support



Having the right resources at your fingertips makes all the difference. Below are links to official government portals and Sage support tools to help you stay compliant and confident. These links are updated regularly, so it's worth bookmarking the ones you use most.

## Official Canadian & Provincial Resources

- **CRA Payroll Overview**
  https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/payroll/payroll-overview.html
- **CRA Forms and Publications**
  https://www.canada.ca/en/revenue-agency/services/forms-publications/forms/td1.html
- **Revenu Québec Employer Portal**
  https://www.revenuquebec.ca/en/businesses/source-deductions-and-employer-contributions/
- **Ontario Pay Transparency**
  https://www.ontario.ca/page/pay-transparency
- **Workers' Compensation & Employer Health Tax**
  https://www.cnesst.gouv.qc.ca/en
  https://www.wsib.ca/en
  https://www.fin.gov.on.ca/en/tax/eht/

## Sage Payroll Support & Tools

- **Sage Cloud Payroll Product Demo**
  https://www.sage.com/en-ca/accountants/payroll/#gate-98c4ad8c-7c26-4d7f-b553-6d257034bf61
- **Sage Payroll Product Info**
  https://www.sage.com/en-ca/sage-business-cloud/payroll/
- **Sage Accounting**
  https://www.sage.com/en-ca/sage-business-cloud/accounting/
- **CRA & Revenu Québec Integration Guidance**
  https://www.sage.com/en-ca/blog/why-switch-payroll-software-at-year-end/

sage.com

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