



Quick Guide

Setting up Payroll

Abstract

This guide provides an overview of how to set up Payroll in QuickBooks.



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Setting up Payroll Preferences

There are several preferences that let you use payroll more effectively in QuickBooks.

To edit payroll preferences:

1. Go to the **Edit** menu and click **Preferences**.
2. Click **Payroll & Employees** and then click the **Company Preferences** tab.



Setting up Payroll

When setting up payroll for the first time, you must:

- **Set up employees** in the Employee Centre.
- **Create payroll items** that can be added to an employee's pay cheque.
- **Set Up YTD (Year-to-Date) Amounts** for your employees. These are totals paid so far this calendar year to each employee before starting QuickBooks Payroll, including benefits and taxes withheld.
- (Optional) **Configure Payroll Schedules** to save time generating pay cheques in the future.

Note: Payroll Items track amounts such as wages or salaries you pay and taxes you deduct from pay cheques. You can create payroll items for compensation, taxes, employer-paid expenses, and other additions and deductions.

Payroll Setup Checklist

To set up QuickBooks payroll, you need the information mentioned in the following table. You can get information from your own records, from your accountant, or from federal and provincial agencies.



Item	Examples
Company Information	<ul style="list-style-type: none"> ▪ Pay period frequency or frequencies (for example, weekly, biweekly, semimonthly, monthly) ▪ Date you started or will start using payroll in QuickBooks
Compensation, Benefits, and Miscellaneous Additions and Deductions	<ul style="list-style-type: none"> ▪ Compensation you give employees and officers: hourly wages, salaries, commissions, and bonuses ▪ Insurance benefits offered, such as health, dental, vision ▪ Retirement benefits offered, such as RSP information ▪ Additional deductions from net or gross pay that you withhold, such as union dues, repayments of employee advances or loans, and life insurance ▪ Additions you add to a pay cheque, such as travel reimbursements, employee advances or loans, and tips
Tax Information	<ul style="list-style-type: none"> ▪ Federal and provincial TD1 forms completed by each employee (for more information, see cra.gc.ca) and your 9-digit CRA Business Number ▪ Payroll bank accounts ▪ Tax rates for any local taxes or other taxes
Employees	<ul style="list-style-type: none"> ▪ Employee names, addresses, and Social Insurance Numbers from your employees' Social Insurance cards or TD1 forms ▪ Employee withholdings, which can also be found on the TD1 form ▪ Current employee wages/salaries, additions, deductions, and company contributions ▪ Sick and vacation time policies and hours accrued
Direct Deposit Information	<ul style="list-style-type: none"> ▪ For each employee you want to pay using Direct Deposit, you need bank account routing and transit numbers <p>Note: This is an optional feature that requires additional fees</p>
Year-to-Date History	<ul style="list-style-type: none"> ▪ Pay period summaries of employee payroll amounts from the beginning of this calendar year to the beginning of the current period <p>Note: You need to enter year-to-date payroll ONLY if you start using QuickBooks Payroll after January 1 of the calendar year AND if you've already run payroll at least once since January 1 (if you start using QuickBooks Payroll after January 1 but have not run a payroll yet this calendar year, you have no year-to-date information to enter)</p>
Liability Payment Information	<ul style="list-style-type: none"> ▪ Monthly and pay period summaries of payroll liability payments from the beginning of this year to your start date ▪ Copies of payroll liability cheques from the first day of the current quarter until today ▪ Payment and filing methods



Creating a Payroll Item

To create a payroll item

1. Open the Payroll Centre (go to the **Employees** menu and click **Payroll Centre**).
2. In the **Payroll Centre Icon Bar**, click **Payroll Items**.
3. In the **Payroll Item** list, click the **Payroll Item** button and then click **New**.
4. Choose the type of payroll item you want to create:

Use this payroll item	To track
Wage	Money you pay to employees for salaries, hourly wages, commissions, bonuses, and overtime
Addition	Money you pay to an employee that is not a direct result of their work, such as a car allowance
Deduction	Money you deduct from your employee other than taxes, such as union dues or employee purchases
Company Contribution	Company-paid benefit for your employees, such as pension plans or dental benefits
Other Tax	Miscellaneous taxes (company or employee paid) based on an employee's wages, such as Provincial Health Tax

5. Click **Next** and answer the question(s) on each screen.

Setting up Employees to set up an employee's personal information:

1. Open the Employee Centre (go to the **Employees** menu and click **Employee Centre**)
2. In the **Employee Centre** icon bar, click **New Employee**.
3. In the **Personal** tab of the **New Employee** window, enter the employee's personal details, including their name, **Social Insurance Number (SIN)**, and date of birth.
4. In the **Address & Contact** tab, enter the employee's address and contact information.
5. In the **Additional Info** tab, define custom fields to store other information you want to track, such as the name of the employee's spouse.
6. In the **Employment Info** tab, enter the employee's hire date and occupational title.

Setting up an Employee's payroll information

1. In the **New Employee** window, select the **Payroll Info** tab.
2. In the **Earnings** section, set up the employee's wage information:
 - Under **Item Name**, select a salary or hourly payroll item, then under **Hourly/Annual Rate**, enter the amount you pay annually or hourly.
3. In **Pay Frequency**, select how often you pay this employee.



4. If you use QuickBooks to track your employees' time, and you pay employees based on this time, click **Use time data to create pay cheques**.
5. In the **Additions, Deductions, and Company Contributions** section, set up any employee benefits and other deductions (except for taxes) that you apply to pay cheques.
6. Click the **Taxes and TD1** button to enter information from the employee's TD1 forms, and review the Income Tax, Canada Pension Plan/Quebec Pension plan, Employment Insurance, and other payroll taxes he or she might have to pay.
7. Click the **Accrual Hours** button to set up how much time an employee accrues, including how much he or she has accrued this year.
8. Click the **Vacation Pay** button to set up how much vacation pay the employee has available and how much he or she earns. Select the earning items you want vacation to accrue on.
9. Click the **Direct Deposit** button to set up direct deposit information.

Set Up Year-to-Date Amounts

In order for QuickBooks to calculate tax and other amounts during a payroll run, QuickBooks needs to know the amounts you already paid to employees before you started using QuickBooks Payroll, for this calendar year-to-date.

In order to enter YTD amounts, you need:

- The amount each employee earned (including former employees paid this year)
- How much was deducted from each employee's earnings, and for what purpose (income tax, EI, CPP, and so on). You must also include how much tax your company paid as a result of the employee's earnings (such as the employer's portion of EI)
- Vacation pay accrued by each employee (in total, not just this year)
- Amounts you have remitted so far this year for payroll liabilities

To enter YTD Amounts

1. Open the Payroll Centre (go to the **Employees** menu and click **Payroll Centre**).
2. On the **Pay Employees** tab, click the **Set Up YTD Amounts** icon under **Other Activities**.
3. Follow the instructions in the wizard.

Setting up Payroll Schedules

To Setup the payroll schedules

1. Go to the Payroll Centre.
2. Click the **Payroll Schedules** drop-down arrow and select **New**.
3. Enter information in the fields.



Assigning employees to payroll schedules

Note: You can only group employees in the same payroll schedule if they have the same pay frequency (for example, weekly, biweekly, semimonthly, and so on).

To assign employees to payroll schedules

1. Open the Employee Centre (go to the **Employees** menu and click **Employee Centre**).
2. Click the **Employees** tab.
3. Double-click the name of the employee you want to assign to the schedule.
4. Click the **Payroll Info** tab.
5. Click the **Payroll Schedule** drop-down arrow and then select the payroll schedule. The Pay Frequency field updates accordingly.
6. Click **OK**.