

# Source Deductions Allowed – Know The Law Of Your Province

written by Rory Lodge | February 27, 2021



Employment standards laws limit what and how much you can deduct from an employee's paycheck.

In addition to deductions mandated by income tax, EI, CPP, and other federal and provincial laws and court orders, the employment standards laws give employees and their unions leeway to agree to other source deductions that are for the employee's benefits, such as for contributions to pension and other benefits plans. However, those laws also impose specific limitations that vary by geography. Here's a summary of what payroll can and cannot deduct from employees' paycheques in each jurisdiction.

## Source Deduction Requirements Across Canada

### FEDERAL

- Source deductions permitted:
  - Income tax, CPP, EI and other amounts required by federal or provincial law (*Canada Labour Code*, Sec. 245.1(2)(a))
  - Amounts authorized by court order or collective agreement or other document signed by a union on employees' behalf (*CLC*, Sec. 245.1(2)(b))
  - Amounts authorized in writing by the employee (except that employees can't authorize deductions for damage to property, or loss of money or property, if any person other than the employee had access to the property or money in question) (*CLC*, Sec. 245.1(2)(c))
  - Overpayments of wages by the employer (*CLC*, Sec. 245.1(2)(d))
  - Board and living quarters, subject to maximums in *Canadian Labour Standards Regs*, Sec. 21
- No deductions if it would result in employee being paid below minimum wage

### ALBERTA

- Source deductions permitted:
  - Income tax, CPP, EI and other amounts required or allowed by federal or provincial law or court order or judgment (*Employment Standards Code*, Sec. 12(2)(a))
  - Recovery of overpayments resulting from a payroll calculation error occurring within past 6 months (*ESC*, Sec. 12(2)(a.1))
  - Recovery of vacation pay paid to employee in advance before he/she was

- entitled to it (*ESC*, Sec. 12(2)(a.2))
- Authorized by a collective agreement that's binding on the employee (*ESC*, Sec. 12(2)(b))
- Personally authorized by the employee in writing (*ESC*, Sec. 12(2)(c))
- Board and living quarters, subject to limits in *Employment Standards Regs*, Sec. 12
- Collective agreements and written employee authorizations not allowed for deductions covering:
  - Faulty work or damage caused by the employee (*ESC*, Sec. 12(3)(a))
  - Cash shortages or loss of property if somebody other than the employee had access to the cash or property (*ESC*, Sec. 12(3)(b))
  - Cash shortages resulting from a failure to collect all or part of the purchase price from a purchaser (*ESC*, Sec. 12(3)(c))
  - Furnishing, use, repair or laundering of uniforms or other wearing apparel required by the employer (*Stds. Regs.*, Sec. 13)

## BRITISH COLUMBIA

- Source deductions permitted:
  - Income tax, CPP, EI and other amounts required or allowed by federal or provincial law or court order or judgment (*Employment Standards Act*, Sec. 21)
  - Room and board for domestic workers up to maximum listed in *Employment Standards Reg*, Sec. 14

## MANITOBA

- Source deductions permitted:
  - Income tax, CPP, EI and other amounts required or allowed by federal or provincial law or permitted by court order or judgment (*Employment Standards Reg*, Sec. 19(1))
  - If employee consents, deductions for something provided that directly benefits the employee that the employee wasn't entitled to get (*Reg*, Sec. 19(2))
  - Amounts to recover overpayments due to payroll errors or cash advances, subject to restrictions listed in Section 19(7)
  - Service charges, subject to restrictions listed in Section 19(7)
  - Amounts for traffic offence fines, with employee's written authorization and subject to restrictions listed in Section 19(8)
  - Supplies or tools, subject to limits set out in Section 19(4)
- Deductions not allowed for:
  - Uniforms that are unique to the employer and of no practical use to somebody who's not an employee (*Reg*, Sec. 19(3))
  - Faulty work or damages caused by employee (*Reg*, Sec. 19(5))
  - Cash shortages resulting from a failure to collect all or part of the purchase price from a purchaser (*Reg*, Sec. 19(6))

## NEW BRUNSWICK

- Source deductions permitted for:
  - Income tax, CPP, EI and other amounts required or allowed by federal or provincial law or court order or judgment

## NEWFOUNDLAND

- Source deductions permitted only for purposes listed in Section 36 of the *Labour Standards Code*, including deductions for:
  - Income tax, CPP, EI and other amounts required by federal or provincial law or by court order or judgment
  - An overpayment of wages
  - Group benefit plans that the employee participates in
  - Savings plan deductions that the employee requests
  - An overpayment or unused portion of required travel advances

## NOVA SCOTIA

- Source deductions permitted:
  - Income tax, CPP, EI and other amounts required or allowed by federal or provincial law or court order or judgment or authorized by the employee (*Labour Standards Code*, Sec. 79A(1))
- Source deductions not allowed for:
  - Paying for a loss that occurs while the employee is working unless allowed by statute, court order or written authorization (*LSC*, Sec. 79A(1))
  - For a loss resulting from a customer's leaving without paying for goods or services purchased unless the employer can verify that the employee was at fault for the loss (*LSC*, Sec. 79A(2))
  - Any deductions that would result in reducing employee's pay below minimum wage (*LSC*, Sec. 79A(3))

## ONTARIO

- Source deductions permitted:
  - Income tax, CPP, EI and other amounts required or allowed by federal or provincial law or court order or judgment (*Employment Standards Act*, Sec. 13(2))
  - OMERS pensions contributions (*ESA Exemptions, Special Rules & Minimum Wage Regs.*, Sec. 3.1)
  - Authorized by employee in writing as long as deduction amount or formula specified (subject to exceptions listed below) (*ESA*, Sec. 13(3))
- Employees NOT allowed to authorize deductions covering:
  - Faulty work (*ESA*, Sec. 13(5)(b)(i))
  - Cash shortages cash shortages or lost or stolen property if a person other than the employee had access to the cash or property, (*ESA*, Sec. 13(5)(b)(ii))

## PRINCE EDWARD ISLAND

- Source deductions permitted:
  - Income tax, CPP, EI and other amounts required or allowed by federal or provincial law or court order or judgment (*Employment Standards Act*, Sec. 5.5(2))
  - Related to group benefit plan in which employee participates (*ESA*, Sec. 5.5(3)(a))
  - Requested by employee as contribution towards a savings plan (*ESA*, Sec. 5.5(3)(b))
  - Result of previous pay advance (*ESA*, Sec. 5.5(3)(c))
  - Authorized by employee in writing (subject to limits set out in Sec. 5.5(5) to (10)) (*ESA*, Sec. 5.5(4))

- Board and lodging subject to maximums listed in Minimum Wage Order
- Employees may NOT authorize deductions for:
  - Faulty work or damage caused by the employee (*ESA*, Sec. 5.5(5))
  - Uniforms or footwear supplied or required by the employer that are unique to the business (*ESA*, Sec. 5.5(6)) (but employer may require deposit of up to 25%)
  - Cash shortages or loss of property if somebody other than the employee had access to the cash or property or other limitations apply (*ESA*, Sec. 5.5(10))

## QUÉBEC

- Source deductions permitted:
  - Income tax, CPP, EI and other amounts required by federal or provincial law or court order, collective agreement or mandatory supplemental pension plan (*Labour Standards Act*, Sec. 49)
  - Authorized by the employee in writing for a specific purpose (*LSA*, Sec. 49)
  - Room and board, subject to maximums listed in Section 6 of LSA Regulation

## SASKATCHEWAN

- Source deductions permitted:
  - Income tax, CPP, EI and other amounts required or allowed by federal or provincial law or court order or judgment (*Employment Act*, Sec. 2-36(2))
  - Employee contributions to pension plans or RRSPs (*Act*, Sec. 2-36(2)(a))
  - Employee contributions to other benefit plans (*Act*, Sec. 2-36(2)(b))
  - Charitable donations that employees make voluntarily (*Act*, Sec. 2-36(2)(c))
  - Voluntary employee contributions to savings plans or purchase of bonds (*Act*, Sec. 2-36(2)(d))
  - Initiation fees, dues and assessments to the employee's union (*Act*, Sec. 2-36(2)(e))
  - Purchases of goods and services from employer that employees make voluntarily (*Act*, Sec. 2-36(2)(f))
- Employers must provide for free and may NOT make deductions for uniforms or apparel identifying the employer's establishment (*Act*, Sec. 2-36(3))

## NORTHWEST TERRITORIES

- Source deductions permitted:
  - Income tax, CPP, EI and other amounts required by law (*Employment Standards Act*, Sec. 14)
  - Amounts for employee's benefit to which employee consents (*ESA*, Sec. 14)
  - Board and living quarters, subject to limits in *ESA Regs*, Sec. 7
- NO deductions that would result in employee's being paid below minimum wage allowed for:
  - Providing, maintaining or laundering any article of wearing apparel or uniform that employer requires employee to wear (*ESA Regs*, Sec. 7(4)(a))
  - Accidental breakages by an employee of any article of property belonging to employer (*ESA Regs*, Sec. 7(4)(b))

## NUNAVUT

- Source deductions permitted:
  - Income tax, CPP, EI and other amounts required by law
  - Board and living quarters, subject to limits in *LSA Wages Regs*, 2

- NO deductions that would result in employee's being paid below minimum wage allowed for:
  - Providing, maintaining or laundering any article of wearing apparel or uniform that employer requires employee to wear (*Wages Regs*, Sec. 3(a))
  - Accidental breakages by an employee of any article of property belonging to employer (*Wages Regs*, Sec. 3(b))

## YUKON

- Source deductions permitted:
  - Income tax, CPP, EI and other amounts required by law (*Employment Standards Act*, Sec. 64(1))
  - Employer may honour employee's written assignment of wages or authorization to deduct for payments:
    - Deductible under the *Income Tax Act* to a charitable or other organization, or a pension or superannuation or other plan (*ESA*, 64(2)(a))
    - To a licensed insurer (*ESA*, 64(2)(b))
    - To meet credit obligations (*ESA*, 64(2)(c))
    - For a purpose that the Labour Standards director considers to be for the employee's benefit (*ESA*, 64(2)(d))
  - Board or living quarters subject to requirements of Section 6 of *Minimum Wage Regs*