

Working Remotely Full Time? What Province Are You In?



The emergence of remote work in recent years has led to payroll compliance questions for Canadian employers.

The Canada Revenue Agency (“CRA”) implemented a new administrative policy effective January 1, 2024, which specifically targeted employees engaged in full-time remote work in Canada. This policy introduced a structured framework to determine the province of employment (“POE”) for tax and deduction purposes, particularly relevant for employers navigating the complexities of remote work arrangements.

The Policy’s Scope

The policy applies exclusively to employees operating under full-time remote work agreements. These agreements encompass situations where employees are directed or permitted by their employer to work remotely 100% of the time. Notably, the policy covers both temporary and permanent arrangements, offering clarity for various employment contexts.

In addition, the policy explicitly excludes hybrid remote work arrangements where employees both work remotely and physically report to an employer’s establishment. In such cases, the POE remains tied to the establishment where the employee spends the majority of their work time.

Finally, this new policy only applies to income tax, Canada Pension Plan (CPP), Quebec Pension Plan (QPP), Employment Insurance (EI) and Quebec Parental Insurance Plans (QPIP) deductions. For all other purposes, such as the Ontario *Employer Health Tax*, the existing legislation and related policies are unchanged.

Determining Attachment to Employer’s Establishment

After confirming the existence of a full-time remote work arrangement, an employer must assess whether the employee is reasonably considered “**attached to an establishment of the employer.**” This determination relies on a set of primary and secondary indicators outlined by the CRA.

The primary consideration is whether the employee would physically report to an establishment if not for the remote work agreement. If the employee previously reported to an establishment before transitioning to remote work, that establishment

is typically deemed the attachment point unless circumstances or job duties have changed.

Secondary indicators encompass various factors such as where the employee receives work-related materials or instructions, attends meetings, or obtains supervision. These indicators collectively assist in assessing the employee's attachment to an establishment.

Based on these factors, the POE for an employee with a full-time remote work agreement is determined by their attachment to an employer's establishment. If the employee appears to be reasonably attached to more than one of the employer's establishments, the employer must utilize the same set of indicators to determine which establishment the employee is more closely affiliated with. In cases where no attachment to any establishment is evident, the POE defaults to that of the establishment responsible for the employee's salary payments.

Impact on Source Deductions and Employer Obligations

The policy has significant implications for source deductions, as the POE determines applicable payroll taxes and deductions. Employers are tasked with analyzing each employee's situation based on the provided indicators to accurately determine the POE for withholding purposes. Employers must ensure compliance with the new policy to fulfill their obligations regarding accurate source deductions and employer contributions. This includes reviewing and potentially amending existing remote work agreements to align with the policy's criteria.

The content of this article is intended to provide a general guide to the subject matter. Specialist advice should be sought about your specific circumstances.

Author: [Andy Balaura](#)

Pallett Valo LLP