

# Canadian Payroll Compliance Legislation Practice Exam (Sample)

## Study Guide



**Everything you need from our exam experts!**

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# Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

**Remember:** successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

# How to Use This Guide

**This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:**

## **1. Start with a Diagnostic Review**

**Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.**

## **2. Study in Short, Focused Sessions**

**Break your study time into manageable blocks (e.g. 30 - 45 minutes). Review a handful of questions, reflect on the explanations.**

## **3. Learn from the Explanations**

**After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.**

## **4. Track Your Progress**

**Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.**

## **5. Simulate the Real Exam**

**Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.**

## **6. Repeat and Review**

**Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.**

**There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!**

## Questions

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- 1. Which statement about compliance with stakeholder requirements is true?**
  - A. Only regulatory compliance matters**
  - B. Customer opinions determine payroll policies**
  - C. All stakeholder requirements**
  - D. Only internal policies are relevant**
  
- 2. If an employer has unusual pay period frequencies, they should calculate payroll deductions using which tables?**
  - A. Standard Tables**
  - B. Annual Tables**
  - C. Payroll Deduction Supplementary Tables**
  - D. Province-specific Tables**
  
- 3. Which payroll related remittances are administered by Revenu Québec?**
  - A. Québec provincial income tax**
  - B. Canada Pension Plan contributions**
  - C. Employment Insurance premiums**
  - D. Premiums and contributions to CNESST**
  
- 4. Which statement about collective agreements and wage escalations is true?**
  - A. They may include a COLA escalator clause**
  - B. They must exclude automatic adjustments**
  - C. They cannot include any wage-based adjustments**
  - D. COLA is illegal in collective agreements**
  
- 5. Which of the following information is not required to calculate taxes for an employee?**
  - A. Employee's SIN**
  - B. Province of residence**
  - C. Total earnings**
  - D. Employee's birth date**

- 6. Which of the following is not one of the factors used to determine a contract of service?**
- A. Submission of an invoice to accounts payable**
  - B. Subordination in the performance of work**
  - C. Degree of control**
  - D. Integration into the business**
- 7. Revenues from the Commission des normes du travail contributions are used to:**
- A. defray the cost of administering the Labour Standards Act**
  - B. fund construction projects**
  - C. cover employee benefits**
  - D. offset payroll taxes**
- 8. Which of the following is not subject to Employment Insurance premiums?**
- A. Retiring allowance**
  - B. Regular wages**
  - C. Vacation pay**
  - D. Overtime pay**
- 9. Regulations determine:**
- A. how the rules are to be applied**
  - B. who is eligible for benefits**
  - C. what taxes apply**
  - D. how to report hours**
- 10. Québec Pension Plan contributions must be withheld from workers aged 18 or older who are in pensionable employment, including those who are: receiving a retirement pension or who are 70 years of age or older.**
- A. All workers regardless of pension status**
  - B. Only workers not receiving a retirement pension**
  - C. Workers aged 18 or older in pensionable employment, including those receiving a retirement pension or who are 70 years of age or older**
  - D. Workers aged 18 or older in non-pensionable employment**

## Answers

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1. C
2. C
3. A
4. A
5. D
6. A
7. A
8. A
9. A
10. C

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## **Explanations**

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**1. Which statement about compliance with stakeholder requirements is true?**

- A. Only regulatory compliance matters**
- B. Customer opinions determine payroll policies**
- C. All stakeholder requirements**
- D. Only internal policies are relevant**

Compliance in payroll means honoring the obligations and expectations of every party involved. In Canada, that includes employees who rely on accurate and timely pay and privacy protections, government regulators who enforce tax withholdings, CPP/QPP, EI, and proper reporting, and the organization's own governance and internal policies that establish controls and standards. It also considers any unions or collective agreements and even clients who depend on reliable payroll service. Because these requirements come from multiple sources, the strongest practice is to satisfy all applicable stakeholder needs rather than focusing on just one aspect. Focusing only on regulatory rules misses employee rights and contractual obligations; letting customer opinions dictate payroll policy can ignore legal and contractual requirements; and relying solely on internal policies overlooks external obligations. So the best choice is that compliance means meeting all stakeholder requirements.

**2. If an employer has unusual pay period frequencies, they should calculate payroll deductions using which tables?**

- A. Standard Tables**
- B. Annual Tables**
- C. Payroll Deduction Supplementary Tables**
- D. Province-specific Tables**

When pay frequency is unusual, you need a method that correctly aligns tax withholding with the employee's annual tax obligation, even though the payments don't fit a regular schedule. The Payroll Deduction Supplementary Tables are specifically designed for those non-standard or irregular payments, such as unusual pay periods or extra lump-sum amounts. They provide withholding amounts that better reflect the annualized income, helping avoid under- or over-withholding that could occur if you tried to force the irregular pay into standard tables. Regular tables work well for typical weekly, biweekly, semi-monthly, or monthly pay, and annual tables are only for scenarios where the entire year's pay is delivered in one go. Provincial tables exist for provincial withholding, but for the issue of unusual pay frequencies, the supplementary tables are the appropriate tool because they cover irregular payment scenarios.

**3. Which payroll related remittances are administered by Revenu Québec?**

- A. Québec provincial income tax**
- B. Canada Pension Plan contributions**
- C. Employment Insurance premiums**
- D. Premiums and contributions to CNESST**

Quebec payroll obligations are split between federal and provincial authorities. Revenu Québec is the authority that handles the Quebec provincial income tax withheld from employees and remitted to the province. The Canada Pension Plan contributions and Employment Insurance premiums are federal programs managed by the Canada Revenue Agency, not Revenu Québec. CNESST administers its own workplace health and safety insurance contributions, separate from Revenu Québec. So the remittance administered by Revenu Québec is the Quebec provincial income tax.

**4. Which statement about collective agreements and wage escalations is true?**

- A. They may include a COLA escalator clause**
- B. They must exclude automatic adjustments**
- C. They cannot include any wage-based adjustments**
- D. COLA is illegal in collective agreements**

Wages in a collective agreement can be designed to adjust automatically with changes in the cost of living, through a COLA escalator clause. This is a legitimate bargaining tool: negotiators can decide to tie wage increases to an inflation measure (like the CPI) so wages keep pace with rising prices. It's not required, but it is allowed, and it's one of the ways wage escalations can be structured within a collective agreement. That's why the statement stating they may include a COLA escalator clause is true. The other propositions aren't correct because there is no rule that automatic adjustments must be excluded, no blanket ban on wage-based adjustments, and COLA isn't illegal in collective agreements.

**5. Which of the following information is not required to calculate taxes for an employee?**

- A. Employee's SIN**
- B. Province of residence**
- C. Total earnings**
- D. Employee's birth date**

When calculating payroll taxes, the amount withheld is driven by identifying the employee, applying the correct provincial rates, and using how much they earned. The SIN serves as the unique identifier for reporting to the tax system, so it's needed. The province of residence determines the provincial tax rates and credits that apply to the employee. The total earnings provide the base amount from which federal and provincial tax, as well as CPP/EI contributions, are calculated. The birth date, however, isn't part of the standard withholding calculation. It only becomes relevant if you're specifically claiming age-related tax credits on the TD1 forms, which is an optional election rather than a required input for the basic tax calculation. Therefore, birth date is not required to calculate taxes.

**6. Which of the following is not one of the factors used to determine a contract of service?**

- A. Submission of an invoice to accounts payable**
- B. Subordination in the performance of work**
- C. Degree of control**
- D. Integration into the business**

In determining whether a worker is an employee (contract of service) or an independent contractor (contract for services), the focus is on how the relationship operates and whether the worker is integrated into the business, not on billing mechanics. Key indicators include how much the employer controls the work (when, how, where, and in what manner it's done) and whether the worker is treated as part of the organization. If the worker is under direct supervision, follows the employer's procedures, and is integrated into the business, these point toward an employee relationship. Submitting an invoice to accounts payable, on the other hand, is a hallmark of contracting arrangements. It signals that the person bills for services as a separate entity rather than being paid through payroll. That invoicing practice aligns with contract for services rather than contract of service. So, the factor that does not indicate an employee relationship is submitting an invoice. The other indicators—subordination in the performance of work, degree of control, and integration into the business—are consistent with determining an employee status.

**7. Revenues from the Commission des normes du travail contributions are used to:**

- A. defray the cost of administering the Labour Standards Act**
- B. fund construction projects**
- C. cover employee benefits**
- D. offset payroll taxes**

The main idea here is that these contributions are aimed at supporting the operation of the Labour Standards Act program. Revenues collected by the CNESST to fund the administration cover the costs of running the act—things like enforcement, inspections, education for employers and workers, and handling disputes. They aren't intended to fund construction projects, provide employee benefits, or offset other payroll taxes, which are used for different purposes or programs. So the best answer is that these contributions defray the cost of administering the Labour Standards Act.

**8. Which of the following is not subject to Employment Insurance premiums?**

- A. Retiring allowance**
- B. Regular wages**
- C. Vacation pay**
- D. Overtime pay**

EI premiums apply to insurable earnings, which are payments for work performed in the pay period. Regular wages, overtime pay, and vacation pay are all wages tied to work done, so they are insurable and subject to EI deductions up to the annual maximum. A retiring allowance, however, is a lump-sum payment recognizing years of service on retirement. It isn't compensation for work performed in the current period, so it isn't considered insurable earnings for EI purposes. That's why retiring allowances are not subject to EI premiums. Taxes may still apply to the amount, but EI deductions do not.

**9. Regulations determine:**

- A. how the rules are to be applied**
- B. who is eligible for benefits**
- C. what taxes apply**
- D. how to report hours**

Regulations provide the detailed framework for putting law into action. They translate broad statutory rules into concrete procedures, definitions, timeframes, and forms that payroll professionals use every day. Because of this, they determine how a rule should be applied in practice, including the steps to take, who does them, and what calculations or documentation are needed. That's why this option is the best choice. The other topics describe what content the rules cover (eligibility, taxes, reporting) rather than how to implement those rules in real situations.

**10. Québec Pension Plan contributions must be withheld from workers aged 18 or older who are in pensionable employment, including those who are: receiving a retirement pension or who are 70 years of age or older.**

- A. All workers regardless of pension status**
- B. Only workers not receiving a retirement pension**
- C. Workers aged 18 or older in pensionable employment, including those receiving a retirement pension or who are 70 years of age or older**
- D. Workers aged 18 or older in non-pensionable employment**

The rule being tested is who must have Quebec Pension Plan contributions withheld. Contributions apply to workers who are 18 or older and employed in pensionable employment, regardless of whether they are already receiving a retirement pension or are aged 70 or older. This reflects that the obligation is tied to age and the type of employment, not to pension status. So the correct description is: workers aged 18 or older in pensionable employment, including those receiving a retirement pension or who are 70 years of age or older. It isn't about all workers, it isn't limited to those not receiving a pension, and it isn't about workers in non-pensionable employment.

## Next Steps

**Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.**

**As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.**

**If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at [hello@examzify.com](mailto:hello@examzify.com).**

**Or visit your dedicated course page for more study tools and resources:**

**<https://canadianpayrollcompliancelegislation.examzify.com>**

**We wish you the very best on your exam journey. You've got this!**

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