

## **Deductions from Wages**

Employers are responsible for paying employees properly for all hours worked.

Employees and Employers are sometimes unsure what can be deducted or held by the employer from those wages. The general rule is that employers can only deduct money that is required by a law, or money that the employee agrees to pay for something that is a direct benefit to them.

### **What can be deducted from employees' wages?**

Employers can correct payroll errors, recover cash advances, and make any deduction required by provincial or federal law (statutory deductions). In addition employees can agree to pay for things they consider a direct benefit, like meals or purchases from the employer.

### **What types of things cannot be deducted from employees wages?**

Employers cannot charge interest or fees for cashing cheques or providing payroll advances. Employers cannot recover business expenses from the wages of employees. For example an employer cannot deduct for cash or inventory shortages, uniforms, or damages.

### **What are statutory deductions?**

Statutory deductions are required by law and neither the employer nor the employee has a choice whether it will be deducted. Common statutory deductions include Employment Insurance or Canada Pension Plan premiums, income tax, and garnishments issued by any court.

### **What is a direct benefit to employees?**

Examples of deductions that directly benefit employees include: health or insurance packages, social funds, voluntary purchases of goods or services from the employer and some types of educational expenses.

Common examples would be meals, rent or other purchases an employee wants to make from an employer.

The employee must agree to the deduction. This often happens at the start of employment. For example an employer will have a mandatory health insurance package. If the employee was aware of the health insurance package before they began to work for the employer, and chose to accept the job, Employment Standards would determine that the employee agreed to the deduction.

## **What if employees authorized the deduction?**

Employees can only authorize deductions where there is a direct benefit to them. If an employee agrees to pay for anything that the Employment Standards code will not allow, the employer may be ordered to pay the money back to the employee.

## **Can an employer deduct for ....?**

- Fees to cash cheques?

No.

- pay advances?

Yes, but no interest, service charges or any other fees related to the advance. The employee and employer should agree on how and when to repay the money when the advance is given.

- payroll error corrections?

Yes, mistakes happen and employers are entitled to correct them as soon the employee or employer notices them. Failing to deal with the error immediately could be considered agreeing to a new wage. The employee and employer should agree on how and when to make the correction.

- cost of tools?

Yes, if the employee wants to buy tools from their employer they can have the costs deducted from their wages. However the employee must voluntarily buy the tool from the employer instead of somewhere else and be able to use the tool at other employers later.

- cost of damage to company vehicles and traffic tickets?

No, for vehicle damage, insurance deductible, parking tickets or other violations.

Yes, for photo radar ticket or a red light camera tickets if the employee agrees; but only the minimum amount of the ticket and no additional fees or charges.

- cost of lost, stolen or broken tools, equipment or products? Costs of faulty service?

No, these items are the employers responsibility and an employee cannot pay to fix or replace them. This includes things like broken dishes and spilled drinks.

- cost of cash or inventory shortages, dine & dashes or drive offs?

No, and this includes cash shortages from a till or float – even if the employee was the only person responsible for the money.

- cost of personal safety equipment?

No, safety equipment is an employers responsibility. There are exceptions for safety headwear and some safety footwear. Contact The Workplace Safety and Health Branch at 945-3446 or visit their website [safemanitoba.com](http://safemanitoba.com) for more information.

- costs of a uniform?

No, employers must provide any uniforms at no cost to the employees.

- cost of courses and training?

Sometimes. Employers cannot charge an employee for a course that has no value to them outside of the workplace. This includes most mandatory, employer-specific courses. Employees may agree to pay for all or part of a course or training that directly benefits them, if they voluntarily attend and agree to pay.

## **Can employers deduct payroll errors or advances from employees' wages?**

The employee and the employer should discuss when and how the cash advance or payroll error will be paid back. They can agree to any payment schedule, such as paying in regular instalments or in one lump sum.

If the employer and the employee cannot agree on how and when the cash advance or payroll error will be paid back, the employer can deduct the amounts equal to what would be allowed if they had a garnishment under The Garnishment Act.

## **What is considered a uniform?**

Employers can require employees to wear a uniform; however, they cannot make an employee pay for it. Clothing unique to a business is a uniform. Uniforms are identified with the employers logo or symbol, name or colours; making it of no practical use outside of that workplace. Employees often have no choice in style, colour or where to buy it. Employers can require that items of clothing, in specific colours be worn, as long as employees could use them somewhere else.

## **Can employers have a dress code?**

Yes. Employers can have a dress code and set standards for the look of employees while they are working. This may include telling employees to remove jewellery while working. For example, a restaurant can require all serving staff to wear a clean, pressed white shirt and black pants at work.

If the dress code requires clothing that would be of no practical use to the employee out of the workplace, it is a uniform and not a dress code. Otherwise, the employees can wear their own clothes to work.

A common example of a dress code is the loose fitting clothing that identifies nurses in the workplace. Employers can require this outfit, and do not have to provide or pay for it unless they require a logo or emblem that identifies the company.

## **What happens if the employment ends before a proper deduction can be made from an employee's cheque?**

The employer can only deduct the amounts that the employee has agreed too. For example if an employee agreed that the employer can deduct \$50 per pay, the employer can deduct \$50 from the employees last pay.

If the employee agrees, any additional money owed may be deducted from their final pay. If the employee does not agree the employer cannot deduct more than what was agreed to. This does not change the fact that the employee still owes the employer money. It only restricts the employers ability to deduct the money from the employees wages.

For example an employee in a retail electronics store purchases a TV for \$1000 from the employer, and both the employer and employee agree that the employer will deduct \$100 off each of the next 10 pay periods. After 4 pay periods the employee quits the job. There is still \$600 owed to the employer. The employer can deduct \$100 from the final pay because this is what had been agreed to already. The employer can only deduct the remaining \$600 if the employee agrees.

## **For more information contact Employment Standards:**

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This is a general overview and the information used is subject to change. For detailed information, please refer to current legislation including *The Employment Standards Code* and *The Worker Recruitment and Protection Act*, or contact Employment Standards to ask for advice.

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