

Carswell Payroll Source Alert – December 2018 Issue

2019 Reminder: Elected Officials' Non-accountable Allowances will No Longer be Tax Exempt

Just a reminder... Effective January 1, 2019, the federal government will eliminate an income tax exemption for non-accountable expense allowances paid to members of provincial and territorial legislative assemblies, as well as to certain municipal office-holders, to perform the duties of their office. The change means that for 2019 and later tax years, the allowances will be included in their income. Currently, the allowance does not have to be included in income if it is not more than one-third of the elected official's salary and allowances.

2019 Maximum Assessable/Insurable Earnings

The following workers' compensation bodies have announced their maximum assessable/insurable earnings for 2019:

Alberta	\$98,700 (2018: \$98,700)
British Columbia	\$84,800 (2018: \$82,700)
Manitoba	\$127,000 (2018: \$127,000)
New Brunswick	\$64,800 (2018: \$63,600)
Newfoundland/Labrador	\$65,600 (2018: \$64,375)
N.W.T and Nunavut	\$92,400 (2018: \$90,600)
Nova Scotia	\$60,900 (2018: \$59,800)
Ontario	\$92,600 (2018: \$90,300)
Prince Edward Island	\$55,000 (2018: \$53,400)
Quebec	\$76,500 (2018: \$74,000)
Saskatchewan	\$88,314 (2018: \$82,627)
Yukon	\$89,145 (2018: \$86,971)

2019 Reminder: New B.C. Employer Health Tax Coming

Just a reminder... Effective January 1, 2019, the British Columbia government will implement a new Employer Health Tax (EHT) on employers whose annual B.C. payroll exceeds \$500,000.

The EHT will apply to B.C. remuneration that employers pay in a calendar year to employees who report for work at the employer's permanent establishment in British Columbia and to those who do not report for work at the permanent establishment, but who are paid from or through it.

The tax rate will be 1.95% of the employer's total B.C. payroll for the year if the employer's annual B.C. payroll is greater than \$1.5 million. Employers with an annual payroll between \$500,000.01 and \$1.5 million will pay the tax at a rate of 2.925% on their B.C. payroll that exceeds \$500,000. Employers whose annual B.C. payroll is no more than \$500,000 will be exempt from the tax. Different rules will apply for registered

charities and non-profit employers.

The types of payments included in payroll for the EHT will be the same ones that are considered employment income under sections 5, 6, or 7 of the federal *Income Tax Act*, including salary and wages, advances, bonuses, commissions, vacation pay, and taxable allowances and benefits.

EHT remittances will be due annually by March 31 of the following calendar year unless the employer's EHT in the previous calendar year exceeds \$2,925. In that case, the employer will have to pay quarterly installments. Employers who have to pay instalments in 2019 will have to make their first remittance by June 15, 2019. All employers subject to the tax will also have to file an annual return by March 31 of the following calendar year. The first annual return will be due March 31, 2020.

Employers with annual B.C. payrolls above the exempt amount in a calendar year must register for the EHT with the province's Commissioner of Income Tax. Those who have to pay the tax in instalments in 2019 must register by May 15, 2019, while all other employers subject to the tax have until December 31, 2019 to sign up. Registration will begin January 7, 2019.

Reminder: Minimum Piece Rates for Farm Workers Rising in B.C.

Just a reminder...Effective January 1, 2019, the B.C. government will increase the minimum piece rates for farm workers who hand-harvest certain crops to the following amounts:

--apples	\$21.06/bin
--apricots	\$24.23/1/2 bin
--beans	\$0.289/pound
--blueberries	\$0.488/pound
--Brussels sprouts	\$0.201/pound
--cherries	\$0.277/pound
--daffodils	\$0.169/bunch (10 stems)
--grapes	\$22.38/1/2 bin
--mushrooms	\$0.290/pound
--peaches	\$22.38/1/2 bin
--pears	\$23.72/bin
--peas	\$0.360/pound
--prune plums	\$23.72/1/2 bin
--raspberries	\$0.440/pound
--strawberries	\$0.424/pound

** Note: Piece rates for hand harvested crops include 4% vacation pay, with the exception of daffodils, which require vacation pay to be paid on top of the piece rate.*

Other provincial minimum wage rates, including the general rate, are slated to rise on June 1, 2019.

New Rules Apply for Hiring Young Workers in Manitoba

The Manitoba government has implemented new rules for the employment of young people.

The changes, which took effect on November 26, 2018, include raising the minimum age of employment from 12 years to 13 years and implementing a mandatory work readiness course for those under 16. They stem from Bill 20, *The Employment Standards Code Amendment Act (2)*, which received royal assent on June 4, 2018.

The work readiness course is designed to teach young people about their rights and responsibilities in an employment relationship. It replaces a requirement for employers to obtain permits to hire workers under 16. In order to be employed, 13 to 15 year olds must complete the course, obtain a certificate of completion, including their parents' signed consent to work, and present it to their employer.

The new rules continue restrict workers under 16 years of age from working in certain jobs, including at construction sites, in industrial or manufacturing processes, on drilling or servicing rigs, or in pruning or removing trees or shrubs. They also prohibit those under 14 from working in food preparation if the work involves using dangerous tools or machines.

Restrictions on employment for workers under 18 continue to apply. They include prohibiting employees under the age of 18 from working in the forestry industry, a sawmill or pulp mill, in an underground mine or on the face of an open pit quarry, or in the removal of asbestos.

The new rules also continue to limit weekly work hours for employees under 16 to a maximum of 20 during a school week and to prohibit workers under 16 from working between 11:00 p.m. and 6:00 a.m. Employees under age 18 are also prohibited from working alone between 11:00 p.m. and 6:00 a.m. Employers are also prohibited from allowing or requiring employees under 16 to work unless they are directly supervised by an adult who is in or at the same workplace.

Reminder: Ontario EHT Exemption Threshold Rising

Just a reminder...Effective January 1, 2019, the exemption threshold for the province's Employer Health Tax (EHT) will rise from \$450,000 to \$490,000. The government adjusts the EHT exemption every five years using the Ontario Consumer Price Index.

Bill Proposes End to Some Employment Standards Approvals in Ontario

The Ontario government is proposing to eliminate employment standards rules requiring employers to apply for Ministry of Labour approval for excess weekly work hours and overtime averaging.

The proposed changes are part of Bill 66, the *Restoring Ontario's Competitiveness Act, 2018*, which the government tabled in the provincial legislature on December 6, 2018.

The following amendments are among the measures proposed in the bill:

Excess Hours: Employers would no longer have to apply to the director of Employment Standards for approval to have employees work more than 48 hours a week, which is the maximum number of weekly hours allowed under the *Employment Standards Act, 2000*.

Currently, for an employee to work more than 48 hours a week, the employee and the employer must agree that the employee will work up to a specified number of hours per week over 48, the employer must apply for and receive approval for the employee to work excess hours from the director of Employment Standards, and the employee's weekly hours must not exceed the number specified in the agreement or in the approval, whichever is less.

Under the proposed amendment, employees would be allowed to work more than 48 hours a week if they made an agreement with the employer to work up to a specified number of hours per week over 48, and their weekly hours did not exceed that number.

Overtime Averaging: Employers would no longer have to apply to the director of Employment Standards for approval to average employees' hours of work to determine if they are eligible for overtime pay.

The *Employment Standards Act, 2000* requires employers to pay employees overtime pay (at a rate of at least 1.5 times their regular rate) if they work more than 44 hours a week. However, employers and employees may agree that an employer will average an employee's hours over periods of two or more weeks to calculate overtime pay. Currently, for an agreement to be valid, the employer and the employee must agree that the employee's hours will be averaged over a specified number of weeks, the employer must apply for and receive approval to average hours from the director of Employment Standards, and the averaging period must not exceed the number of weeks set out in the agreement or specified in the approval, whichever is less.

Under the proposed amendment, employers would be allowed to average an employee's hours of work over periods of two or more weeks if they made an agreement with the employee to average hours over a specified number of weeks, and the averaging period did not exceed four weeks or the number specified in the agreement, whichever was lower.

Employment Standards Poster: Employers would no longer be required to post Employment Standards posters in their workplace. They would continue to be required to provide employees with a copy of the most recently published poster within 30 days of the employee beginning work.

The proposed amendments would take effect once the bill receives royal assent.

We have added the bill to the Status of Legislation and will track its progress there.

Quebec Bonus Method Threshold Increases for 2019

The threshold for determining whether to use the “bonus method” to calculate Quebec provincial income tax source deductions on bonuses and retroactive pay will increase from \$15,012 to \$15,269 for 2019.

If the employee's total annual remuneration (including the bonus or retroactive payment) will be no more than \$15,269, calculate the provincial income tax deduction on the bonus or retroactive pay at 8% rather than using the bonus method. For more information on the bonus method, please see 8.4.1 Bonuses, Incentives, and Awards.

QPIP Maximum Insurable Earnings Increasing in 2019

The maximum insurable earnings amount for the Quebec Parental Insurance Plan (QPIP) will rise from \$74,000 to \$76,500 on January 1, 2019.

For 2019, the Quebec government reduced employee and the employer QPIP premium rates from 0.548% for employees to 0.526% and from 0.767% for employers to 0.736%, respectively. As a result, the yearly maximum employee premium will be \$402.39, while the yearly maximum employer premium will be \$563.04.

Quebec Tax Brackets Adjusted for Inflation

Effective January 1, 2019, provincial personal income tax rates remain 15%, 20%, 24% and 25.75%. Due to the indexing of the provincial income tax system, however, the income thresholds for each rate have been revised as follows:

Taxable Income Range	Tax Rate	Constant
\$0.01 – \$43,790.00	15.0%	\$0
\$43,790.01 – \$87,575.00	20.0%	\$2,189
\$87,575.01 – \$106,555.00	24.0%	\$5,692
\$106,555.01 and over	25.75%	\$7,557

We have updated Table 8.5, Provincial Income Tax Rates, to incorporate the new income ranges.

Please note that although these are the rates that will apply as of January 1, 2019, the 2019 provincial budget could propose changes. No date has been announced yet for the budget.

Reminder: Quebec Labour Standards Changes Coming

Just a reminder... Effective January 1, 2019, the Commission des normes, de l'équité, de la santé et de la sécurité du travail (CNESST) will implement labour standards changes affecting vacations, paid leaves, and other rules.

The changes are part of Bill 176, *An Act to amend the Act respecting labour standards and other legislative provisions to facilitate family-work balance*, which the province's National Assembly passed earlier this year. The following provisions are among those that will take effect on January 1, 2019:

Vacation:

- Employees will be entitled to three weeks of paid vacation after three years of service instead of five years.

Leaves of Absence:

- Employees will no longer have to complete three months of service to be eligible for a number of leaves, including a 26-week leave for illness, injury or an organ or tissue donation, leave for the death or disappearance of their child, and leave for domestic or sexual violence.
- Employers will be required to pay employees for the first two days of leave that they take off work each year for illness/injury leave, family responsibility leave, and leave for domestic or sexual violence once they have at least three months of uninterrupted service with their employer. For each paid day off, employers will have to pay employees an amount equal to 1/20th of the wages they earned in the four full workweeks before the day off, excluding overtime pay. For commission-based employees, the amount to pay must equal at least 1/60th of the wages that they earned in the 12 full workweeks before the day off.
- Employees will no longer need to have at least 60 days of uninterrupted service with their employer to be paid for two of the five days of leave that they may take on the birth or adoption of a child or where there is a termination of the pregnancy in or after the 20th week of pregnancy.
- New bereavement leave rules will give employees a leave of two days with pay and three days without pay if a close relative (e.g., spouse, child, parent, and sibling) dies.

Terminations:

- Employers will have to include tips when calculating wages in lieu of notice for group terminations.

Equal Pay:

- Employers will be prohibited from paying a lower wage rate or reducing vacation time or vacation pay for employees based on their employment status if the employees do the same tasks in the same workplace as other employees.

Work Schedules:

- With some exceptions, employees will have the right to refuse to work if their employer does not provide them with at least five days' advance notice of their work schedule.
- Employees will have the right to refuse to work more than two hours (currently, it is four hours) after their regular working day or more than 14 hours per 24-hour period, whichever is shorter.

Psychological Harassment:

- Employers will be required to implement a policy on preventing psychological harassment and processing harassment complaints. The policy will have to include a section on verbal comments, actions or gestures of a sexual nature. Employers must make the policy available to their employees.

Payroll Q & A

Reporting Death Benefits

Question: Last year, we paid a death benefit to the estate of a deceased employee to recognize the individual's long service. For year end reporting, do I report the payment on the employee's T4?

Answer: No. Death benefits are reported on a T4A, not a T4. Report the gross amount of the death benefit in the "Other Information" area of the T4A, using code 106. If the employee worked in Quebec, you will also need to report the gross amount of the death benefit in box (O) on the employee's RL-1. In the code box, enter code RK. It is important to keep in mind that any salary, wages or other employment income that the deceased individual earned up to and including the date of death are not death benefits and must be reported on a T4 (and an RL-1 in Quebec).