Carswell Payroll Source Alert – June/July *2018 Issue*

Third Quarter Prescribed Interest Rates Set

The prescribed rate for taxable benefits to employees and shareholders from interest-free and low-interest loans is 2% from July 1, 2018 to September 30, 2018. The rate is unchanged from the previous quarter.

The interest rate for unpaid source deductions, overdue taxes and insufficient instalments is 6% for the second quarter.

Old Age Security

Benefits are adjusted each quarter in line with the Consumer Price Index. From July 1 to September 30, 2018, the maximum monthly benefit is $596.67.

In addition to the OAS benefit noted above, it is possible for individuals to qualify for additional monies. In 1967, a Guaranteed Income Supplement (GIS) was introduced. This supplement is aimed at those individuals who are in receipt of OAS benefits and whose total income is below an established minimum annual income. An income test is performed to determine if an individual can qualify for the monthly supplement. From July 1 to September 30, 2018, the maximum supplement amounts to $891.18 for a single person or the spouse or common-law partner of an individual who is not in receipt of an OAS benefit. In the case of a married/common-law couple who are both in receipt of an OAS benefit, the maximum amount payable, from July 1 to September 30, 2018, is $536.48 for each spouse/common-law partner.

Government to Implement Changes to Youth Employment Rules

The Alberta Ministry of Labour says it plans to implement changes to rules for hiring young people on September 1, 2018.

The changes, which stem from amendments to the *Employment Standards Code* passed last year, include increasing the minimum age for work from 12 years to 13 years and placing restrictions on the type of work that children under 18 years old may do and on the hours they may work.

While the government implemented other employment standards amendments on January 1, 2018, it chose to delay the youth employment changes so that it could consult with business and labour groups and other stakeholders on the types of work that young people be allowed to do without employers requiring a permit.

In June, the ministry published a list of proposed “light work” for young workers. It asked for public feedback on the proposals by June 29, 2018. The list includes acceptable types of work for 13 to 15 year olds in various sectors (e.g., food services, offices, retail, sports, entertainment, farms, etc.).

The ministry also published general guidelines for hiring young workers, which include the following points:

• 13 to 15 year olds may take jobs on the “light work” list if they have their parent’s or guardian’s consent. Government permits are not required. They cannot work in jobs that the government considers hazardous.

• 13 to 14 year olds may be employed in work that is not on the light work list, as long as their employer obtains a government permit before they begin working.

• Employers must consider the skills and capabilities of each young employee, and complete a hazard assessment before employment begins.

• Employers must ensure that youth employees have appropriate supervision, safety training and protective equipment, if required.

The ministry will allow employees who are 16 to 17 years old to work in all types of work, except hazardous work unless the employer has a permit allowing it or the work is part of an approved course of study, such as in an apprenticeship program.

For the list of proposed "light work," please see https://www.alberta.ca/assets/documents/ES-youth-employment-proposed-light-work-list.pdf.

We will update 16.2, Alberta, to incorporate the changes in an upcoming release.

Reminder: Alberta WCB Changes take Effect September 1, 2018

Just a reminder...Effective September 1, 2018, the Alberta government will implement workers' compensation amendments that will require employers to continue contributing to a worker's health benefits plan for up to a year while the employee is off work due to a workplace injury.

Health benefits include things such as dental and vision care, medication, and hospital, health, and paramedic (e.g., physiotherapy) services. The obligation to continue benefit contributions will only apply if the employer paid contributions to the benefits plan when the injury occurred and if the employee continued to pay his or her share, if any, of the contributions.

The amendments will also require employers to reinstate injured employees off work because of a workplace accident if they have worked for their employer for at least 12 months. The obligation will apply to full-time employees and regular part-time workers. Employees who are medically and physically able to do the essential duties of their job, must be reinstated in the position they held on the date of the injury or in a comparable job with at least the same earnings and benefits that they earned on the date of accident.

If employees are not medically and physically able to do the essential duties of their job, but can do suitable employment, their employer will be required to offer them the first opportunity to accept suitable employment that becomes available. Employers who reinstate an employee and then terminate the employment within six months or while the worker is receiving workers' compensation benefits will be in violation of the Act unless they can show that the termination was not related to the workplace accident.

In addition, the amendments will remove a maximum insurable earnings cap for injured workers, which will allow them to receive benefits in line with their expected annual earnings. The change will not affect the cap for maximum insurable earnings for determining employer premiums for 2018. It will remain $98,700 for 2018. The maximum insurable earnings is based on a formula that ensures that it covers 90% of workers' earnings. The WCB says it will use this formula for setting the 2019 maximum, but may make changes to it for 2020. It plans to analyze the impact of the cap's removal to determine if it needs to make adjustments to employers' maximum insurable earnings. As part of the analysis, the board says it will be requesting more information from employers when they complete their annual returns.

We have updated 22.1.4, If an Accident Occurs, to incorporate the changes.

MSP Task Force Releases Final Report

A task force set up to study ways to eliminate Medical Services Plan (MSP) premiums and replace their revenue recently released its final report.

However, the report does not contain any recommendations related to the MSP. Instead, it proposes measures to improve the province's tax system. The B.C. government set up the task force last fall, but in this year's budget, Finance Minister Carole James announced that the government had decided to eliminate MSP premiums as of January 1, 2020 and implement an employer payroll tax, called the Employer Health Tax, as of January 1, 2019, to help replace the lost MSP revenue. As a result, she changed the task force's mandate to focus on general tax reform measures.

The task force's final report recommends measures that it says "could be used to improve the system in terms of progressivity, efficiency, fairness, and business competitiveness." Payroll-related suggestions include raising the province's tax reduction credit and linking the adjustments to increases in the provincial minimum wage rate. The government has announced that it plans to phase-in minimum wage increases over the next three years, with the general minimum wage rate rising to $15.20 an hour on June 1, 2021.

The report said that by tying the tax credit to the minimum wage rate, the government could provide tax relief for low-income individuals who would otherwise have to pay income tax because minimum wage hikes raised their income above the threshold for the tax reduction credit.

"(S)ometimes individuals with lower incomes may experience situations where a small increase in income generates a disproportionate increase in tax as tax credits or income-tested programs meant to help low-income individuals are phased-out. There is a concern that some minimum wage individuals may face that situation as their wage rate increases," it said.

The tax reduction credit currently reduces income tax for individuals whose annual net income is no more than $32,868.72.

The task force also recommends that the government consider moving from having a provincial sales tax to implementing a value-added tax after holding "comprehensive public consultation."

James has not indicated whether the government would consider any of the task force's recommendations, saying only that, "we appreciate their analysis as we continue our work to make life better for people in B.C."

We will continue to monitor this story and will report on further developments in upcoming releases.

New Unpaid Leave Rules Implemented in Manitoba

The Manitoba government has implemented amendments to its *Employment Standards Code* that increase the length of parental leave and introduce a new leave for employees caring for a critically ill adult family member.

The amendments were part of Bill 20, *The Employment Standards Code Amendment Act (2)*, which received Royal Assent on June 4, 2018. As a result, effective June 4, 2018, the length of parental leave increased from 37 weeks to 63 weeks. Employees taking the leave must now do so no later than 18 months after the date their child is born, adopted or comes into their care and custody.

Also effective June 4, 2018, eligible employees may take up to 17 weeks off work, without pay, to provide care or support for an adult family member who is critically ill. To be eligible for the leave, employees must have at least 90 days of service with their employer and have a medical certificate verifying that the family member is critically ill and needs the employee's care or support.

The amendments also expand a 37-week leave for a critically ill child to include employees who are family members of the child. Previously, the leave was restricted to the child's parents. Other amendments proposed in the bill have not yet come into force. They include changes that would allow employers to average employees' hours of work without requiring approval from the director of Employment Standards if specified conditions apply and raising the minimum age of work from 12 years to 13 years. Children under the age of 16 years would need to take an online work readiness course and receive a certificate before being hired. The certificate would replace a permit that employers must now obtain before hiring young people.

New Brunswick Proposed Regulations provide Details on New Leave

The New Brunswick government has released draft regulations that provide details about new employment standards provisions covering leave for domestic, intimate partner or sexual violence.

The proposed regulations would provide leave for up to 10 days, as well as leave for up to 16 weeks if the employee or the employee's child is a victim of domestic violence, intimate partner violence, or sexual violence. Employees would be allowed to take the 10 days intermittently or continuously. They would have to take the 16-week leave in one continuous period.

Employers would be required to pay employees for the first five days of the leave. The amount of pay would have to at least equal the amount of wages the employee would have earned had the employee worked regular hours during the leave period. If employees' wages vary, employers would have to pay at least their average daily earnings, excluding overtime, for the days worked in the 30 calendar days right before the time off.

Employees would be permitted to take the leave to: seek medical attention; obtain victim services from a qualified person or organization; obtain psychological or other counseling from a qualified person; temporarily or permanently relocate; seek legal or law enforcement help; and for any other purpose related to or resulting from the violence.

To be eligible for the leave, employees would have to be employed for more than 90 days with their employer. When informing their employer of the leave, employees would have to notify them in writing of the purpose for the leave, as set out in the previous paragraph.

Employers would be required to keep all documentation and other information related to the leave confidential. They would be prohibited from disclosing the documentation or other information unless the employee gave written consent, the disclosure was authorized or required by law, or the documentation or information was disclosed to an officer, employee, or agent of the employer who needed it to do their job.

The government included provisions for the leave in Bill 44, *An Act to Amend the Employment Standards Act*, which received royal assent on March 16, 2018. While the bill provided for the leave, it did not include details on the length of the leave or whether employers would have to pay employees for any part of it. The government said it would address those issues through regulations.

As of early July, the government had not yet announced a date for when the new leave would take effect.

We will continue to monitor this story and will report on further developments in upcoming releases.

Ontario Liberals Lose Election

The Ontario Liberal Party lost the province's June 7, 2018 election. As a result, the personal income tax changes proposed in the March 28, 2018 provincial budget will not be implemented.

In the budget, the Liberal government announced that it would increase the number of personal income tax rates and income brackets from five to seven and eliminate a surtax that applies on basic provincial tax payable that exceeds a specified threshold.

The new Progressive Conservative government has promised to implement its own personal income tax changes, including reducing income taxes by 20% for the second income-tax bracket.

We will continue to monitor this story and will report on further developments in upcoming releases.

Quebec Government Proposes lowering QPIP Rates

The Quebec government is proposing to lower the premium rates for the Quebec Parental Insurance Plan (Plan) for 2019.

In the June 20, 2018 *Quebec Gazette*, the government published draft regulations that would lower the employee rate from 0.548% to 0.526% and reduce the employer rate from 0.767% to 0.736% as of January 1, 2019.

The government has not yet announced the QPIP maximum insurable earnings for 2019.

We will continue to monitor this story and will report on further developments in upcoming releases.

Revenu Québec Changes Policy on Salary Overpayments

Revenu Québec has changed its administrative policy on employee repayment of salary overpayments stemming from a clerical, administrative or computer error to harmonize it with Canada Revenue Agency (CRA) policy.

In a statement on its website, Revenu Québec said the change will "make things easier for both employers and employees."

With the revised policy, employees are allowed to repay the net amount (gross amount minus source deductions) of a salary overpayment resulting from an error instead of the gross amount if two conditions are met: the employee must make the repayment in the same calendar year in which the overpayment occurred, and the employer must be able to subtract the excess amount of source deductions and employer contributions from its next remittance to Revenu Québec and the employer must make the remittance for the calendar year in question.

If either condition is not met, Revenu Québec said an employee would have to repay the gross amount of the salary overpayment, and the employer would have to remit the required source deductions and employer contributions.

Revenu Québec said it plans to revise its *Guide to Filing the RL-1 Slip: Employment and Other Income* (RL-1.G-V) to incorporate the changes.

Saskatchewan Minimum Wage Going Up in October

On October 1, 2018, the minimum wage rate in Saskatchewan will rise from $10.96 an hour to $11.06.

The Saskatchewan government adjusts the minimum wage rate each year on October 1 using an indexation formula based on percentage changes to both Saskatchewan's consumer price index and average hourly wage for the previous year.

Payroll Q & A

Question: This year at our company picnic, we are holding a draw for prizes for our employees (e.g., cameras, golf balls, gift cards, etc). The contest is open to all employees attending. Are the prizes taxable benefits for the employees who win them?

Answer: Yes. The CRA states that if an employer gives an item to an employee from a prize draw that only employees can take part in, the prize is a taxable benefit. As a result, it is subject to Canada/Quebec Pension Plan contributions and income tax deductions. If you pay the prize in cash, you must deduct Employment Insurance (EI) and Quebec Parental Insurance Plan (QPIP) premiums. Non-cash and near-cash prizes are not subject to EI or QPIP. Remember to include the GST/HST or the combined GST/QST in the value of a non-cash or near-cash prize. Report the taxable benefit in box (14) and in the "Other Information" area of the T4 (code 40) and in boxes

(A) and (L) of the RL-1.

Note: It is Revenu Québec's policy that if an employer gives the employee a plaque, trophy or something similar that is of nominal value for which there is no market, there is no taxable benefit.