Carswell Payroll Source Alert – November 2019 Issue

2020 CPP Maximum Announced

The Canada Revenue Agency has announced that the maximum pensionable earnings for the Canada Pension Plan (CPP) will rise from $57,400 to $58,700 for 2020.

Effective January 1, 2020, the following rates and maximums will apply:

Maximum pensionable earnings: $58,700.00
Annual Basic exemption: $3,500.00
Maximum contributory earnings: $55,200.00
Contribution rate (employee and employer): 5.25%
Maximum employee contribution: $2,898
Maximum employer contribution: $2,898

On January 1, 2019, the federal government began implementing changes to the CPP that will gradually increase the plan's income replacement level for retirement benefits from one-quarter of eligible earnings to one third and raise post-retirement benefits and survivor and disability pensions. To fund the benefit improvements, between 2019 and 2023, the government is gradually increasing CPP contributions from 4.95% to 5.95% for earnings up to the yearly maximum pensionable earnings (YMPE). Beginning in 2024, the government will implement a new second additional contribution rate of 4% each for employers and employees on pensionable earnings between the YMPE and a new upper earnings limit. In 2024, the new upper earnings limit will be 107 per cent of the YMPE. In 2025, it will rise to 114 per cent of the YMPE.

Reminder: CRA Implementing New Payment on Filing Policy

Just a reminder… The Canada Revenue Agency (CRA) is implementing a new policy that will allow eligible employers to remit a reconciliation payment for their previous year's source deduction remittances by the end of February each year without incurring penalties or interest.

The new Payment on Filing policy will apply as of January 2020 for the 2019 reporting year. The CRA says it developed the new policy in response to employer concerns about not being able to meet year-end remittance obligations because of difficulties obtaining necessary information from third parties.

Under the new policy, employers will still be required to pay their remittances on time throughout the year, including calculating their final remittances to the best of their ability. After making their final remittance at year end, the new policy will allow eligible employers to submit a reconciliation payment. As long as the CRA receives it before the last day of February, it will not charge the employer penalties or interest.

The CRA says employers in all remitting categories will be eligible for the policy if they meet all of the following criteria:

- Their reconciliation payment is less than 1% of their total annual remittances and the CRA receives it on or before the last day of February.
- They have a perfect payroll compliance record, with no late or outstanding remittances, no assessments in the year for which they are filing, and they have filed all T4 information by the end of February.
- They face at least one of the following situations: employees who choose to be paid stock-based salaries or wages; employees who live in other tax jurisdictions; or they need third-party information for insurance, health benefits, broker information, taxable benefits, and/or automobile mileage.

Employers will have four options for making the reconciliation payment: pre-authorized debit through their CRA My Business Account; through the CRA's My Payment option; by mailing a cheque with their T4 Summary; or by paying through their financial institution or a Canada Post outlet, using form PD7R. Employers who require a PD7R should contact the CRA at 1-800-959-5525. The agency says it will likely take 7 to 10 days for the form to arrive in the mail.

The CRA says it will update its *Employers' Guide—Payroll Deductions and Remittances* (T4001) to incorporate the new policy in late 2019 or early 2020. More information on the policy can be found at Canada.ca/payment-on-filing.

2020 Reminder: EI Small Business Premium Rate Proposed

Just a reminder…Beginning next year, the federal government is proposing to provide an Employment Insurance (EI) premium rebate for small businesses whose employer EI premiums are no more than $20,000 a year.

The government promised the EI Small Business Premium Rebate in this year's federal budget. The rebate is meant to offset "upward pressure" on EI premiums as a result of a new EI Training Support Benefit, expected to be implemented in late 2020.

For more information on the budget proposals, please see the March 19, 2019 Federal Budget Bulletin.

2020 Maximum Assessable/Insurable Earnings

The following workers' compensation bodies have announced their maximum assessable/insurable earnings for 2020:

British Columbia: $87,100 (2019: $84,800)
Manitoba: $127,000 (2019: $127,000)
New Brunswick: $66,200 (2019: $64,800)
Newfoundland and Labrador: $66,980 (2019: $65,600)
Nova Scotia: $62,000 (2019: $60,900)
Ontario: $95,400 (2019: $92,600)
Prince Edward Island: $55,300 (2019: $55,000)

Quebec: $78,500 (2019: $76,500)
Saskatchewan: $88,906 (2019: $88,314)

Alberta Government considering making Changes to Employment Standards Rules

The Alberta government is considering changes to the province's employment standards rules to make them simpler and more efficient, Minister of Labour and Immigration Jason Copping recently announced.

In November, the government posted a survey online asking for feedback on a number of requirements in the *Employment Standards Code*, including those affecting vacation time, statutory holiday pay, hours of work, averaging agreements, terminations, youth employment, and pay statements. Members of the public have until November 28, 2019 to complete the survey.

Copping said the government would use the survey feedback when considering potential changes to the Code. He did not say when the government might make changes or what they might be. The survey questions asked respondents how satisfied they were with certain employment standards requirements and whether they had suggestions for changes. It also asked whether employers should be allowed to provide employees with electronic pay statements only.

B.C. Bill Proposes Time off for Advance Voting

The provincial government is proposing to amend its election legislation to allow workers to take time off work to vote at advance polls in certain circumstances.

The amendments are included in Bill 43, the *Election Amendment Act, 2019*, which was tabled in the provincial legislature on October 31, 2019. The bill would allow employees to have four consecutive hours free from work during voting hours for advance voting in situations where their scheduled work hours on election day would not give them four consecutive hours free from work during voting hours. The provision would only apply if the employees were willing to vote at an advance poll.

Employees entitled to take time off work to vote in an advance poll would not be entitled to have four consecutive hours free from work to vote on election day.
We have added the bill to the Status of Legislation and will continue to monitor its progress there.

New B.C. Crown Agency Responsible for FMEP

The B.C. government has created a new Crown agency to run its Family Maintenance Enforcement Program (FMEP).

Beginning November 1, 2019, the BC Family Maintenance Agency is responsible for delivering the FMEP. The FMEP is the organization that receives payments from people required to pay child and/or spousal support, including through garnishing employee wages, and sends the payments to the recipients of the support.

Previously, the FMEP was delivered under a contract model. The government said it made the change in response to a provincial auditor general`s finding in 2017 that the previous tendering process for the contract created uncertainty about the FMEP's future.
"Establishing a new dedicated agency with closer ties to government will offer opportunities to enhance the FMEP and to add new services for families in the future," the government said in its announcement.

N.B. WorkSafeNB No Longer Mailing Individual Assessment Rate Notices

WorkSafeNB is no longer mailing employers their individual assessment rate notices. Instead, it is providing the 2020 notices online through its MyServices service.
To review their individual rate notice, employers will need to login to their MyServices account through WorkSafeNB's website.

Besides individual assessment rate notices, the workers' compensation body has stopped sending cost of claim statements to employers through the mail. They are also available through the MyServices account. WorkSafeNB said it would continue to send employers their Form 100 (*Employer Payroll Report*)/access pin letters and assessment invoices through the mail for now.

Newfoundland Bill Proposes Parental Leave Changes

Proposed changes to Newfoundland and Labrador's labour standards law would remove a requirement that employees begin parental leave no more than 35 weeks after the day their child is born or comes into their care and custody for the first time.

Instead, the bill would stipulate that parental leave would end either 61 weeks after it began or 96 weeks after the day the child is born or comes into the employee's care and custody for the first time, whichever is earlier. Employees would continue to be allowed to end the leave earlier if they gave their employer at least four weeks' written notice.

The changes are included in Bill 8, *An Act to Amend the Labour Standards Act*, which was tabled on November 4, 2019 and passed third reading on November 7, 2019. The bill will take effect once it receives royal assent.

The government said it proposed the changes to align the *Labour Standards Act* with federal legislative changes that introduced an Employment Insurance Parental Sharing Benefit on March 17, 2019.

Nunavut Government Reviewing Minimum Wage

The Nunavut Department of Justice is reviewing the territory's minimum wage rate, which has been set at $13 an hour since April 1, 2016.

As part of the review, the department asked Nunavut residents to complete an online survey between September 30, 2019 and October 30, 2019.

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

Nunavut makes Nunavut Day a Statutory Holiday

Nunavut Day is now a statutory holiday under the territory's *Labour Standards Act*.

In November, the Nunavut legislature passed Bill 29, *An Act to Amend the Labour Standards Act and the Interpretation Act with Respect to Nunavut Day*. The bill was tabled in the legislature on September 17, 2019 and received royal assent on November 7, 2019. It makes July 9 a paid holiday for employees covered under Nunavut's *Labour Standards Act*. Previously, the day was a holiday only for public-sector workers in the territory.

We have added the bill to the Status of Legislation and will update chapter 19, Statutory Holidays, to incorporate the holiday in an upcoming release.

Nunavut Raises Basic Personal Amount

The territorial government has raised the basic personal amount claimed on a *Nunavut Personal Tax Credits Return* (TD1NU) from $13,618 to $16,000, effective for 2019 and later tax years. The change was included in Bill 26, *An Act to Amend the Income Tax Act*, which received royal assent on November 7, 2019.

Reminder: Ontario WSIB Moving to New Rate-setting Model in 2020

Just a reminder… Beginning January 1, 2020, the province's Workplace Safety and Insurance Board (WSIB) will change the way it classifies employers and sets their premium rates.

Under a new Rate Framework, the board will switch from its current classification method which divides employers into more than 150 rate-setting groups to using a model adapted from the North American Industry Classification System (NAICS), which will categorize employers into 34 classes/subclasses, based on their business activity.

Businesses with more than one business activity will be grouped based on their predominant business activity (i.e., the one with the highest amount of insurable earnings). In some cases, the WSIB may assign businesses with multiple business activities more than one premium rate.

The WSIB said moving to NAICS will make it easier for employers to understand how their business is categorized for rate setting.

To set premium rates, the board will use a two-step process. First, it will set an average premium rate for each industry class, based on the class' risk profile and its share of responsibility for maintaining the board's insurance fund. Next, the WSIB will compare an employer's claims history to the other employers in the same class to set the employer's rate. The board will take into account insurable earnings, claims costs, and the number of claims allowed over a six-year period. For 2020 premium rates, the board will use the period 2013 to 2018.

“This approach will ensure businesses are paying a fair rate that is reflective of their industry and experience,” said the WSIB.

In setting the 2020 premium rates, the WSIB will determine a “starting point” rate for each employer, based on its 2019 rate group under the old rate-setting model. If an employer took part in the board’s experience rating programs (e.g., MAP, CAD-7, NEER) in previous years, the employer’s starting point will also include any experience rating adjustments between 2016 and 2018.

The WSIB will also give each employer a projected premium rate, which will show where its premium rates are headed in the future if there is no change to the employer’s individual or class claims experience. If an employer has a projected rate decrease, the board will move it down to its projected risk band right away. If there is a projected rate increase, the board will phase it in over three years, from 2020 to 2022.

Risk bands are hierarchical divisions within each rate class that represent a level of risk compared to the risk profile for the class. The WSIB assigns a rate to each risk band that is either above or below the class rate, with the rate difference between each band being approximately 5%.

Beginning with 2021 rate setting, employers with projected premium rate increases will move up a maximum of one risk band from their 2020 risk band, while those with a projected decrease will move down to their projected risk band. In 2022, employers with a projected increase will move up a maximum of two risk bands over their 2021 risk band, while those with projected decreases will move down to their projected risk band right away.

Beginning in 2023, employers with projected premium rate hikes will see their rate increase up to three risk bands a year until they reach their projected premium rate. For employers with projected premium rate decreases, the board will reduce rates up to three risk bands a year until they reach their projected premium rate.

With the new rate-setting model, the WSIB is eliminating its experience rating programs. The board will issue final statements for NEER next November, with final rebates being sent in January 2021 and final surcharges by December 31, 2020. For CAD-7, the board will issue final statements in September 2020, with final surcharges on October 31, 2020 and final rebates coming in November 2020. For MAP, the board issued final statements last December and provided final rebates/surcharges this year.

For more information on the new rate model, please refer to the WSIB’s website at www.wsib.ca/en/businesses/premiums-and-payment/rate-framework.

P.E.I. Minimum Wage Going Up

The minimum wage rate in the province will rise from $12.25 an hour to $12.85 on April 1, 2020, the provincial government recently announced.

The rate change is a result of an annual minimum wage review that P.E.I.'s Employment Standards Board carries out every year. In announcing the rate hike, Economic Growth, Tourism and Culture Minister Matthew MacKay asked the board to consider taking a multi-year approach to trending minimum wage increases to help employers better plan for rate changes.

This year, the board also recommended that the government raise the maximum amounts that employers may deduct from employees' wages if an employer provides board and lodging. The rates have not changed since 2009. The government has agreed to the changes and, as of April 1, 2020, the following maximum amounts will apply:

- Board and lodging: $61.60/week (currently $56)
- Board only: $49.50/week (currently $45)
- Lodging only: $27.50/week (currently $25)
- Single meals: $4.13/meal (currently $3.75)

The board also recommended that the government conduct a "comprehensive review" of the province's employment standards legislation. The government has not announced whether it will do this.

P.E.I. WCB Reviewing Experience Rating

The province's Workers Compensation Board (WCB) is reviewing its employer experience rating program to "ensure that the program is fair, effective, and easily understood."

Experience rating programs affect employer assessment rates by basing their rate on their claims costs history relative to other employers in their rate group. Employers with higher claims costs are charged a rate surcharge, while those with lower claims costs receive a discount on their rate. The purpose of the program is to provide financial incentives/penalties to encourage safe workplaces.

The WCB's review will examine issues such as criteria for taking part in the program, rate discount and surcharge maximums, and the three-year period used for measuring claims experience. Currently, the WCB limits experience rating to employers with total workers' compensation assessments of at least $3,000 over the previous three years. Under the program, employers could receive a maximum rate discount of 25% of their group rate and a maximum surcharge of 50% of their group rate.

For more information on the review, see the WCB's website at http://www.wcb.pe.ca/DocumentManagement/Document/pol_experienceratingprogramreview.pdf.

2020 QPP Maximum Announced

Revenu Québec has announced that the maximum pensionable earnings for the Quebec Pension Plan (QPP) will rise from $57,400 to $58,700 for 2020.

Effective January 1, 2020, the following rates and maximums will apply:

Maximum pensionable earnings: $58,700.00
Annual Basic exemption: $3,500.00
Maximum contributory earnings: $55,200.00
Contribution rate (employee and employer): 5.7%
Maximum employee contribution: $3,146.40
Maximum employer contribution: $3,146.40

On January 1, 2019, the Quebec government began implementing changes to the QPP that will gradually increase the plan's income replacement level for retirement benefits from one-quarter of eligible earnings to one third and raise post-retirement benefits and survivor and disability pensions. To fund the benefit improvements, between 2019 and 2023, the government is gradually increasing CPP contributions from 5.4% to 6.4% for earnings up to the yearly maximum pensionable earnings (YMPE). Beginning in 2024, the government will implement a new second additional contribution rate of 4% each for employers and employees on pensionable earnings between the YMPE and a new upper earnings limit. In 2024, the new upper earnings limit will be 107 per cent of the YMPE. In 2025, it will rise to 114 per cent of the YMPE.

QPIP Maximum Insurable Earnings Increasing in 2020

The maximum insurable earnings amount for the Quebec Parental Insurance Plan (QPIP) will increase from $76,500 to $78,500 on January 1, 2020, Revenu Québec said.
As previously announced, employee and the employer QPIP premium rates will decrease in 2020 from 0.526% for employees to 0.494% and from 0.736% for employers to 0.692%, respectively.

Effective January 1, 2020, the following rates and maximums will apply:

Maximum insurable earnings: $78,500
Employee premium rate: 0.494%
Employer premium rate: 0.692%
Yearly maximum employee premium payment: $387.79
Yearly maximum employer premium payment: $543.22

Quebec Bill to Implement Budget Proposals

The Quebec government has tabled legislation that would implement some payroll-related proposals announced in this year's provincial budget.

Bill 42, *An Act to give effect to fiscal measures announced in the Budget Speech delivered on 21 March 2019 and to various other measures,* which received first reading in the National Assembly on November 7, 2019, includes the following measures:

- Amendments to the *Taxation Act* to create a refundable tax credit for small- and mid-size businesses that hire workers aged 60 and older. The tax credit would apply to amounts paid for Quebec Pension Plan contributions, Quebec Parental Insurance Plan premiums, labour standards levy, and Health Services Fund contribution. The rate of the tax credit would vary, depending on the employee's age and the size of the employer's payroll. The tax credit would apply as of the 2019 tax year.

- Amendments to the *Taxation Act* would add some labour standards indemnities to the list of payroll expenses for which employers in the hotel and restaurant sector may claim a refundable tax credit for reporting tips. Employees working in the industry must report the tips they receive to their employer (with some exceptions) every pay period. If the amount reported is less than 8% of the sales upon which tips are expected, employers must allocate the difference to the employee. Employers are required to include the reported and allocated tips when calculating source deductions and employer contributions, as well as when determining statutory holiday pay, pay for the National Holiday, vacation pay, and pay for certain leaves allowed under the *Act respecting labour standards*. Quebec tax law allows employers to claim a refundable tax credit for the portion of these expenses that are related to the tips.
  The bill would add to the list of eligible expenses two days of paid leave to which employees with at least three months of service are entitled to take for family obligations or for health reasons. (For more information on the leaves, see 15.14.5, Illness or Injury Leave; 15.14.6, Family Responsibility Leaves; and 15.14.12, Leave for Domestic or Sexual Violence.) The change would apply to days of leave paid after December 31, 2018.
- Amendments to the *Taxation Administration Act* would change the penalty levied against employers who failed to attribute tips as required by law. Instead of calculating the penalty based on the amount of tips not attributed, the calculation would be based on the amount the employer was required to pay or remit in relation to the unattributed tips.

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

Saskatchewan Throne Speech Includes Employment Standards Proposals

The provincial government says it plans to table legislation to increase the amount of parental leave allowed under Saskatchewan's employment standards law.

The government announced the proposal in its October 24, 2019 Throne Speech to open the 2019-2020 session of the province's Legislative Assembly. In the speech, the government said it would amend *The Saskatchewan Employment Act* to increase parental leave by eight weeks. The change would enable eligible employees to access a shared parental benefit under Employment Insurance. Currently, parental leave is a maximum of 59 weeks for employees who have taken maternity or adoption leave and 63 weeks for other eligible employees.

In the speech, the government also said it would provide an employment leave for individuals running for election to a First Nations Band Council.

Payroll Q & A

Question: I know that the Canada Revenue Agency (CRA) requires T4 returns to be filed by the last day of February. In 2020, February 29 falls on a Saturday. Does this mean that employers must submit their returns by Friday, February 28?

Answer: When a due date for filing returns or paying remittances falls on a Saturday, Sunday, or a holiday that the CRA recognizes, it moves the due date to the next business day. With the last day of February (29^{th}) falling on a Saturday in 2020, T4 returns are no due no later than Monday, March 2, 2020.

For employers in Quebec, RL-1s must be submitted to Revenu Québec on or before February 29, 2020.