

Federal Budget

March 28, 2023

Federal Finance Minister and Deputy Prime Minister Chrystia Freeland delivered the 2023 federal budget on March 28, 2023. The budget contains the following highlights that will be of interest to payroll professionals:

1. No Changes to CPP, EI or Income Tax Rates Announced

The budget did not propose any changes to Canada Pension Plan (CPP) contribution rates, Employment Insurance (EI) premium rates, or personal income tax rates or to tax brackets.

Budget documents stated that the EI premium rate (for employees outside of Quebec) is projected to remain at \$1.63 in 2024. The finalized 2024 premium rate will be announced later this year.

2. Reporting Requirements for Employer-provided Dental Coverage

The budget proposes to require employers and employer pension plans to report on T4s/T4As, the dental coverage they provide to employees and plan members. The new reporting obligation would be part of the government's proposed Canadian Dental Care Plan, which would provide dental care to Canadians without dental plan coverage if their annual family income was below \$90,000. The T4/T4A reporting would be a way for the government to ensure that the new program was restricted to individuals without private insurance. The dental plan would begin providing coverage by the end of the year.

3. Canada Labour Code Amendments Proposed

The budget proposes the following amendments to the *Canada Labour Code*, which applies to federally regulated private-sector workplaces:

- The government would create a new paid leave for employees who experience a pregnancy loss, including parents planning to have a child through adoption or surrogacy.
- The government would improve eligibility for leave related to the death or disappearance of a child. Budget documents did not specify what the improvements would be.
- The government would strengthen prohibitions against employee misclassification to ensure that gig workers were covered under the Code's protections and benefit from employer contributions to the CPP and EI.

4. FYI Proposals

- **Previously Announced Tax Measures:** Budget documents confirmed that the government plans to proceed with a number of previously announced tax measures, including amendments that would affect the standby charge for automobile taxable benefits, electronic filing of information returns, and corrections to contribution errors in defined contribution pension plans.
- **Retirement Compensation Arrangements (RCAs):** The budget proposes to eliminate a requirement for employers to pay a refundable tax on fees or premiums that they pay to secure or renew a letter of credit or a surety bond for an RCA that is supplemental to a registered pension plan. The change would apply to employers who do not contribute to an RCA trust in order to pre-fund supplemental retirement benefits and instead pay their retirement benefit obligations as they become due. The proposal would apply to fees or premiums paid on or after March 28, 2023.

- **Pensions:** The budget proposes amendments to the *Pension Benefits Standards Act, 1985* and the *Pooled Registered Pension Plans Act* to create new frameworks for variable payment life annuities.
- **EI for Seasonal Workers:** The budget proposes amendments to the *Employment Insurance Act* to extend a temporary measure that provides up to five additional weeks of EI regular benefits to seasonal claimants in 13 regions. The measure, which was due to expire this October, would remain in place until October 2024.
- **Tradespeople's Tool Expenses:** The budget proposes to double the maximum employment deduction allowed for tradespeople's tools from \$500 to \$1,000. The change would apply for 2023 and later tax years.
- **EI Board of Appeal:** The budget proposes to amend the *Employment and Social Development Act* to establish a new independent tripartite Board of Appeal to hear cases where claimants disagree with a Service Canada decision on their EI claims.
- **EI Work-Sharing Program:** The budget proposes to provide Employment and Social Development Canada with \$5.4 million over three years, beginning in 2023-24, to ensure the continuation of its Work-Sharing Program for employers and workers.

More information on these and other proposals can be found on the Ministry of Finance's website at <https://www.budget.canada.ca/2023/home-accueil-en.html>.

We will continue to monitor these proposals and will report on further developments in upcoming releases.