

## Federal Budget

April 7, 2022

Federal Finance Minister and Deputy Prime Minister Chrystia Freeland delivered the 2022 federal budget on April 7, 2022. The budget contains the following highlights that will be of interest to payroll professionals:

### 1. No Changes to CPP or Income Tax Rates Announced; EI Premium Rate Increase Projected

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

Budget documents stated that the Employment Insurance (EI) premium rate (for employees outside of Quebec) is projected to rise to \$1.63 per \$100 of insurable earnings in 2023, \$1.68 in 2024, and \$1.73 from 2025 to 2029. These are projected premium rates only and could change. The government froze the premium rate at \$1.58 from 2020 to 2022.

### 2. Government considering New Minimum Tax Regime

The budget proposes that the federal government examine the feasibility of implementing a new minimum tax regime for personal income tax. Budget documents noted that the current alternative minimum tax (AMT), which helps to prevent those in the highest income brackets from using the tax system to lower their federal tax, has not been significantly updated since it was introduced in 1986. As a result, the budget noted that there are still many wealthy Canadians who pay no or little personal income tax each year. The government said it would provide details on its plans in its 2022 fall economic and fiscal update.

### 3. Canada Labour Code Amendments Proposed

The budget proposes amendments to the *Canada Labour Code*, which applies to federally regulated private-sector workplaces. Budget documents stated that the government would amend the Code to provide more support for employees who experience a miscarriage or a stillbirth. Late last year, Parliament passed legislation that, once in force, will allow employees to take up to eight weeks of bereavement leave if their child dies or they experience a stillbirth. Budget documents did not indicate whether the government was planning to make further changes to these amendments.

The budget also proposes to make minor changes to the *Act to Amend the Criminal Code and the Canada Labour Code* (Bill C-3) to allow for the implementation of paid medical leave for federally regulated workers. Bill C-3 received royal assent on December 17, 2021. Once the sick leave amendments are in force, federally regulated employees will be entitled to up to 10 days of paid medical leave per year.

### 4. FYI Proposals

- **Previously Announced Tax Proposals:** Budget documents confirmed the government's intention to move forward with *Income Tax Act* amendments proposed earlier this year, including electronic filing and certification of tax and information returns, including the T4A, and fixing contribution errors in registered pension plans.
- **CRA-collected Data:** The budget proposes amendments to the *Canada Pension Plan* to allow Employment and Social Development Canada to use data that the Canada Revenue Agency (CRA) has collected when doing policy analysis, reporting and evaluations of the CPP.

- **CPP:** The budget proposes technical amendments to the *Canada Pension Plan* to ensure that eligibility and benefits are properly calculated for individuals who qualify for post-retirement disability benefits and child-rearing and disability drop-ins.
- **EI Sickness Benefits:** Budget documents noted that the federal government would increase EI sickness benefits from 15 to 26 weeks this summer. The documents also reiterated that the government would release its long-term plan on EI reform once it completed consultations.
- **Pension Plans:** The budget proposes amendments to the *Pension Benefits Standards Act, 1985* and the *Pooled Registered Pension Plans Act* to improve governance and administration of the plans and introduce a new framework for solvency reserve accounts.
- **Employment Equity:** The budget proposes to provide \$1.9 million in 2022-23 so that a government-appointed task force can complete its review on how to update the federal *Employment Equity Act*. The review began last summer. A final report is expected in the fall.
- **Tax Avoidance and Evasion:** Beginning in 2022-23, the budget proposes to provide \$1.2 billion over five years to the CRA so that it can expand its audits of larger entities and non-residents taking part in aggressive tax planning, increase its investigations and prosecutions of criminal tax evasion, and expand educational outreach programs.
- **EI Support for Seasonal Workers:** The budget proposes to extend until October 2023 temporary EI benefit rules that allow seasonal workers in 13 regions of the country to receive up to five extra weeks of EI benefits, to a maximum of 45 weeks. The government said the extension would apply while it considers long-term solutions for seasonal workers. The timing of COVID-19 benefits would not affect future EI eligibility.
- **EI Appeal Boards:** The budget proposes a new EI Boards of Appeal to replace the current appeals process under the Social Security Tribunal General Division.
- **Labour Mobility Deduction for Tradespeople:** The budget proposes to implement a tax deduction for travel and temporary relocation expenses for eligible apprentices and tradespeople in the construction industry. The deduction would be for up to \$4,000 per year. It would apply beginning in 2022.
- **Employee Ownership Trusts:** The budget proposes to create a new Employee Ownership Trust under the *Income Tax Act* to encourage employee ownership of businesses.
- **Temporary Foreign Workers Program:** The budget proposes measures to improve protections for temporary foreign workers, reduce red tape for employers who consistently meet the highest standards for working and living conditions, protections and wages in high-demand fields for temporary foreign workers, and speed up employer applications for the program.
- **Labour Market Transfer Agreements:** The budget proposes to update Canada's Labour Market Transfer Agreements under the *Employment Insurance Act* to help workers before they become unemployed and ensure that employers can receive direct support to re-train their workers.
- **Dental Care:** The budget proposes funding for a national dental care program. It would apply to families with an income of less than \$90,000 a year, with no co-pays for those whose annual income was less than \$70,000. The government plans to phase-in the program. In 2022, it would cover children less than 12 years of age. In 2023, it would expand to include all children under 18 years old, seniors, and persons living with a disability. The government plans to fully implement the plan by 2025.
- **Pharmacare:** The budget states that the federal government plans to table legislation for a national pharmacare plan and work to have it passed by the end of next year.

More information on these and other proposals can be found on the Ministry of Finance's website at <https://budget.gc.ca/2022/home-accueil-en.html>. We will continue to monitor these proposals and will report on further developments in upcoming releases.