

Federal Budget

April 19, 2021

Federal Finance Minister and Deputy Prime Minister Chrystia Freeland delivered the 2021 federal budget on April 19, 2021. 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 note 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 in 2025. By 2028, the rate is projected to be \$1.83. The government froze the premium rate at \$1.58 for 2020, 2021, and 2022.

2. Funding for E-payroll Announced

The budget proposes to provide \$43.9 million over three years for the federal government to create a real-time e-payroll solution for businesses. The budget states that, "E-payroll is a 'tell-us-once' approach that will streamline employer reporting by collecting electronic payroll, employment, and demographic data directly from businesses in real-time." This could replace the *Record of Employment* and year-end reporting forms. The budget says moving to e-payroll would reduce red tape, increase delivery speed, and improve the accuracy of services and benefits.

The funding, which would begin in the 2021-22 fiscal year, would help the Canada Revenue Agency (CRA) work with Employment and Social Development Canada and Digital Government to test e-payroll prototypes.

3. Electronic Filing/Payments/Certification Changes Proposed

The budget proposes the following changes related to electronic filing/payments/certification:

- The threshold for mandatory electronic filing of information returns would be reduced from 50 returns of a particular type to five. The change would apply to calendar years after 2021.
- Electronic payment would be required for remittances over \$10,000 under the *Income Tax Act*. The change would apply to payments made on or after January 1, 2022.
- Employers would be allowed to issue T4As electronically without having to also issue a paper copy and without needing to receive an individual's prior permission. The change would apply to information returns sent after 2021.
- The CRA would use electronic correspondence as its default method of correspondence for businesses that use its My Business Account service. Businesses would still be allowed to choose to also receive paper correspondence. The change would take effect once enacting legislation received royal assent.
- A requirement for handwritten signatures would be eliminated for form T2200, *Declaration of Conditions of Employment*. The change would take effect once enacting legislation received royal assent.

4. Federal \$15/hour Minimum Wage Proposed

The budget proposes to set the federal minimum wage rate at \$15 per hour. The federal minimum wage applies to employees in the federally regulated private sector. Since 1996, the rate has been aligned with the general adult minimum wage rate that applies in each province/territory. Once it is set at \$15 an hour, the rate would be indexed to inflation. In cases where a provincial/territorial minimum wage rate was higher than the federal rate, the provincial/territorial rate would prevail. Budget documents did not indicate when the government would implement the proposal.

5. Increase in EI Sickness Benefits Proposed

The budget proposes to increase the maximum number of weeks of EI sickness benefits from 15 to 26. The change would take effect in the summer of 2022.

Since an increase in EI sickness benefits would affect the EI Premium Reduction Program, the government said it would consult with employers, labour organizations, and private insurers on changes to the program. The EI Premium Reduction Program allows employers with a government-approved short-term disability plan to qualify for a reduced EI premium rate.

To allow employees working in federally regulated workplaces to benefit from the proposed increase in EI sickness benefits, the budget proposes to make corresponding changes to the *Canada Labour Code*. Currently, employees are entitled to 17 weeks of medical leave.

6. EI Changes/Consultations Proposed

The budget proposes a number of amendments to the *Employment Insurance Act* to simplify the EI system and make it more accessible for claimants. Among the changes proposed:

- The rules covering the treatment of severance, vacation pay, and other monies paid on separation would be simplified to allow claimants to start receiving EI benefits sooner.
- There would be a common entrance requirement of 420 hours for regular and special EI benefits that would apply across Canada, with a 14-week minimum entitlement for regular benefits, and a new common earnings threshold for fishing benefits.
- When determining eligibility for EI benefits, only a worker's most recent reason for separation from employment would be considered. The budget said the change would benefit multiple jobholders and part-time workers.
- Temporary changes to the EI work-sharing program that were introduced during the COVID-19 pandemic, such as the possibility to establish longer work-sharing agreements and a streamlined application process, would become permanent features of the program.

To implement the changes, the government proposes to spend \$3.9 billion over three years, beginning in 2021-22.

The budget also announced that the government plans to hold consultations on future, long-term reforms to the EI system. The consultations would focus on issues such as income support for self-employed and gig workers; the best way to support Canadians through different life events such as adoption; and how to provide more consistent and reliable benefits to seasonal workers.

7. Changes to CEWS Proposed

The budget proposes to extend the Canada Emergency Wage Subsidy (CEWS) until September 25, 2021. The program, which was scheduled to end in June, provides qualifying employers with a wage subsidy to encourage them to keep employees on payroll during the Coronavirus disease 2019 (COVID-19) pandemic.

The government plans to replace the CEWS with a new Canada Recovery Hiring Program. For more information on the program, see #8, New Hiring Program Proposed.

Although the government plans to wrap up CEWS by late September, the budget notes that the government could extend it until November 20, 2021 if economic and public health circumstances require it.

The budget also proposes to gradually lower the CEWS rate, beginning July 4, 2021, as it begins to phase out the program.

In addition, the budget proposes that publicly listed corporations that received the CEWS be required to repay it if they paid their top executives more in 2021 than they did in 2019. The amount that they would have to repay would be equivalent to the wage subsidy amounts they received for any qualifying period between June 6, 2021 and the date the program ends.

8. New Hiring Program Proposed

The budget proposes a new Canada Recovery Hiring Program subsidy to replace the CEWS. The new program would apply to eligible employers whose revenues have declined because of the COVID-19 pandemic. The proposed subsidy would cover part of the extra costs eligible employers incur to increase wages or hire additional staff as they reopen. The subsidy would be available from June 6, 2021 to November 20, 2021 and would apply only for active employees.

9. Changes to COVID-19-related Benefits Proposed

The budget proposes to increase the maximum number of weeks for two COVID-19-related benefits that eligible individuals can receive. The maximum number of weeks for the Canada Recovery Benefit (CRB) would increase from 38 weeks to 50. The CRB provides benefits to eligible individuals who are directly affected by COVID-19 and do not qualify for EI benefits. The first four of the extra 12 weeks would be paid at \$500 a week, while the remaining eight additional weeks would be paid at \$300 per week claimed. All new Canada Recovery Benefit claimants after July 17, 2021 would also receive the lower rate of \$300 per week.

The maximum number of weeks for the Canada Recovery Caregiving Benefit (CRCB) would rise from 38 weeks to 42 weeks, paid at \$500 per week. The CRCB provides benefits to eligible individuals who cannot work because they must care for their child under 12 years old or a family member who needs supervised care for reasons related to COVID-19.

Budget documents state that the government plans to table legislative amendments that would allow it to extend the CRB and its associated sickness and caregiving benefits, as well as regular EI benefits, to no later than November 20, 2021 if circumstances required it.

To allow employees working for federally regulated workplaces to benefit from the changes, the budget proposes to increase the maximum length of two leaves related to COVID-19 under the *Canada Labour Code*.

10. New Labour Standards Protections Proposed

The budget proposes amendments to the *Canada Labour Code* that would allow employees in federally regulated workplaces to take up to 104 weeks off work if they are receiving Canadian Benefits for Parents of Young Victims of Crime. The benefit provides up to 104 weeks of financial support to eligible individuals who have lost income because they are coping with the death or

disappearance of their child because of a probable crime under the *Criminal Code*. The *Canada Labour Code* currently allows employees to take up to 104 weeks off work if their child dies due to a probable crime and up to 52 weeks off if their child disappears due to a probable crime.

The budget reiterates a previously announced plan to improve labour standards protections for gig workers in federally regulated private-sector workplaces. Budget documents state that the government plans to table amendments to the *Canada Labour Code* after it wraps up consultations on gig work. The consultations began on March 18, 2021 and are expected to end on April 30, 2021.

The budget also proposes amendments to the Code that would extend equal pay protections to contract workers in the air transportation sector. The changes would ensure that workers would not be paid less if a change in a service contract resulted in them being laid off and then rehired to do the same work.

11. FYI Proposals

- **OAS Payments:** The budget proposes to increase the maximum benefits payable under Old Age Security (OAS) by 10% for pensioners aged 75 years or older. The increase would take effect July 1, 2022.
- **Pensions:** The budget proposes to give administrators of defined contribution pension plans more flexibility to correct under- and over-contribution errors that occur in a five-year period. T4 slips for previous years would not have to be amended as part of the correction. Instead, administrators would file a prescribed form for each employee. The change would apply to additional contributions made, and amounts of over-contributions refunded, in 2021 and later tax years.
- **Northern Residents Deductions:** The budget proposes to expand access to the travel part of the Northern Residents Deduction. The change would allow individuals without employer-provided travel benefits to claim up to \$1,200 in eligible travel expenses. The budget would define eligible family members for whom an individual could claim the deduction as including the individual's spouse or common-law partner; the individual's (or the spouse's or common-law partner's) child under age 18; and a dependent relative of the individual (or the individual's spouse or common-law partner) who met certain criteria. The change would apply as of the 2021 tax year.
- **Social Insurance Number:** The budget proposes to give the federal labour minister the authority to collect, use, and retain social insurance numbers in order to administer programs.
- **Temporary Foreign Workers:** The budget proposes to extend a program that helps employers cover the costs associated with temporary foreign workers having to isolate when they enter Canada. Under the proposal, the government would provide up to \$1,500 per worker to employers under the Mandatory Isolation Support for Temporary Foreign Workers Program until June 15, 2021 towards the costs of the 14-day isolation period required because of COVID-19. If workers are required to quarantine at a government-approved facility because the employer does not have suitable accommodation, employers can receive up to \$2,000 per worker for costs associated with mandatory isolation requirements. After June 15, 2021, the amount would be reduced to \$750 per worker until the government begins to wind-down the program at the end of August.
- **Tax Avoidance and Evasion:** The budget proposes an extra \$304.1 million over five years to help the CRA launch new initiatives and continue with existing programs to stem tax avoidance and evasion. The budget also proposes to provide \$230 million over five years to help the CRA improve its ability to collect outstanding taxes. Additional funding would also be provided to help the agency invest in new technologies and tools to fight cyber threats. The funding for all of the programs would begin in 2021-22.

More information on these and other proposals can be found on the Ministry of Finance's website at <https://www.budget.gc.ca/2021/home-accueil-en.html>.

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