Carswell Payroll Source Alert – *January 2021 Issue*

2021 Automobile Rates Announced

The federal Finance Department has announced the prescribed rates that apply for automobile-related taxable benefits and allowances for 2021.

The general prescribed rate used to calculate the taxable benefit for an employee's personal use of an employer-provided automobile is 27 cents per kilometre. The rate for employees whose principal job is to sell or lease automobiles is 24 cents per kilometre. The rates are one cent lower than they were last year.

The deduction limits for tax-exempt allowances employers pay to employees who use their personal vehicle for business purposes are 59 cents per kilometre for the first 5,000 kilometres and 53 cents per kilometre for each additional kilometre. For the Yukon, Northwest Territories, and Nunavut, the limit is 63 cents for the first 5,000 kilometres driven and 57 cents for each additional kilometre. The rates are unchanged from last year.

The Finance Department is proposing to allow employees to use their 2019 automobile usage to determine if they are eligible for a reduced standby charge for the 2020 and 2021 tax years if they have an employer-provided automobile. For more information, see the story “Finance Department Proposes Temporary Rule Changes for Auto Benefit Calculations” in the federal section of our COVID-19 Alert.

First Quarter Prescribed Interest Rates Set

The prescribed rate for taxable benefits to employees and shareholders from interest-free and low-interest loans is 1% from January 1, 2021 to March 31, 2021. The rate is unchanged from the previous quarter.

The interest rate for unpaid source deductions, overdue taxes, and insufficient instalments is 5% for the first quarter.

2021 Ceilings for Housing Benefits Announced

The Canada Revenue Agency has announced the 2021 ceilings for housing benefits that employers provide to employees in prescribed zones without a developed rental market. The changes reflect an increase in the shelter portion of the consumer price index.

For 2021, employers should use the following allowable ceiling amounts to determine the maximum value of housing benefits for employees in prescribed zones without a developed rental market:

For common shelter:	$207/month ($203 in 2020)
For an apartment or a duplex:	$558/month for rent only ($547 in 2020)
	$271/month for utilities only ($266 in 2020)
	$829/month for rent and utilities ($813 in 2020)

For a house or a trailer:	$933/month for rent only ($916 in 2020) $413/month for utilities only ($405 in 2020) $1,346 /month for rent and utilities ($1,320 in 2020)

For a listing of communities that qualify as prescribed zones, see https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/about-your-tax-return/tax-return/completing-a-tax-return/deductions-credits-expenses/line-255-northern-residents-deductions/line-255-places-located-prescribed-zones.html.

New CLC Rules Allow for Administrative Monetary Penalties

Effective January 1, 2021, a new part of the *Canada Labour Code* came into force that allows for administrative monetary penalties for federally regulated employers who fail to comply with labour standards or health and safety rules.

The new requirements in Part IV of the Code also allow the federal government to publicly identify employers who contravene the Code.

Under the new administrative monetary penalties (AMPs) system, the amount of the penalty will be based on the type of Code violation, the size of the business, and whether the employer has been issued any previous monetary penalties for similar or more serious violations.

For labour standards, there are four categories of violations: contravening administrative provisions; contravening provisions related to calculating and paying wages; contravening provisions covering leaves or other requirements which could affect an employee's financial security or health and safety; and contravening provisions related to the employment of minors.

For labour standards, there are four categories of violations: contravening administrative Violations of administrative provisions are the least severe, while contraventions relating to the employment of minors are the most severe for labour standards. Overall, the most serious violations relate to contraventions of health and safety rules that immediately threaten an employee's life or are known to cause latent occupational diseases.

To give employers time to adjust to the new system, Labour Minister Filomena Tassi said the government would not impose monetary penalties for administrative violations (e.g., record keeping and reporting requirements) until January 1, 2022.
The new rules group employers into four categories for determining a baseline penalty amount for violations: individuals; micro businesses (i.e., those with fewer than five employees or less than $30,000 in annual gross revenues); small businesses (i.e., those with five to 99 employees or less than $5 million in annual gross revenues); and large businesses (i.e. businesses other than micro and small businesses) and government departments.

Baseline penalties range from $200 for an individual who contravenes an administrative provision to $50,000 for a large business/government department that commits the most serious health and safety violations. A history of violations can result in the final amount being three times the baseline penalty.

For more information on the new penalty system, see SOR/2020-260 in the December 23, 2020 *Canada Gazette Part II*, at http://www.gazette.gc.ca/rp-pr/p2/2020/2020-12-23/pdf/g2-15426.pdf.

Feds Propose CLC Exemptions for Certain Industries

The federal government is proposing to exempt employers and employees in some federally regulated industries from certain hours of work requirements in the *Canada Labour Code*.

In the December 19, 2020 *Canada Gazette Part 1*, Employment and Social Development Canada (ESDC) said employers in industries with continuous 24/7 operations in the road transportation, postal and courier, marine, and grain sectors were having trouble complying with new hours of work labour standards provisions that came into effect on September 1, 2019. These include giving employees at least 96 hours' written notice of their work schedules, 24 hours' written notice of shift changes or new shifts, 30-minute unpaid breaks every period of five consecutive hours, and an eight-hour rest period between work periods or shifts.

In addition, ESDC said some federally regulated industries have to comply with safety requirements and restrictions on hours of service that may conflict with the new hours of work provisions in the Code.

To address these concerns, ESDC is proposing to exempt certain employee classes in those sectors from the requirements or to modify the rules for them. It said the changes would "create flexibility for employers to allow them to maintain continuous operations, thereby supporting supply chains in Canada and the Canadian economy."
ESDC also said it would develop more exemption and modification regulations for other federally regulated industries. It said the COVID-19 pandemic prevented it from completing consultations last year with stakeholders in sectors such as aviation, telecommunications, broadcasting, banking, and rail transportation. Until regulations are created, ESDC said employers and employees in these industries should continue to follow policy guidance provided by its Labour Program in IPG-101, *Scope of Application*, available at https://www.canada.ca/en/employment-social-development/programs/laws-regulations/labour/interpretations-policies/scope-application.html.

For more information on the proposals, including the specific employee classes that would be affected, see "Exemptions from and Modifications to Hours of Work Provisions Regulations" in the December 19, 2020 *Canada Gazette Part 1, at* http://www.gazette.gc.ca/rp-pr/p1/2020/2020-12-19/pdf/g1-15451.pdf.

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

2021 Maximum Assessable/Insurable Earnings

The following workers' compensation bodies have announced their maximum assessable/insurable earnings for 2021:

Alberta: $98,700 (2020: $98,700)
British Columbia: $100,000 (2020: $87,100)
Manitoba: $127,000 (2020: $127,000)
New Brunswick: $67,100 (2020: $66,200)
Newfoundland and Labrador: $67,985 (2020: $66,980)
Northwest Territories: $97,300 (2020: $94,500)
Nova Scotia: $64,500 (2020: $62,000)
Nunavut: $97,300 (2020: $94,500)
Ontario: $102,800***** (2020: $95,400)
Prince Edward Island: $55,300 (2020: $55,300)
Quebec: $83 500 (2020: $78,500)
Saskatchewan: $91,100 (2020: $88,906)
Yukon: $91,930 (2020: $90,750)

**Note: The Ontario government has tabled legislation that would cap the maximum insurable earnings at $97,308 for 2021. At the time of writing, the legislation had not yet passed. For updates, please contact our Payroll Hotline Service at 416-609-0152 (local) or 1-800-661-6828 (toll free) or by e-mail at Carswell.PayrollHotline@thomsonreuters.com.*

Alberta WCB Reinstatement and Health Benefits Requirements to be Eliminated

Beginning April 1, 2021, employers in Alberta will no longer be required to reinstate workers injured on the job or to continue contributing to their health benefits plans.

The changes were included in Bill 47, the *Ensuring Safety and Cutting Red Tape Act, 2020*, which received royal assent on December 9, 2020.

Currently, employers in the province must offer to reinstate workers injured on the job on or after September 1, 2018 once they are medically and physically able to return to work if they have worked for their employer for at least 12 continuous months on the date of the injury.

The amendments will replace the requirement with an employer duty to co-operate in the injured employee's safe return to work. Injured workers will have a duty to co-operate in developing and taking part in their medical and vocational rehabilitation plans.

Since September 1, 2018, employers with health benefits plans have also been required to continue contributing to the plans for up to one year for workers who are off work due to a workplace injury. The obligation applies if the employer paid contributions to the benefits plan when the injury occurred and if the employee continues to pay his or her share, if any, of the contributions. The requirement will end as of April 1, 2021, allowing employers to choose whether to continue contributing to the health benefits plans for injured workers.

Reminder: 2020 BC EHT Instalment Payment Due this Month

Just a reminder…The British Columbia government has deferred instalment payment due dates for the 2020 calendar year for its Employer Health Tax (EHT) to help employers cope with financial challenges related to Coronavirus disease 2019 (COVID-19).

The instalments are now due as follows:
December 31, 2020 – first instalment;
January 31, 2021 – second instalment;
February 28, 2021 – third instalment; and
March 31, 2021 – final instalment.

Employers are required to pay the EHT in quarterly instalments if their EHT in the previous calendar year exceeded $2,925. The instalments are normally due June 15, September 15 and December 15 of the current calendar year, and March 31 of the following year.

Manitoba Now Requires Employers to Submit Payroll Tax Levy Returns and Payments Online

Beginning with the 2021 tax year, the Manitoba government requires employers subject to the Health and Post Secondary Education Tax Levy to submit tax returns and tax payments online through the Finance Department's TAXcess system.

Previously, employers could send their returns and payments to the Finance Department by mail or could pay the tax owing at their financial institution in Canada. Online filing and payment were optional.

With the change to mandatory online reporting and payments, the department has announced that it will no longer accept paper returns.

The new requirement applies beginning with the tax return and remittance for the month of January, due February 15, 2021. Employers may submit returns for previous periods online, but they are not required to do so.

Employers subject to the levy must register for the TAXcess online system before filing their returns and paying taxes due. Employers who do not file returns and pay remittances through the online system may face penalties.

For more information on TAXcess, see Manitoba.ca/TAXcess.

Reminder: Manitoba Payroll Tax Thresholds Increase

Just a reminder…Effective January 1, 2021, the Manitoba government raised the thresholds that apply to the province’s Health and Post-Secondary Education Tax Levy.

The threshold for registering for the levy is now annual remuneration of $1.5 million, up from $1.25 million. The annual payroll thresholds for determining which tax rate employers pay for the levy have also increased. Beginning January 1, 2021, employers with an annual payroll between $1.5 million and $3 million must pay the tax at a rate of 4.3% of accumulated payroll exceeding $1.5 million. Previously, this rate applied to employers with an annual payroll between $1.25 million and $2.5 million.

Employers with an annual payroll of more than $3 million must pay the tax at a rate of 2.15% of monthly payroll. Previously, the 2.15% rate applied to employers whose annual payroll is more than $2.5 million.

Reminder: Ont. EHT Threshold Remain at $1 Million

Just a reminder…The Ontario government is keeping the payroll exemption for its Employer Health Tax (EHT) at $1 million from 2020 to 2028.

Last year, the government temporarily raised the threshold from $490,000 to $1 million as part of its efforts to assist employers facing financial difficulties due to Coronavirus disease 2019 (COVID-19). It had initially said the threshold would return to $490,000 in 2021; however, in its November 5, 2020 budget, the government announced that the $1 million threshold would remain in place through to the end of 2028. The provincial legislature subsequently passed legislation to implement the change.

The government has also delayed the date that the EHT exemption is adjusted for inflation. Normally, it occurs every five years, with the next adjustment scheduled for 2024; however, the government has postponed the next adjustment until January 1, 2029. In addition, the government has increased a payroll threshold used to determine whether employers subject to the EHT must pay it in monthly installments. Beginning January 1, 2021, the threshold rose from $600,000 to $1.2 million. Employers subject to the EHT whose annual Ontario payroll is below the threshold pay the EHT when they file their annual returns.

Quebec Minimum Wage Rising

Quebec’s general minimum wage rate will rise from $13.10 an hour to $13.50 on May 1, 2021, Quebec Labour Minister Jean Boulet recently announced.

Other minimum wage rates in Quebec will also go up on May 1, 2021 to the following amounts:

- Employees who receive tips: $10.80/hour (currently $10.45/hour)
- Raspberry pickers: $4.01/kilogram (currently $3.89/kilogram)

- Strawberry pickers: $1.07/kilogram (currently $1.04/kilogram)

Quebec Bill Proposes Fewer Exemptions to Labour Standards Levy

The Quebec government has tabled legislation that would require more categories of employers to pay a contribution to finance the labour standards section of the Commission des normes, de l'équité, de la santé et de la sécurité du travail (CNESST).

The proposal was included in Bill 59, *Loi modernisant le régime de santé et de sécurité du travail*, which was tabled in the National Assembly on October 27, 2020.

The bill would remove many of the exemptions to the contribution requirement, including those for:

- metropolitan communities;
- municipalities;
- public transit authorities mentioned in s.1 of the *Act respecting public transit authorities*;
- school boards;
- the Comité de gestion de la taxe scolaire de l'Île de Montréal;
- educational institutions;
- day care centres;
- the Commission de la construction du Québec;
- parity committees constituted under the *Act respecting collective agreement decrees*;
- the Quebec government and its departments and the bodies and persons whose personnel must, by law, be appointed in accordance with the *Public Service Act* or the capital stock of which belongs entirely to the government;
- any body established by an Act of the National Assembly or by a decision of the Government, the Conseil du trésor or a minister and whose operating appropriations are taken out of the consolidated revenue fund, appear in whole or in part in the expenditure budget submitted to the National Assembly or are wholly financed by way of a transfer from one of the government departments, including Revenu Québec; and
- the Lieutenant-Governor, the National Assembly and any person appointed by the National Assembly to an office which is under the jurisdiction of the National Assembly.

The bill would also amend the *Loi sur les accidents du travail et les maladies professionnelles* to specify that students doing job shadowing or work training under the responsibility of an educational institution would be covered under the legislation.

Payroll Q & A

Question: We have some employees who are on unpaid leaves of absence. They are still taking part in our pension plan. Do we have to report a pension adjustment (PA) for them?

Answer: Yes, you must report a PA for these employees. A PA is the measure of the benefit or accrual that an individual earns in a year within a registered pension plan (RPP) or deferred profit-sharing plan (DPSP) that an employer sponsors. The PA is important because it can reduce the amount that an individual can contribute to a registered retirement savings plan.

For employees on an unpaid leave of absence who continue to accrue pension credits or pensionable service, report the PA in box (52) on a T4 even if the employee did not earn employment income in the year. If the PA is zero, leave the box blank. In box (50), report the registration number of the RPP or the DPSP unless the PA is zero and the employee did not contribute to the plan. Administrators of multi-employer plans should report the benefit on a T4A.

For information on calculating a PA for employees on a leave of absence, refer to the CRA's *Pension Adjustment Guide* (T4084) at https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/t4084.html.