

Feds Table Legislation to Implement Budget and Other Proposals

In April, the federal government tabled legislation to implement proposals included in the 2023 federal budget and other previously announced measures, including those that affect payroll administration.

Bill C-47, the *Budget Implementation Act, 2023, No. 1*, passed first reading in the House of Commons on April 20, 2023. It includes the following payroll-related amendments:

i) Mandatory Electronic Filing

The bill would lower the threshold for mandatory electronic filing of information returns from 50 returns of the same type for a calendar year to five. The change would affect T4s, T4As, NR4s, T4A-NRs, and other returns employers prepare. The change would apply to returns filed after 2023.

The bill would also amend the penalty provisions for failing to comply with the mandatory electronic filing requirements. The penalty for failing to file electronically where the number of returns is more than five, but less than 51 would be \$125. The existing penalties for 51 or more returns would continue to apply.

ii) Electronic Distribution of T4As

The bill would allow issuers of T4As to distribute them electronically as a single document rather than providing two paper copies to recipients, without requiring the recipient's prior consent, if the issuers meet criteria specified by the government. (For the T4, which employers are already allowed to distribute electronically, the specified criteria is that the form be accessible on a secure portal with a secure printer.) T4A issuers would have to provide paper copies instead of electronic access if they did not meet the government's specified criteria, the recipient requested paper copies, or, at the time the return must be issued, the recipient could not reasonably be expected to have access to the return in an electronic format. The measure would apply to returns filed after 2021.

iii) Electronic Remittances

The amendments would require that remittances and payments to the Receiver General that were over \$10,000 would have to be paid electronically unless the remitter or payor could not reasonably remit or pay that way. The requirement would apply to remittances and payments made after the 2023 tax year. Electronic payments could be through a designated financial institution's electronic services or by any electronic method that the minister of National Revenue specified. Remitters or payors who failed to make remittances or payments electronically as required would be liable for a penalty of \$100 for each failure.

iv) Reporting Requirements for Canadian Dental Care Plan

The amendments would require employers and administrators of employer pension plans to report on information returns (e.g., T4 and T4A) whether they provided an employee or former employee or any of the individual's family members with dental care insurance or coverage for dental services during the calendar year. 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 reporting obligation would apply for 2023 and later tax years.

v) Automobile Benefits:

The bill would amend the automobile standby charge provisions of the *Income Tax Act* (paragraph 6(1)(e)) to replace the phrase "a person related to" with the phrase "a person who does not deal at arm's length." The change would require that employers include the standby charge in an employee's income if they make an automobile that they own or lease available for personal use to an employee or to person who does not deal at arm's length with the employee.

While the *Income Tax Act* does not specifically define the term "arm's length," the categories used in s. 251 for determining an arm's length (and non-arm's length) relationship show that the term encompasses a wider range of relationships than just a person related to the employee (i.e., someone connected by a blood relationship, marriage or a common-law partnership or adoption.) The Finance Department has previously said the wording change would make paragraph 6(1)(e) more consistent with the wording used for other taxable benefits in the Act.

The bill also proposes consequential amendments to related provisions in the Act covering automobile operating expense benefits.

The amendments would apply to tax years after 2022.

vi) *Canada Labour Code*

The bill proposes to increase the maximum length for a leave related to the death or disappearance of an employee's child from 104 weeks to 156 weeks where the death or disappearance is likely the result of a crime. It would also repeal a provision in the Code that denied the leave in cases where the child who died was 14 years of age or older and, under the circumstances, it was probable that the child was a party to the crime. The *Canada Labour Code* applies to federally regulated workplaces.

vii) Pension Adjustments

The bill proposes amendments that would allow administrators of defined contribution registered pension plans to correct contribution errors (for both under and over contributions) and require that the contributions or refunds be reported to the Canada Revenue Agency (CRA) so that it can

correct individual's RRSP deduction limit.

Plan administrators would not have to amend T4 slips to report the contribution. Instead, they would file a prescribed information return with the CRA within 120 days of making the contribution. The amendment would apply retroactively to January 1, 2021

Plan administrators would also have to report pension adjustment corrections for a distribution from a registered pension plan to the CRA, using a prescribed form. If the distribution occurred in the first, second or third quarter of a calendar year, they would have to report it on or before the day that is 60 days after the last day of the quarter in which the distribution occurred. If the distribution happened in the fourth quarter, they would have to report it before February of the following calendar year. The amendment would apply retroactively to January 1, 2021; however, for distributions made before the bill passes and receives royal assent, administrators are not required to file the prescribed information return before the day that is 60 days after the date of royal assent.

viii) Other Proposals

The bill also includes the following proposals:

- Employers would no longer have to provide a handwritten signature for forms such as the T2200, *Declaration of Conditions of Employment* and T1223, *Clergy residence Deduction*. The amendment would take effect on royal assent.
- The annual maximum deduction for a tradesperson's tools would rise from \$500 to \$1,000. The change applies to 2023 and later tax years.
- The bill would amend the *Pension Benefits Standards Act, 1985* and the *Pooled Registered Pension Plans Act* to create new frameworks for variable payment life annuities.
- The bill would amend the *Department of Employment and Social Development Act* to establish a new independent tripartite Board of Appeal to hear cases where claimants disagree with a decision on their Employment Insurance (EI) claims.
- The minister of Employment and Social Development would have the authority to collect and use social insurance numbers to administer or enforce any program or activity for which the minister is responsible.
- The minister of National Revenue would have the authority to provide the minister of Employment and Social Development with information under the Canada Pension Plan (CPP) that was necessary for policy analysis, research or evaluation related to administering the CPP legislation.
- The bill would amend 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.

CRA Announces New T4 Box for CPP Contributions

The Canada Revenue Agency (CRA) has confirmed that it will add new box (16A) to the T4 slip for employers to report employees' second Canada Pension Plan (CPP) contributions.

Beginning in 2024, the federal government will implement a second additional contribution to the CPP as part of its plan to help fund enhancements to CPP retirement benefits. The government began phasing in the enhancement in 2019 by adding a first additional contribution rate to the base rate of 4.95%. It gradually raised the first additional rate from 0.15% to 1% between 2019 and 2023, resulting in a combined base and first additional rate of 5.95% this year. The base and first additional rate apply to pensionable earnings up to the yearly maximum pensionable earnings (YMPE).

The second additional contribution will be 4% each for employers and employees on pensionable earnings between the YMPE and a second earnings ceiling known as the year's additional maximum pensionable earnings (YAMPE). In 2024, the YAMPE will be 107% of the YMPE. In 2025, it will rise to 114% of the YMPE.

Revenu Québec is implementing similar changes to the Quebec Pension Plan.

Beginning with the 2024 tax year, employers will report employees' second additional CPP contributions in new box (16A) on the T4. They will continue to enter base and first additional CPP contributions in box (16). The CRA has not yet announced a new box for reporting pensionable earnings for the second contribution on the T4 beyond the current box ((26)) used to report pensionable earnings for the base and first additional contribution.

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

New CLC Requirements for Employment Statements and Employee Reimbursements in Force

On July 9, 2023, the federal government implemented amendments to the *Canada Labour Code* and Canada Labour Standards Regulations mandating information that employers must provide to new employees and requiring employers to reimburse employees for reasonable work-related expenses.

The provisions were included in the *Budget Implementation Act, 2018, No 2*, which received royal assent December 13, 2018.

The information that employers must provide to new employees includes a written statement about the employee's employment that contains the following information:

- the names of the parties to the employment relationship;
- the employee's job title and a brief description of the duties and responsibilities;
- the employment address;
- the date that the employee began employment;
- the term of employment;
- the probationary period, if there is one;
- the necessary qualifications for the job;
- the required training;
- the employee's hours of work, including how the employer calculates them and the

- employer's rules for overtime hours;
- the employee's rate of wages or salary and the overtime pay rate;
- the frequency of the paydays and any other payments;
- a list of mandatory deductions; and
- information on how the employee can claim reimbursement for reasonable work-related expenses.

Employers must provide the statement to employees within the first 30 days of employment. If there are any changes to the information provided, the employer must give the employee an updated statement within 30 days of the change. Employers must keep a copy of the statement for 36 months after the employee's employment ends and, if the employee requests it, the employer must give the employee additional copies of the statement.

Within the first 30 days of employment, employers must also provide new employees with a copy of any materials from the Labour Ministry that contain information on employers' and employees' rights and obligations under Part III of the Code. Employers must give employees updated materials within 30 days after they are available. Employers must also post and keep posted the most recent version of the materials in readily accessible places where employees are likely to see them. If an employer terminates an employee's employment, the employer must provide the employee with a copy of the most recent version of the materials relating to terminations no later than the employee's last day of work.

Employers must comply with the amendments concerning written employment statements within 90 days after the amendments take effect. Employers must comply with the amendments concerning providing *Canada Labour Code* information material within 90 days after the amendments take effect or the day on which the ministry first makes the materials available, whichever is later.

For reasonable work-related expenses, the amendments specify that employees are entitled to reimbursement and that employers must reimburse them within the time specified in a collective agreement or a written agreement between the employer and the employee. Where no agreement exists, the employer must reimburse the employee within 30 days of the employee submitting a claim for payment.

Exceptions to the reimbursement entitlement apply to expenses that are not eligible for reimbursement under regulations or where employees are required to pay the expense under a collective agreement or a written agreement between the employer and the employee.

The amended regulations set out the following factors that employers must take into account when determining whether an expense is work-related and reasonable: whether the expense is connected to the employee performing work; whether the expense enables the employee to perform work; whether the employer required the employee to incur the expense as a condition of employment or continued employment; whether the employee incurred the expense to meet an occupational health or safety requirement; and whether the employee incurred the expense for a legitimate business purpose and not for personal use or enjoyment.

To determine whether an expense amount is reasonable, employers must consider factors such as: whether the expense is connected to the employee doing their work; whether the expense was

incurred to enable the employee to perform work; whether the employer requested the employee to incur the expense; whether any amount of the expense is incurred beyond the amount necessary for the employee to perform their work; whether employers in similar industries normally reimburse such an expense; whether the employer gave the employee authorization for the expense in advance; whether the employee incurred the expense in good faith; and whether the employee provided receipts or invoices when submitting the claim for payment.

The reimbursement requirements apply to expenses that employees incur on or after the date the amendments came into force.

Amended Federal Labour Standards Regulations Specify Pay Formula for Employees Attending CIRB Hearings

Employment and Social Development Canada (ESDC) has amended the Canada Labour Standards Regulations to clarify how employers calculate pay for the time employees spend appearing before a Canada Industrial Relations Board appeal hearing if the employees are not paid by the hour.

The regulations apply to federally regulated employers and employees.

Under the *Canada Labour Code*, employees summoned to attend a board hearing are entitled to be paid their regular rate of wages for the time they spend at the proceeding that would otherwise be time at work. For hourly paid employees, employers would use the employees' hourly wage rate in the calculation.

The amended regulations, which took effect April 12, 2023, specify how to calculate the wage rate for time spent at the hearings when employees are paid differently (e.g., piece rate, haulage, commission, etc.). If the employee worked at least one hour in the four-week period before the week of the hearing, the amended regulations require employers to divide the wages the employee earned in that four-week period by the number of hours the employee worked, excluding overtime, to calculate the wage rate.

Employers then multiply the resulting wage rate by the number of hours the employee spent before the board to determine the amount of compensation. In doing the calculations, employers must exclude payments such as overtime pay, vacation pay, statutory holiday pay, personal leave pay, pay for leave for victims of family violence, and bereavement leave pay.

If the employee did not work for at least one hour in the four-week period, but did work at least one hour in the preceding four-week period, employers must use the preceding four-week period to calculate the employee's wage rate.

For commission-based employees with at least 12 weeks of service, employers must use a 12-week period instead of a four-week period to determine the wage rate.

If a collective agreement specifies a different formula or sets out a regular wage rate, employers must use the formula or rate in the collective agreement.

In situations where an employee's calculated wage rate is less than the applicable minimum wage rate or an employer cannot calculate the wage rate because it is not required to keep records of hours worked and cannot determine the number of hours worked, the employer must use the minimum wage rate as the employee's rate of wages.

Other amendments allow ESDC's Labour Program to serve employers documents such as payment orders and compliance orders by courier, fax or other electronic methods, in addition to using registered mail and personal service. For employers who are difficult to contact, the Labour Program is now authorized to use an approach called substitutional service, which allows it to serve the documents by leaving a copy of the notice or order at the employer's last known address or place of business.

ESDC has also made related amendments to the Administrative Monetary Penalties (*Canada Labour Code*) Regulations.

For more information on the amendments, see <https://www.canadagazette.gc.ca/rp-pr/p2/2023/2023-04-12/pdf/g2-15708.pdf>.

Reminder: Upcoming Statutory Holidays

Just a reminder... The following dates are statutory holidays:

- Mon., May 22: Alberta; British Columbia; Manitoba; Northwest Territories; Nunavut; Ontario; Quebec; Saskatchewan; Yukon; and under the *Canada Labour Code*—Victoria Day (National Patriots Day in Quebec) (In New Brunswick, the day is a holiday under the *Days of Rest Act*)
- Wed., Jun. 21: Northwest Territories and Yukon—National Indigenous People's Day
- Sat., Jun. 24: Quebec—National Holiday
- Sat., Jul. 1: All jurisdictions—Canada Day (Memorial Day in Newfoundland and Labrador)
- Sun., Jul. 9: Nunavut—Nunavut Day
- Mon., Aug. 7: British Columbia, New Brunswick, Northwest Territories, Nunavut, and Saskatchewan—First Monday in August (The day is also a holiday, although not a statutory holiday, in Alberta. Municipalities in some Canadian jurisdictions may also designate the day as a holiday.)
- Mon., Aug. 21: Yukon—Discovery Day
- Mon., Sept. 4: All jurisdictions—Labour Day
- Sat., Sept. 30: *Canada Labour Code*, British Columbia, Northwest Territories, Nunavut, Prince Edward Island, and Yukon—National Day for Truth and Reconciliation

For information on entitlement to the holidays and how to compensate employees for them, please refer to the applicable jurisdiction in chapter 19, Statutory Holidays.

B.C. Government Proposes New Law for Garnishing Wages

In May, the British Columbia government tabled legislation that would make it easier for people to collect money awarded to them by courts and tribunals, including through wage garnishment.

The changes were included in Bill 27, the *Money Judgment Enforcement Act*, which passed first reading in the provincial legislature on May 1, 2023. The proposed legislation would replace the *Court Order Enforcement Act*.

Provincial Attorney General Niki Sharma said in a news release that the bill would make the process for collecting funds less time consuming and less expensive for people who are awarded a money judgment, but are having trouble collecting it because the person ordered to pay does not voluntarily comply with the ruling. The bill would affect many of the methods used to collect funds in these situations, including garnishing wages, garnishing bank accounts, and seizing personal goods.

The bill proposes to establish a money judgment registry. Individuals would use the registry to request that a civil enforcement officer initiate enforcement of their award instead of having to make multiple applications before a court to pursue collection through various methods. Tribunal orders would be automatically registered and enforced, instead of having to be first registered with the court. The registry would also provide information on previous money judgments, including the current amount owing.

Wage garnishments served on employers would be affected by the new legislation. Currently, wage garnishments served on employers are only in effect for a week. To continue collecting amounts owed through a wage garnishment, the individual owed the money must make a new court application every two weeks. Under the proposed changes, employers would receive only one notice to seize a percentage of an employee's wages and that notice would remain valid indefinitely.

To garnish wages, the bill would require that employers be given a notice of seizure at least five days before the end of the pay period if the pay period to which the payment related is no more than 14 days. For pay periods longer than 14 days, employers would have to receive the notice at least 14 days before the end of the pay period. The notice would apply to the first payment in relation to which the notice is effective and all subsequent payments until the notice is withdrawn. Employers would have to pay the seized income to the civil enforcement officer within seven days after the payment becomes payable, unless regulations set out a different period.

Employee income subject to seizure would be determined after subtracting the following deductions: Canada Pension Plan contributions, Employment Insurance premiums, income tax deductions, compulsory union or professional fees, registered pension plan contributions, health, disability and life insurance premiums, and any other deductions set out in regulations under the Act. Employment income would include employment benefits. Regulations would also specify a percentage of the employee's net income that would be exempt from seizure.

Employers would be prohibited from dismissing, suspending, disciplining, firing, or denying benefits to employees who are the subject of a notice of seizure. Employers who do so would be liable for a fine of not more than \$1,500, imprisonment for up to three months or both. For corporations, the fine would be up to \$10,000. Employers who terminated an employee's employment could also be required to reinstate the employee and pay back wages and benefits,

Once passed, Sharma said the government plans to bring the legislation into force through regulation in 2025.

B.C. Legislature Passes Pay Transparency Legislation

In May, the British Columbia Legislative Assembly passed pay transparency legislation that the government says will help close the gender pay gap in the province.

Bill 13, the *Pay Transparency Act*, received royal assent on May 11, 2023. It requires all employers to include wage or salary ranges on all jobs that they publicly advertise. It also prohibits employers from asking prospective employees for pay history information and from punishing employees who disclosed their pay to co-workers or potential job applicants. The provisions affecting job postings come into force on November 1, 2023. Other provisions took effect on May 11, 2023.

The legislation also requires employers to prepare and publicly post annual reports on their gender pay gap on or before November 1 each year. The requirement will be phased in over several years. Beginning November 1, 2023, it applies to BC Public Service Agency and Crown corporations with more than 1,000 employees. On November 1, 2024, it will apply to all employers with at least 1,000 employees. As of November 1, 2025, the requirement will apply to all employers with at least 300 employees. On November 1, 2026, it will apply to all employers with at least 50 employees. The requirement will apply to smaller employers after 2026.

Beginning in 2024, the Ministry of Finance will publish an annual report by June 1 on gender pay in British Columbia. It will include differences among prescribed groups of individuals in relation to pay, trends in relation to pay differences, and the number of reports of employers not complying with the legislation.

The government is developing regulations that will provide more detail about how employers will be required to report on the pay gap.

B.C. ESA Amendments Entitle Unionized Employees to Statutory Holiday Pay for National Day for Truth and Reconciliation Holiday

In May, the British Columbia Legislative Assembly passed legislation to ensure that unionized workers covered by the *Employment Standards Act* (ESA) are entitled to a paid statutory holiday for the National Day for Truth and Reconciliation.

Earlier this year, the government passed legislation making the day a statutory holiday. It will be observed on September 30 each year.

Bill 24, the *Miscellaneous Statutes Amendment Act (No. 2), 2023*, received royal assent on May 11, 2023. It amends the *Employment Standards Act* to require employers covered by collective agreements to provide their employees with statutory holiday pay on September 30 even if the collective agreement does not include the day as a holiday, but still meets or exceeds the ESA's statutory holiday provisions.

Under the ESA, if a collective agreement contains provisions covering certain parts of the Act, including statutory holidays, and the provisions, when taken together, meet or exceed the Act's requirements when considered together, the collective agreement provisions override the requirements in the Act for employees covered by the collective agreement. The amendment in Bill 24 would ensure that in these situations, the Act's provisions for a paid statutory holiday for the National Day for Truth and Reconciliation would apply to unionized workers.

The amendments also stipulate that the grievance procedure in a collective agreement applies to disputes about the National Day for Truth and Reconciliation statutory holiday.

The *Employment Standards Act* amendments came into force on royal assent.

Reminder: B.C. Minimum Wage Rates Going up June 1

Just a reminder...Effective June 1, 2023, the provincial government will raise the general minimum wage rate from \$15.65 an hour to \$16.75.

The rate increase is tied to the province's average annual inflation rate.

Other minimum wage rates will also rise on June 1, 2023:

- Live-in camp leaders: \$133.69/day or partial day worked (currently \$125.06)
- Live-in home support workers: \$124.73/day or partial day worked (currently \$116.68)
- Resident caretakers working in apartment buildings with nine to 60 suites: \$1,002.53/month plus \$40.17/suite (currently \$937.82/month plus \$37.58/suite)
- Resident caretakers working in apartment buildings with more than 60 suites: \$3,414.85/month (currently \$3,194.43).

The minimum piece rates for farm workers who hand-harvest certain crops will rise on January 1, 2024. For more information, see <https://www2.gov.bc.ca/gov/content/employment-business/employment-standards-advice/employment-standards/hiring/farm-workers>.

B.C. Statutory Holiday Pay Rates Rise for Certain Excluded Employees

In April, the British Columbia government raised the statutory holiday pay rate for certain employees excluded from the statutory holiday provisions in the provincial *Employment Standards Act*.

Commission-based salespersons who sell automobiles or trucks or sell leases for them are exempted from the Act's statutory holiday requirements if their employer pays them a prescribed

amount of gross earnings each pay in place of statutory holiday pay. Effective April 24, 2023, the government raised the prescribed amount from 4% of gross earnings to 4.4%.

Silviculture workers are excluded from the Act's statutory holiday provisions (except for substituting statutory holidays) if their employer pays them a prescribed amount of gross earnings each pay in place of statutory holiday pay or a prescribed piece rate for workers paid on a piece-rate basis. Effective April 24, 2023, the government raised the prescribed amount from 4% of gross earnings to 4.4% and the prescribed piece rate from 1.04 to 1.044.

Reminder: Proposed Quebec Tax Rate Changes take Effect Jul. 1

Just a reminder... Effective July 1, 2023, the Quebec government proposes to implement payroll-related personal income tax changes.

The 2023-2024 provincial budget, released on March 21, 2023, proposed reducing the tax rates for the first two taxable income brackets, effective for the 2023 tax year, with the changes applying to payments made after June 30, 2023. The rate for the first income bracket would go down from 15% to 14%, while the rate for the second income bracket would decrease from 20% to 19%. The tax rates for the remaining two income brackets would not change.

The budget also included the following rate reductions:

- The tax rates for lump-sum payments (e.g., retiring allowances, certain payments from a pension plan or deferred profit sharing plan, etc.) would decrease from 15% to 14% for single payments that do not exceed \$5,000 and from 20% to 19% for payments that are more than \$5,000. The change would apply to payments made after June 30, 2023.
- The conversion rate used to calculate certain personal tax credits claimed on a *Source Deductions Return* (TP-1015.3-V) would decrease from 15% to 14%. In addition, the government plans to raise the maximum amount that employees may claim on the *Source Deductions Return* for certain personal income tax credits in 2023 to ensure that the amount that they can claim is not reduced because the conversion rate is reduced.
- The tax rate used to calculate income tax deductions on a bonus or a retroactive pay increase for employees whose estimated annual pay, including the bonus or retroactive increase, does not exceed an annual threshold (\$17,183 for 2023) would decrease from 8% to 7%. The change would apply to amounts paid after June 30, 2023.
- The amount used to calculate tax credits for volunteer firefighters and search and rescue volunteers would increase from \$3,000 to \$5,000, effective for the 2023 tax year. Beginning in 2024, the amount would be indexed. With the government proposing to reduce the tax rate for the first taxable income bracket from 15% to 14%, the rate used to determine the tax credits for volunteer firefighters and search and rescue volunteers would also decrease from 15% to 14%.

Revenu Québec will publish updated source deduction tables and formulas for Quebec income tax that will apply as of July 1, 2023 to incorporate the tax rate reductions and their mid-year implementation.

For more information on the proposed changes, please see the March 21, 2023 Quebec

Provincial Budget Bulletin in the Budget Bulletin section.

N.W.T. Government Reviewing ESA

The Northwest Territories government is reviewing the territory's *Employment Standards Act* to ensure that it is keeping up with changes in the way people work.

In April, the government announced that it had launched an online survey to gather public opinion on the legislation to ensure “efficiency, understanding and compliance, as well as to ensure that the legislation is on par with the minimum standards of employment in other Canadian jurisdictions.”

The survey asked for feedback on topics such as paid sick leave, flexible work arrangements, leaves of absence, statutory holidays, vacation pay, and protections for gig workers and dependent contractors. The deadline for completing the survey is May 21, 2023.

To complete the survey, see <https://haveyoursay.nwt-tno.ca/employment-standards-act-review>.

In addition to the survey, the government said it would consult with stakeholders, and summarize the findings in a What We Heard Report before moving ahead with any amendments to the Act.

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

P.E.I. Government Pledges to Raise Basic Personal Amount and Reform Tax System

In May, Prince Edward Island's newly elected government pledged to implement income tax changes in the province.

In its Speech from the Throne to open the first session of the 67th General Assembly on May 11, 2023, the government announced that it would raise the basic personal amount to \$15,000 over the next four years. The amount is currently \$12,000.

The throne speech also included a promise to reform the province's income tax system to make it fairer. The government did not elaborate on possible changes.

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down from 15% to 14%, while the rate for the second income bracket would decrease from 20% to 19%. The tax rates for the remaining two income brackets would not change.

The budget also included the following rate reductions:

- The tax rates for lump-sum payments (e.g., retiring allowances, certain payments from a pension plan or deferred profit sharing plan, etc.) would decrease from 15% to 14% for single payments that do not exceed \$5,000 and from 20% to 19% for payments that are more than \$5,000. The change would apply to payments made after June 30, 2023.
- The conversion rate used to calculate certain personal tax credits claimed on a *Source Deductions Return* (TP-1015.3-V) would decrease from 15% to 14%. In addition, the government plans to raise the maximum amount that employees may claim on the *Source Deductions Return* for certain personal income tax credits in 2023 to ensure that the amount that they can claim is not reduced because the conversion rate is reduced.
- The tax rate used to calculate income tax deductions on a bonus or a retroactive pay increase for employees whose estimated annual pay, including the bonus or retroactive increase, does not exceed an annual threshold (\$17,183 for 2023) would decrease from 8% to 7%. The change would apply to amounts paid after June 30, 2023.
- The amount used to calculate tax credits for volunteer firefighters and search and rescue volunteers would increase from \$3,000 to \$5,000, effective for the 2023 tax year. Beginning in 2024, the amount would be indexed. With the government proposing to reduce the tax rate for the first taxable income bracket from 15% to 14%, the rate used to determine the tax credits for volunteer firefighters and search and rescue volunteers would also decrease from 15% to 14%.

Revenu Québec has published updated source deduction tables and formulas for Quebec income tax that apply as of July 1, 2023 to incorporate the tax rate reductions. Income tax reductions for the first part of the year will generally be calculated when employees file their 2023 provincial income tax return.

For more information on the proposed changes, please see the March 21, 2023 Quebec Provincial Budget Bulletin in the Budget Bulletin section.

Reminder: Quebec Minimum Wage Increased May 1

Just a reminder... The province's general minimum wage rate rose from \$14.25 an hour to \$15.25 on May 1, 2023.

Other minimum wage rates in Quebec also went up on May 1, 2023:

- Employees who receive tips: \$12.20/hour (previously \$11.40)
- Raspberry pickers: \$4.53/kilogram (previously \$4.23)
- Strawberry pickers: \$1.21/kilogram (previously \$1.13)

Saskatchewan Legislature Passes Bill to Establish Provincial Revenue Agency

In May, the Legislative Assembly of Saskatchewan passed legislation to establish a framework for a provincial revenue agency.

Bill 122, *The Saskatchewan Revenue Agency Act*, passed third reading on May 9, 2023 and received royal assent on May 17, 2023. It is not yet in effect. If brought into force, the Act would give the agency the authority to administer taxes and related programs in the province and eventually take control of the provincial portion of the corporate income tax system from the federal government. The Saskatchewan government has not said if the agency would administer the provincial personal income tax system, now handled by the Canada Revenue Agency. The government has said that it would take multiple years to set up the agency.

We will continue to monitor this story and will report on further developments in upcoming releases. For more information on the bill, see <https://www.legassembly.sk.ca/media/1398/progress-of-bills.pdf>.

Yukon Government Launches New Paid Sick Leave Rebate Program

In April, the Yukon government launched a new paid sick leave rebate program that reimburses employers who provide paid sick leave for eligible employees.

The program, which runs from April 1, 2023 to March 31, 2025, provides rebates for up to 40 hours of paid sick leave per 12-month period. It applies to all illnesses, including COVID-19, and injuries not covered by another act, benefit or program.

Employees are eligible for the program if they have worked for their employer for at least 90 days, earn no more than \$33.94 per hour and do not have access to 40 hours of paid sick leave through their employer. Returning seasonal workers who are Yukon residents may count days worked in previous seasons when calculating the 90 days.

The rebate replaces a previous paid sick leave program for COVID-19, which expired at the end of March. Any unused sick leave from that program cannot be carried over to the new rebate.

Under the program, employers continue paying employees when they are off sick. The employers then apply to the government for a rebate to cover the wage costs. To receive the rebate, employers must provide documentation to confirm their eligibility, such as their business license or society registration and a copy of the employee's most recent pay stub. They must also affirm that the employee could not work due to illness and that they are using the program in good faith. Employers must submit the application and supporting documents within 30 days of the claimed leave period and within 60 days of claimed dates in April 2023.

Employers with established paid sick leave programs of 40 hours or more are not eligible for the rebate. Also ineligible are employers with such programs that reduced or eliminated them on or after April 25, 2023.

The program does not cover employees who are receiving wages during the sick leave period for reasons other than sick leave, such as vacation pay or workers' compensation benefits. Also excluded are workers who have scheduled hours that are beyond the average daily hours of the previous four weeks. The rebate also does not cover overtime as defined under the *Employment*

Standards Act.

The government has allocated funding to pay for the program for two one-year periods. The 40 hours of sick pay apply on a 12-month basis from April 1, 2023 to March 31, 2024 and from April 1, 2024 to March 31, 2025. Unused hours in one program year expire at the end of that year and cannot be transferred to a future year. The program will not pay out any unused sick leave entitlements to employers.

The program also provides a rebate for self-employed workers.

Payroll Q & A

Question: Are all hours paid for a statutory holiday insurable for Employment Insurance purposes? I need to complete *Records of Employment* (ROEs) for some employees and I'm not sure how to handle statutory holiday hours.

Answer: In most cases, statutory holiday hours are insurable if the holiday occurs before the date entered in Block 11 ("Last day for which paid") on an ROE. If the holiday falls after that date, whether the hours are insurable will depend on whether the employee's termination is final.

If the employee's departure is final and the statutory holiday comes after the date entered in Block 11, do not include the paid statutory holiday hours in the employee's total insurable hours in Block 15A. Service Canada considers an employee departure to be final when an employee is dismissed, a business closes, the employee's job ends due to a restructuring, or the employee quits.

If the employee's departure is not final and the statutory holiday comes after the date entered in Block 11, the hours paid for the statutory holiday are included in the employee's total insurable hours in Block 15A. Service Canada considers an employee departure not to be final when the employer-employee relationship is expected to continue at some point in the future, such as the employer planning to bring the employee back after a temporary layoff or the employee planning to return to work after taking a leave of absence.

In all situations, statutory holiday pay must be included in the employee's insurable earnings reported in Block 15B. If the statutory holiday took place before the date reported in Block 11, include the statutory holiday pay in the pay period during which the employee earned the statutory holiday pay.

If the statutory holiday fell after the date entered in Block 11, include the statutory holiday pay in the final pay period.