

2021 CPP Maximum Announced

The Canada Revenue Agency has announced that the maximum pensionable earnings for the Canada Pension Plan (CPP) will rise from \$58,700 to \$61,600 for 2021.

Effective January 1, 2021, the following rates and maximums will apply:

Maximum pensionable earnings:	\$61,600.00
Annual Basic exemption:	\$3,500.00
Maximum contributory earnings:	\$58,100.00
Contribution rate (employee and employer):	5.45%
Maximum employee contribution:	\$3,166.45
Maximum employer contribution:	\$3,166.45

On January 1, 2019, the federal government began implementing changes to the CPP that will gradually increase the plan's income replacement level for retirement benefits from one-quarter of eligible earnings to one third and raise post-retirement benefits and survivor and disability pensions. To fund the benefit improvements, between 2019 and 2023, the government is gradually increasing CPP contributions from 4.95% to 5.95% for earnings up to the yearly maximum pensionable earnings (YMPE). Beginning in 2024, the government will implement a new second additional contribution rate of 4% each for employers and employees on pensionable earnings between the YMPE and a new upper earnings limit. In 2024, the new upper earnings limit will be 107 per cent of the YMPE. In 2025, it will rise to 114 per cent of the YMPE.

Fourth 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 October 1, 2020 to December 31, 2020. The rate is unchanged from the previous quarter.

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

Reminder: Remembrance Day is a Statutory Holiday in most Jurisdictions

Just a reminder... Wednesday, November 11, 2020, Remembrance Day, is a statutory holiday under employment/labour standards laws in the following jurisdictions: Alberta, British Columbia, New Brunswick, Newfoundland and Labrador, Northwest Territories, Nunavut, Prince Edward Island, Saskatchewan, and Yukon, as well as under the *Canada Labour Code*. In Manitoba and Nova Scotia, Remembrance Day is a holiday under each jurisdiction's *Remembrance Day Act*. As a result, the holiday is treated in a different way than holidays under employment/labour standards laws. In both jurisdictions, employers are not required to pay employees who do not work on Remembrance Day.

In Manitoba, if employees work on Remembrance Day, their employer must pay them at least 1.5 times their regular rate for at least half of their normal work hours. In addition, employers must pay them a regular day's pay for working on Remembrance Day. If employees work more than their normal hours, their employer must pay them at least 1.5 times their regular rate for all hours worked that day plus pay them a regular day's pay.

In Nova Scotia, if employees work on Remembrance Day, their employer must pay them their regular wages for the hours worked. If the employees are entitled to receive wages for at least 15 of the 30 calendar days right before Remembrance Day and they work on November 11, the employer must also give them another day off with pay on the working day immediately following their next annual vacation or on a mutually agreed upon date.

For information on entitlement to the holiday and how to compensate employees for it, please refer to the applicable jurisdiction in [chapter 19](#), Statutory Holidays.

Reminder: Upcoming Statutory Holidays

Just a reminder... Friday, December 25, 2020, Christmas, is a statutory holiday in all Canadian jurisdictions. Saturday, December 26, Boxing Day, is a statutory holiday under the *Canada Labour Code* and the *Ontario Employment Standards Act, 2000*. Friday, January 1, 2021, New Year's Day, is a statutory holiday in all Canadian jurisdictions. In Quebec, January 2, 2021 is a bank holiday. The holiday will be observed on Monday, January 4, 2021. For information on entitlement to statutory holidays and how to compensate employees for them, please refer to the applicable jurisdiction in chapter 19, Statutory Holidays.

2021 Maximum Assessable/Insurable Earnings

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

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)

Alberta Employment Standards Amendments in Force

Changes to employment standards rules in Alberta affecting payroll deductions for overpayments, statutory holiday pay, and termination pay come into force on November 1, 2020.

The amendments were included in Bill 32, the *Restoring Balance in Alberta's Workplaces Act, 2020*, which received royal assent on July 29, 2020.

Amendments that take effect November 1, 2020 include the following changes:

- **Payroll Deductions:** Employers are now allowed to make deductions from employees' pay to correct overpayments due to payroll calculation errors and to recover vacation pay paid in advance of entitlement, without first having to obtain an employee's written permission. Employers must notify employees in writing before making the deduction. For deductions relating to overpayments of earnings, employers are limited to overpayments occurring within six months.
- **Statutory holiday pay:** Vacation pay and statutory holiday pay are no longer included in an employee's average daily wage for calculating statutory holiday pay. Previously, average daily wage was calculated as 5% of the wages, vacation pay, and statutory holiday pay that an employee earned in the four weeks immediately before a statutory holiday. Under the new rules, average daily wage for statutory holidays is calculated by averaging an employee's total wages over the number of days that the employee worked in either the four-week period right before the holiday or the four-week period that ends on the last day of the pay period right before the holiday, whichever the employer selects.
- **Averaging hours:** The amendments replace averaging agreements with averaging arrangements, which allow employers to set up or change an hours of work averaging arrangement without needing an employee's consent, as long as the employer gives the employee at least two weeks' notice and the arrangement is in writing. Employers may have averaging periods of up to 52 weeks with an averaging arrangement, although they may apply to have them last for longer periods. Previously, the Code set a maximum of 12 weeks for averaging periods under averaging agreements. With an averaging arrangement, employers are not required to provide daily overtime unless it is included under the averaging arrangement. Weekly overtime requirements will continue to apply.
- **Rest periods:** Employers are required to provide employees with at least one 30-minute rest period if they work a shift longer than five hours, but less than 10 hours. If the shift is 10 hours or more, employees are entitled to at least two 30-minute rest periods. Previously, the Code required employers to provide employees who work five or more hours with at least one 30-minute break every five hours. It remains up to employers to determine whether to pay employees for rest periods. The amended provisions also continue to allow employees to take a rest period in two periods of at least 15 minutes each if they and their employer agree to it. Employees may take rest periods at a time at which they and their employer agree; however, if there is no agreement, the employer may choose the time for the rest period. When selecting a time, the employer must ensure that the rest period is provided within or immediately after the first five hours of the shift. For shifts lasting 10 or more hours, the second rest period must occur after the first five hours of the shift.

- **Vacation:** The amendments clarify that employees continue to accrue vacation time when they are on a leave of absence allowed under the Code.
- **Terminations:** When paying wages upon termination, employers may choose between two timeframes for paying employees' earnings: within 10 consecutive days after the end of the pay period in which the termination occurs or within 31 consecutive days after the employee's last day of employment. The new rules apply for both employer- and employee-initiated terminations and regardless of whether notice of termination was required. Previously, the Code set out different payment timeframes, based on whether the employer or the employee initiated the termination and whether notice of termination was required and/or given.
- **Temporary Layoffs:** Employers are no longer required to provide employees with a minimum amount of advance notice of a temporary layoff based on their length of service.

The government also amended employment standards regulations to:

- clarify that employers may provide employees with electronic pay statements, as long as the employee has confidential access to it and is able to print a paper copy of it,
- expand the types of jobs that 13- and 14-year-olds can do by removing permit requirements, and
- allow the director of Employment Standards to lower employer penalties on a case-by-case basis and give employers more time to pay the penalties.

Reminder: 2020 BC EHT Instalment Payment Due Next Month

Just a reminder... The provincial 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.

Christmas*	December 25
Boxing Day	December 26

**Note: These days are also statutory holidays under the province's Labour Standards Act.*

In addition to these days, the Act specifies that holidays include Regatta Day in St. John's and Harbour Grace and any day fixed as a civic holiday by other municipalities.

Ontario Provincial Budget

Ontario Finance Minister Rod Phillips delivered the 2020 provincial budget on November 5, 2020. The budget contains the following highlights that will be of interest to payroll professionals:

1. No Payroll-related Personal Income Tax Changes Proposed

The budget did not propose any changes to personal income tax rates or income brackets.

2. EHT Payroll Exemption to Remain \$1 Million

The budget proposes to permanently increase the payroll exemption for the Employer Health Tax (EHT) from \$490,000 to \$1 million, beginning January 1, 2021. The government announced earlier this year that it would temporarily raise the exemption to \$1 million for 2020 to help employers cope with the financial challenges caused by the Coronavirus disease 2019 (COVID-19) pandemic.

The budget also proposes to increase a payroll threshold used to determine whether employers subject to the EHT must pay it in monthly installments. Beginning in 2021, the threshold would rise from \$600,000 to \$1.2 million. Employers whose annual Ontario payroll is below the threshold would pay the EHT when they filed their annual returns.

The budget also proposes to delay the date that the EHT exemption is adjusted for inflation. Normally, it occurs every five years, with the next adjustment scheduled for 2024. Instead, the budget proposes that the adjustment not occur until January 1, 2029.

3. FYI Announcements

- **Developing a framework for target benefit plans:** The budget proposes to amend the province's *Pension Benefits Act* as part of its plan to continue developing a framework for target benefit plans. Target benefit plans combine features of defined benefit and defined contribution pension plans.

More information on these proposals can be found on the Ministry of Finance's website at <https://budget.ontario.ca/2020/index.html>.

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

P.E.I. Minimum Wage Rate Going Up

The minimum wage rate in Prince Edward Island will rise from \$12.85 an hour to \$13.00 on April 1, 2021, the provincial government recently announced.

The rate change is a result of an annual minimum wage review that P.E.I.'s Employment Standards Board carries out every year. In its review report, the board also recommended that the

maximum amounts that employers can deduct from employees' wages if they provide board and lodging remain at their 2020 levels, with the exception of single meals. The board recommended that the government raise the maximum amount for single meals from \$4.13 to \$4.25, effective April 1, 2021.

The board also recommended that the government carry out a comprehensive review of the province's *Employment Standards Act*.

2021 QPP Maximum Announced

Revenu Québec has announced that the maximum pensionable earnings for the Quebec Pension Plan (QPP) will rise from \$58,700 to \$61,600 for 2021.

Effective January 1, 2021, the following rates and maximums will apply:

Maximum pensionable earnings:	\$61,600.00
Annual Basic exemption:	\$3,500.00
Maximum contributory earnings:	\$58,100.00
Contribution rate (employee and employer):	5.9%
Maximum employee contribution:	\$3,427.90
Maximum employer contribution:	\$3,427.90

On January 1, 2019, the Quebec government began implementing changes to the QPP that will gradually increase the plan's income replacement level for retirement benefits from one-quarter of eligible earnings to one third and raise post-retirement benefits and survivor and disability pensions. To fund the benefit improvements, between 2019 and 2023, the government is gradually increasing CPP contributions from 5.4% to 6.4% for earnings up to the yearly maximum pensionable earnings (YMPE). Beginning in 2024, the government will implement a new second additional contribution rate of 4% each for employers and employees on pensionable earnings between the YMPE and a new upper earnings limit. In 2024, the new upper earnings limit will be 107 per cent of the YMPE. In 2025, it will rise to 114 per cent of the YMPE.

QPIP Maximum Insurable Earnings Increasing in 2021

The maximum insurable earnings amount for the Quebec Parental Insurance Plan (QPIP) will increase from \$78,500 to \$83,500 on January 1, 2021, Revenu Québec said.

As previously announced, employee and the employer QPIP premium rates will remain at their 2020 levels. As a result, the rate for employees will remain 0.494% in 2021, while the rate for employers will stay at 0.692%.

Effective January 1, 2021, the following rates and maximums will apply:

Maximum insurable earnings:	\$83,500
Employee premium rate:	0.494%
Employer premium rate:	0.692%

Yearly maximum employee premium payment: \$412.49
Yearly maximum employer premium payment: \$577.82

Quebec Labour Standards Amendments Increase Parental Leave

Beginning January 1, 2021, the number of weeks of parental leave that Quebec employees may take will increase from 52 weeks to 65 weeks.

The change to parental leave was included during a legislative review of Bill 51, *An Act mainly to improve the flexibility of the parental insurance plan in order to promote family-work balance*. The government tabled the bill last fall. It passed, with amendments, in the National Assembly on October 27, 2020 and was assented to October 29, 2020.

While the bill focused on increasing the number of weeks of benefits available under the Quebec Parental Insurance Plan (QPIP) in certain situations, it did include amendments to the *Act respecting labour standards*. In addition to increasing the number of weeks of parental leave for parents of a newborn child, the amendments will:

- extend the period in which employees may take maternity leave from 18 weeks after the week of delivery to 20 weeks afterwards,
- extend the period in which employees may take paternity leave from 52 weeks after the week of the birth to 78 weeks afterwards, and
- extend the period in which employees may take parental leave from 70 weeks after the birth or adoption to 78 weeks afterwards.

The labour standards changes will apply to births that occur on or after January 1, 2021. For adoptions, they will apply where the child arrives into the care of one of the parents on or after January 1, 2021,

Payroll Q & A

Question: I have heard that the Canada Revenue Agency (CRA) is adding new reporting requirements related to COVID-19 to its T4s for 2020 year end reporting. What are the new requirements and do they apply to all employers?

Answer: Yes, the CRA is implementing new T4 reporting requirements related to COVID-19 and they apply to all employers. For 2020 tax year reporting, employers will be required to use the following codes when reporting employment income and retroactive payments made in certain periods in 2020:

- Code 57: Employment income—March 15, 2020 to May 9, 2020
- Code 58: Employment income—May 10, 2020 to July 4, 2020
- Code 59: Employment Income—July 5, 2020 to August 29, 2020
- Code 60: Employment income—August 30, 2020 to September 26, 2020

The CRA says the requirements will help it verify federal government payments for the Canada Emergency Wage Subsidy (CEWS), the Canada Emergency Response Benefit (CERB), and the Canada Emergency Student Benefit (CESB). Eligibility for the payments is based on

employment income in defined periods.

Employers will still be required to report employment income in box (14) and, if applicable, under code 71 (Indian (exempt income)—Employment).