

Federal Budget 2015 Disappointing from Red Tape Reduction and Payroll Compliance Perspective, says Canadian Payroll Association.

OTTAWA (April 21, 2015) -- Federal Budget 2015, tabled by Finance Minister Joe Oliver, contained no increases to personal income tax rates, but introduced direct and indirect measures impacting payroll and outlined the government's efforts to combat the underground economy.

Proposed Measures Directly Impacting Payroll:

- Lowering the Employment Insurance premium rate in 2017
- Extending compassionate care benefits
- A quarterly remitter category for new employers
- Federal adoption of the business number as a common business identifier
- Enhanced CRA service options
- Streamlining withholding requirements for non-resident employers
- Modernizing the *Canada Labour Code* (for federally regulated employers)
- Working While on Claim Pilot extended to August 2016

Lowering the Employment Insurance Premium Rate in 2017

In 2017, the Government will implement the seven-year break-even Employment Insurance (EI) premium rate-setting mechanism, which will ensure that EI premiums are no higher than needed to pay for the EI program over time. Any cumulative surplus recorded in the EI Operating Account will be returned to employers and employees through lower EI premium rates once the new mechanism takes effect. This initiative is expected to result in a 21 percent reduction in the EI premium rate, from \$1.88 in 2016 to an estimated \$1.49 in 2017.

Extending Compassionate Care Benefits

Through the EI program, Compassionate Care Benefits provide financial assistance to people who have to be away from work temporarily to care for a family member that is gravely ill with a significant risk of death. The Government proposes to extend the duration of Compassionate Care Benefits from the current six-week benefit period to a benefit period of six months, as of January 2016.

A Quarterly Remitter Category for New Employers

Currently, new employers must remit withholdings monthly for at least one year, which can be onerous. Budget 2015 proposes to reduce the number of remittance payments that new employers must prepare and submit to the CRA. Beginning in 2016, new employers will be eligible for quarterly remitting if they have monthly withholdings of less than \$1,000 and maintain a perfect compliance record in respect of their tax obligations. This measure will not affect the amount of tax owing, just the timing of the payments. This amount of withholdings corresponds to the withholdings related to one employee at a salary of up to \$43,500, depending on the province of residence.

"While the Canadian Payroll Association has been supporting the government's goal of reducing red tape for over a decade, the focus on micro and small employers with straightforward payrolls

seems unbalanced when larger employers annually pay billions of dollars in undue administrative burden such as paper T4s and Requests for Payroll Information,” says Patrick Culhane, President of the Canadian Payroll Association.

Missed Opportunity to Enable Employers to Save Over \$100 Million Annually

While the Budget 2015 introduced measures to improve electronic services and to protect Canada’s environment, the Canadian Payroll Association is disappointed that the Federal Government did not introduce payroll-related measures to enable employers to issue electronic T4s to employees as the standard process. The Canadian Payroll Association recommended this sustainable economic step to reduce paper and financial burden for employers, government and employees in its pre-budget consultation submission to Minister Oliver.

“Providing employers with the legislative change to provide electronic T4s to employees as the standard practice, rather than paper, would negate the need for distributing and storing millions of paper T4 slips for employees who do not require a paper copy and could provide employers annual savings of over \$100 million — at no cost to government,” says Culhane. “It is ridiculous that the government is using eT4s as the standard for its 250,000 employees but not enabling employers to do the same.”

Streamlining Withholding Requirements for Non-Resident Employers

Budget 2015 proposes an exception to income tax withholding obligations for qualifying non-resident employers for payments made after 2015 to a non-resident qualifying employee who has an exemption from Canadian income tax because of a tax treaty and who is not in Canada for 90 or more days in any 12-month period that includes the time of the payment. Although a qualifying non-resident employer will not be obligated to withhold tax under these circumstances, it will continue to be responsible for its reporting requirements under the *Income Tax Act*.

Modernizing the *Canada Labour Code* (for federally regulated employers)

The government plans to introduce amendments to strengthen and simplify administration and enforcement of the *Canada Labour Code (CLC)*. These amendments will provide for new short-term and long-term unpaid leaves for family responsibilities and enhanced bereavement leave, to provide employees with increased flexibility to balance work and informal caregiving obligations in times of need.

Other Potential Impacts on Payroll:

Other components of the 2015 Federal Budget that may affect payroll include:

- Tax-Free Savings Account annual contribution increase to \$10,000
- Canadian labour market enhancements (e.g. Temporary Foreign Worker Program)
- Financial Literacy Strategy national introduction

“The Canadian Payroll Association supports the introduction of a national Financial Literacy Strategy and proposes employers use the Association’s Pay Statement Best Practice Guidelines to promote financial literacy of employees regarding their statutory deductions,” says Rachel DeGrâce, the Canadian Payroll Association’s Manager of Advocacy and Legislative Content.

Efforts to Combat the Underground Economy

To support the Canada Revenue Agency's (CRA) efforts to ensure taxpayer compliance, Budget 2015 proposes to expand and enhance programs to identify and combat the underground economy, including the use of advanced analytics and working with provincial governments to address local sectors participating in the underground economy.

The Canadian Payroll Association's Patrick Culhane is a member of the CRA's Underground Economy Advisory Committee, whose goal is to reduce the social acceptability of, and participation in, the underground economy in order to protect the fairness and integrity of the tax and benefit system, to protect the tax revenue base overall, and to ensure a level playing field for all employers and taxpayers.

The Advisory Committee's mandate is consistent with the Government of Canada's commitments under the Red Tape Reduction Action Plan. This commitment includes seeking to simplify taxpayers' overall dealings with the CRA, using risk-based approaches to focus on the most egregious cases, and using innovative techniques to improve administrative effectiveness and reduce the tax compliance burden for taxpayers.

Canada's 1.5 million employers count on payroll professionals to annually pay \$865 billion in wages and taxable benefits, \$290 billion in federal and provincial statutory remittances, and \$163 billion in health and retirement benefits, as well as produce 26 million T4s, 9 million T4As, and 7 million RL-1s, all while complying with over 190 regulatory requirements.

About the Canadian Payroll Association:

Since 1978, the Canadian Payroll Association (CPA) has annually influenced the payroll compliance practices and processes of over five hundred thousand organizational payrolls. As the authoritative source of Canadian payroll compliance knowledge, the CPA promotes payroll compliance through advocacy and education. For more information on the Association's [Professional Development Seminars](#), [Certification Programs](#), and the [Benefits of Membership](#) visit payroll.ca.

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