

## Federal Budget 2016 Misses Opportunity to Reduce Paper and Cost Burden

**TORONTO (March 24, 2016)** – [The Canadian Payroll Association](#) (CPA) is frustrated by the Federal government’s failure to reduce employers’ paper and cost burden in its 2016 Budget. The 2016 Federal Budget, tabled on March 22 by Finance Minister Bill Morneau, introduced several measures impacting [payroll](#), but failed to include changes enabling employers to increase productivity and save over \$100 million annually by providing [electronic T4s](#) (e-T4s) as the standard delivery method to employees.

### Among the proposed measures from the 2016 Federal Budget that affect payroll:

- Changes to the Employment Insurance (EI) Program
  - Administration of EI Waiting Period
  - Increased Flexibility of Compassionate Care and Parental Leave Benefits
  - Expanded Access to Employment Insurance for New Entrants and Re-entrants
  - Extending the Working While On Claim Pilot Project
  - Extending Employment Insurance Regular Benefits in Affected Regions
  - Increased Co-op Placements and Strengthened Work Integrated Learning
  - Maximum Duration of Work-Sharing Agreements Extended
- Review of Efficiency and Fairness of Tax System
- Crackdown on Tax Evasion and Tax Avoidance
- Deductions for Northern Residents
- Elimination of the Education Tax Credit and the Textbook Tax Credit
- Restored Labour-Sponsored Venture Capital Corporations Tax Credit

### CPA Monitoring EI Modernization Measures

Budget 2016 proposes \$75.2 million over two years to support the replacement of older platforms with Government-wide systems. The CPA’s EI Administration Efficiency Task Force has been providing the Federal government with feedback stressing that EI-related administrative burden must be reduced for employers.

### CPA Concerned With Administration of Employment Insurance (EI) Waiting Period

Under the current EI program, claimants must wait two weeks before they can start receiving EI benefits. The waiting period is a deductible like other types of insurance. Budget 2016 proposes legislative changes to reduce the EI waiting period from two weeks to one week, effective January 1, 2017. The CPA’s expectation is that Employment and Development Service Canada (ESDC) will streamline internal payment processes through EI Modernization to accommodate this proposed change and minimize the impact to employers.

## **Missed Opportunity on Electronic T4 Delivery is Lose-Lose for Employers and Government**

Since Budget 2010, the CPA has supported the Federal government's cost-saving initiative that requires every employer filing more than 50 T4 slips to provide them to the CRA electronically. Unfortunately, Budget 2016 did not enable employers to harness these same efficiencies by distributing the employee's copy of the T4 electronically as the standard delivery method. The CPA has advocated for five years that this would provide over \$100 million in annual cost-savings to employers and reduce financial and administrative burden for both employers and employees – at no cost to the government.

A 2015 CPA survey showed that 97% of employees prefer or are neutral to receiving T4s electronically. According to the Canada Revenue Agency (CRA), 88% of the 26 million T4s produced in 2014 were filed by employers electronically. With 86% of Canadians filing their personal tax returns electronically with the CRA, there is no need for employers to administer, print, mail and file 22 of the 26 million T4 slips because paper copies are not used.

"In the CPA's numerous consultations with government representatives during the last five years, we provided fact-based market research to outline the benefits of e-T4s for all stakeholders," said Patrick Culhane, President and CEO of the Canadian Payroll Association. "The CPA has been advocating for this change for years and we are disappointed that the Federal government has not moved forward with this huge paper burden reduction, especially when the government distributes electronic T4s to its quarter-million employees."

## **CPA Continues to Advocate for Administrative and Regulatory Efficiencies**

The CPA advocated for key measures in pre-Budget consultations with the government—including electronic T4s and a re-instatement of the retiree life insurance threshold—measures which would improve the efficiency and effectiveness of regulatory administration for all stakeholders while increasing compliance with government regulations. The CPA has worked closely with the CRA to champion these changes on behalf of Canadian employers. Canada's 1.5 million employers annually pay over \$901 billion in wages and taxable benefits, and remit over \$305 billion to federal and provincial governments. Payroll remittances represent over 60% of federal government revenues and are significantly higher than corporate and consumption taxes combined.

## **Opportunity to Provide Retiree Life Insurance Threshold Overlooked**

Budget 2016 also made no move to re-instate a modest \$25,000 threshold for retiree life insurance. A \$25,000 threshold for all Canadian taxpayers was in place prior to 1995 and the United States currently has a \$50,000 tax-free insurance benefit threshold. The CPA's 2015 Employment and Retirement Benefits Survey of nearly 4,000 members identified that 62% of retirees are covered under life policies of \$25,000 or less. T4As are currently generated to report very small amounts of taxable benefits provided to retired employees for life insurance policies. Canada's aging population would benefit from a tax-free insurance coverage equivalent to the cost of an average funeral.

Introducing a threshold for retirees would forgo a maximum of \$1.65 per month of government tax revenue for retirees covered under policies up to \$25,000 – which is less than the cost for the CRA to process and audit these information returns, and would dramatically reduce the administrative and financial burden for employers, the CRA, and retirees.

### **No Adjustments to Taxable Benefits Thresholds**

The Federal Government did not take any action on adjusting taxable benefit thresholds for inflation. For example, the \$650 moving allowance, which has not been revised since 1984, currently reflects an unrealistically low reimbursement for moving costs. The threshold has not been adjusted for inflation and reasonableness. In the CPA's pre-Budget consultation to the Ministry of Finance, the Canadian Payroll Association recommended an amount equivalent to two weeks of the employee's salary. This change would also align with Revenue Québec's policy and better reflect realistic relocation costs.

The Canadian Payroll Association will continue to monitor all changes arising from Budget 2016 and will advise employers on any administrative, legislative or regulatory compliance requirements affecting payroll. The CPA's full Federal Budget commentary is available to its members in English and French through its [e-Source Compliance Bulletin](#). To learn more about the benefits of CPA membership, visit [payroll.ca](http://payroll.ca) / [paie.ca](http://paie.ca).

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### **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](http://payroll.ca).



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