

Advocacy leads to changes

Canadian Payroll Association works with government to ensure payroll's voice is heard

BY SHEILA BRAWN

CODES NOW replace footnotes on the T4. There are now higher thresholds for Canada Revenue Agency (CRA) and Revenu Québec accelerated remitters. There are now graduated penalties for late remittances. The timeframe for issuing electronic ROEs now better aligns with pay cycles.

These are just some of the changes the Canadian Payroll Association (CPA) has successfully advocated for governments to make in recent years. From source deductions to year-end reporting to employment standards and workers' compensation, CPA president and CEO Patrick Culhane says the association regularly works with government officials and civil servants to make payroll-related laws more efficient and effective for employers, government, employees and the general public.

"Advocacy is important to us," says Culhane. "Our core purpose is payroll compliance through education and advocacy. For us that's not just a buzzword. What we do in advocacy arms us with knowledge to add to our education products."

One of the biggest advocacy successes this year, Culhane says, was convincing the Ontario government to delay implementing its Ontario Retirement Pension Plan (ORPP) by one year. The government had planned to begin employer and employee ORPP contributions in 2017, but agreed to hold off until 2018 to give employers, payroll service providers and software developers more time to prepare.

Even though the Ontario government says it will scrap the ORPP now that the federal and provincial governments (excluding Quebec) have agreed to enhance the Canada Pension Plan (CPP), the implementation delay saved companies a lot of time, effort and money, says Rachel De Grâce, CPA's manager of advocacy and legislative content.

"It is a good thing that we were successful (in getting the delay) because we would have hated for employers, payroll service providers and software developers to have already started spending hundreds of thousands of dollars in resources on building a plan that is now ultimately never going to come to fruition," she says.

Lengthy history

Over the years, the association's advocacy has evolved from just reacting to government changes to proactively helping to shape payroll-related rules.

"Now we are asked for input before they finalize the regulations and the legislation. That's pretty crucial," he adds.

Judith Andrew, commissioner for employers at the Canadian Employment Insurance Commission, says the CPA is an important stakeholder in providing the federal department of Employment and Social Development Canada with advice and information on a range of topics from the social insurance number register to employment insurance (EI) administration.

"The CPA was the primary group contacted around important implementation issues stemming from the recent (federal) budget that promised to reduce the two-week waiting period for EI down to one week. That has all kinds of implications that affect payroll," says Andrew.

Advisory council

The CPA's Federal Government Relations Advisory Council (FGRAC) carries out its advocacy work at the federal level, working with government administrators to improve regulations, forms and guides.

There is also a Quebec advisory council that deals with Quebec-specific payroll issues, especially around Revenu Québec requirements. In addition, the association has a provincial advisory council and in-house manager of advocacy De Grâce to work with other provincial and territorial governments, Culhane says.

The FGRAC, which has existed for more than 30 years, has played a key role in many of the association's big advocacy achievements, Culhane says, including getting the federal government to introduce graduated penalties for late payroll remittances in 2008.

"People say, 'What's an association doing supporting penalties?' It seems counter-intuitive until you realize that the penalty for a late remittance on payroll was one of the most onerous penalties in the income tax regime," he says.

Previously, federal income tax rules required that if a remittance were late, the CRA would

charge a penalty of 10 per cent of the amount required to be remitted, in addition to interest.

"There were not that many times that payments were late, but the amount of penalties at the time was \$60 million a year. Those are pretty significant dollars," says Culhane.

"When you realize that 45 per cent of payroll people work alone and another 30 per cent are in payroll departments of two or three, (there is) the possibility of having someone away sick or whatever the case might be" and not able to remit on time, he adds.

To convince the government to change its penalty system, the FGRAC researched similar penalties in the United States, United Kingdom, Australia and New Zealand and found Canadian penalty "was very onerous compared to all of the other ones," Culhane says.

The council suggested a graduated penalty structure that would start at three per cent and gradually increase to 10 per cent the longer a remittance was late. In 2008, the federal government changed the penalty system to a graduated structure.

Some of the association's advocacy wins are for things the payroll community and employers never see because the success was in stopping a change from happening, says Culhane.

He describes one situation where the CPA worked to convince government officials not to make substantial changes to the Record of Employment. In 2005, the government was considering a change to the way it calculated EI benefits for workers in certain economically hard-hit regions of the country. Essentially, the change would base benefits on a worker's best 14 weeks of earnings in a year rather than their last 10 weeks of pay.

"The first response of the people in government was, 'What we are going to have to do is change the Record of Employment system. We are going to expand the form from 8.5 by 11 inches to 8.5 by 14 inches and we are going to add these extra data points,'" Culhane recalls.

The CPA met with government to discuss the issue and it was determined the program would only affect a small number of employers and workers.

"In 2005, there were about 1.4 million em-

ployers in Canada and they were generating eight million ROEs," he says. "We said, 'Why ask all employers to provide additional data if it's affecting a small percentage of the population?'"

In the end, Culhane says the CPA's input resulted in the government limiting the change so it only affected about 200,000 ROEs for 6,000 employers.

Culhane credits part of the association's advocacy successes to having a positive working relationship with government.

"The people in government are not looking to cause problems with employers for the most part. They want a program that gives benefits to Canadian citizens, not necessarily be caught up in a bun fight with employers or business people," he says. "When people are drafting the legislation, they tend to look at what is the outcome of the

program. They do not think about how it is programmed, financed or administered. A role that we have elevated in government is that employers are key stakeholders," says Culhane.

Current advocacy issues on the radar for the CPA include trying to replace the ROE with a system that uses existing actual payroll data to administer the EI program.

"The Record of Employment is one of the most onerous and administratively burdensome forms that employers have to deal with," says Culhane.

"There's no need for us to be using a Record of Employment in this day and age because everything that is on your pay statement from your employer is what (the government needs) to administer employment insurance," he says.

"This is a form that was developed when we were paid in cash or by cheque rather than elec-

tronically. Yes, we've gone to electronic ROEs, but all that did was slap the old paper form onto the computer," he adds.

Another issue is a legislative or policy change to allow employers to issue electronic T4s to employees as a standard practice. Currently, employers need employees' consent to issue their T4s electronically.

He says that since CRA statistics show that 84 per cent of Canadians file income tax returns electronically and do not use their paper T4s, there is no need to require employers to provide them. "Our data shows that it would save employers about \$100 million a year," says Culhane.

The association has been trying to persuade the government to make the change for five years and will keep working on it.

"That's one that is definitely still on our radar," he says. "Every year, we make a little progress."