Membership Engagement on ePayroll: **What We Heard**

September 2023

Executive Summary

The ePayroll project is a Government of Canada initiative to modernize how employers send payroll, employment, and demographic information to government departments and agencies. Currently, employers send payroll information to the government at a particular time, such as when they issue a T4 slip, or a Record of Employment (ROE) for employment insurance. Employers often provide the same information to multiple government departments and agencies. Using near real-time payroll reporting, the goal of ePayroll is to reduce the administrative burden for Canadian employers and streamline the delivery of government benefits and services[1].

As a trusted advisor to government, the National Payroll Institute ("The Institute") was asked by both the federal and Quebec governments to provide feedback on this once-in-a-generation initiative that would have employers share payroll and employment data within an ePayroll ecosystem each pay period. To that end, the Institute surveyed its members on this government initiative during its 2022 and 2023 national conferences and held guided discussions in 6 major cities across Canada as well as French and English virtual sessions. The overall feedback from employers and Payroll Service and Software Providers (PSSPs) was optimistically positive that an ePayroll reporting system, that is well aligned with employers' current payroll systems and Revenue Quebec's reporting requirements, would greatly reduce the current administrative burden of producing millions of year-end slips and ROEs.

The Institute's membership strongly recommends that the Government of Canada adopt international best practices by introducing ePayroll in a pilot form prior to full program deployment. To accomplish that, the Government of Canada should advance the ePayroll initiative and allocate necessary budgetary resources in the 2024-2025 fiscal year to ensure its timely completion and implementation.

Background

The Federal Government's ePayroll initiative is poised to reduce administrative burden and streamline how employers send payroll, employment, and demographic information to government departments and agencies. Currently, employers send payroll information to the government at year-end via the T4 (and the equivalent RL-1 for Quebec employees), and each time an employee has an interruption of earnings via the Record of Employment (ROE). These regulated payroll forms are structured on the same employee information and come at a combined cost of nearly $1 billion to employers, according to PwC's *The cost of employer compliance and public policy implications* report.[2]

The United Kingdom and Australia, among others, have proven the benefits of using regular payroll data in the formulation and delivery of government social and economic policy development for almost a decade. So much so that the 2022 Canadian Auditor General's Report 10[3] outlines how real-time pay-related data would have significantly helped the Canadian federal government in delivering Covid-19-related benefits in 2020.

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[1] https://www.canada.ca/en/revenue-agency/corporate/about-canada-revenue-agency-cra/epayroll-project.html
[2] CPA-Cost-of-Compliance-Report-Final-Draft-(web).pdf (payroll.ca)
[3] Report 10—Specific COVID-19 Benefits (oag-bvg.gc.ca)

Role of the National Payroll Institute and its members

The Institute's membership includes small, medium, and large employers, as illustrated in the following by employer size:

CATEGORY	# of Employer Members
Under 200 employees	4,021
200-599 employees	1,193
600-999 employees	300
1,000-1,599 employees	226
1,600 employees and up	474
Total Organizational Members	**6,214**

Together with employer clients from its Payroll Service and Software Provider members, the Institute represents over 500,000 organizational payrolls.

As a trusted advisor to the federal government, the Institute has been a key stakeholder on this initiative and has been involved in many consultations with the CRA, ESDC, and RQ since 2002. More recently, the Institute held information sessions and asked for member feedback on ePayroll during its 2022 and 2023 National Conferences. In May of 2023, the Institute also hosted Cross-Canada Guided Discussions (see Appendix A for locations and dates). The objectives of these membership engagement sessions were to:

- Help educate those who are not familiar with the project and/or have assumptions about the project that are not true.
- Obtain valuable member feedback on the federal government's ePayroll initiative, and to leverage that information when in discussion with government.
- Ensure that the Institute and its members are aligned with the deliverables of the initiative.
- Determine any major concerns about the initiative.

Survey results and key feedback

The following includes results from the 2022 and 2023 conference surveys and the 2023 guided discussion survey. There was no statistical variation based on employer size, region, or industry.

Support for ePayroll
Employers ranked conditions for supporting ePayroll, by the following order of importance:

1. Elimination of the ROE
2. Elimination of the T4
3. Saving time / Reducing administrative burden
4. Streamlining and simplifying the reporting process
5. Eliminating INS5097
6. Saving money

7. Eliminating the RL-1*[4]
8. Support of ePayroll even without any of the above

Participants also stressed that federal and Quebec ePayroll requirements would have to be harmonized. A realistic approach for the payroll community is that <u>one common extract of payroll data</u> via an Application Process Interface (API) be sent to the CRA containing federal data and a separate API be sent to RQ containing Quebec-related data; anything requiring more processing than that would be seen as a deal breaker for the payroll community.

In each of the three surveys, only one or two employees did not support ePayroll, while a few said they required more information on the topic.
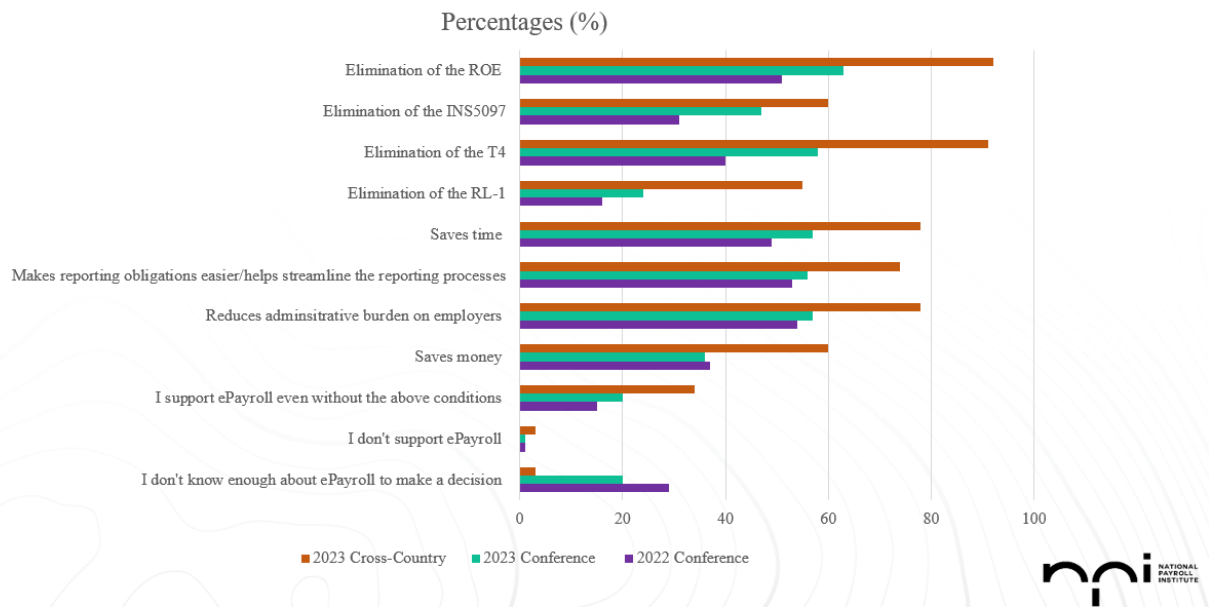

Figure 1: Most employers would support ePayroll if this would eliminate the T4 and ROE.

Transmitting payroll and employment data each pay period in lieu of issuing a T4 and RL-1 to summarize the tax year

Participants believe ePayroll would reduce their overall workload and cost of payroll compliance by eliminating the significant year-end reconciliation efforts that typically span December through February each year. Even small employers that manually send payroll information to a third party for processing could see the efficiencies of not needing to manually produce T4s and RL-1s at the end of the year.

It was recommended that any required corrections to a pay would be included in the next regular transmission of data. The last pay of the year could require some form of finalization and perhaps an

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[4] *When the survey results were filtered to include only those with a Quebec payroll, the elimination of the RL-1 was on par with the elimination of the T4.

additional transmission in January or February to ensure end-of-year adjustments be included in the appropriate tax year (e.g., stock options, company vehicle taxable benefits, etc.).

Transmitting payroll and employment data required by Service Canada to adjudicate EI claims

Participants generally accepted the anticipated requirement to include the Reason for separation information with their transmission of payroll data, provided this results in net savings to the employer, including the elimination of the ROE. This would also need to eliminate, or at least significantly reduce, Service Canada's follow-up questions to employers. Respondents commented on how easing some of the existing ROE requirements could further streamline reporting and, in fact, help pave the way for ePayroll; for example, a single Reason for separation code for employee-initiated interruptions of earnings and a more uniform method of reporting insurable earnings.

Service Canada and the Quebec government's requirements must be kept in lockstep since Quebec uses the federal ROE today to adjudicate Quebec Parental Insurance Plan benefits.

Remitting Source Deductions every pay along with the transmission of data

Participants were generally not in favour of changing the existing remittance schedules to align with any new data transmission schedules. (Those who were in favour, did not consider the administration of making additional remittances.) Small employers did not want to go from making a single remittance every three months to bi-weekly or even weekly remittances. Payroll service providers explained how advancing employer remittance schedules would severely jeopardize their business model, and that customer fees would likely have to increase. If the CRA or RQ linked source deduction remittances to ePayroll transmissions, this could put the government, and the ePayroll project, in an untenable situation.

Would the requirement to make government remittances every pay period increase or decrease your organization's administrative burden and cost?
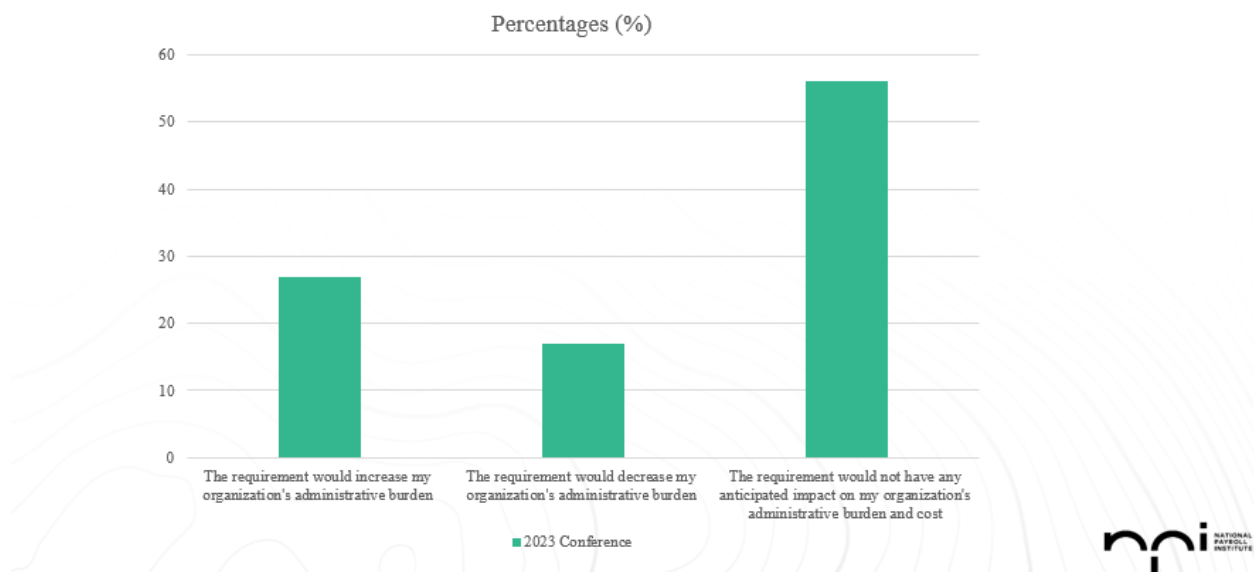

Figure 2: Less than 18% of employers believe more frequent government remittances would decrease their administrative burden.

Other concerns?

Other concerns?

Following a fulsome update of the ePayroll initiative and a lively discussion of the previous topics, between 60% and 78% of participants did not express any additional concerns about ePayroll given the level of information provided at this time. For those who have expressed concern, the uncertainty stemmed around security and privacy of the information that would be sent to government, sufficient implementation time, and enough education and communication to the general public.

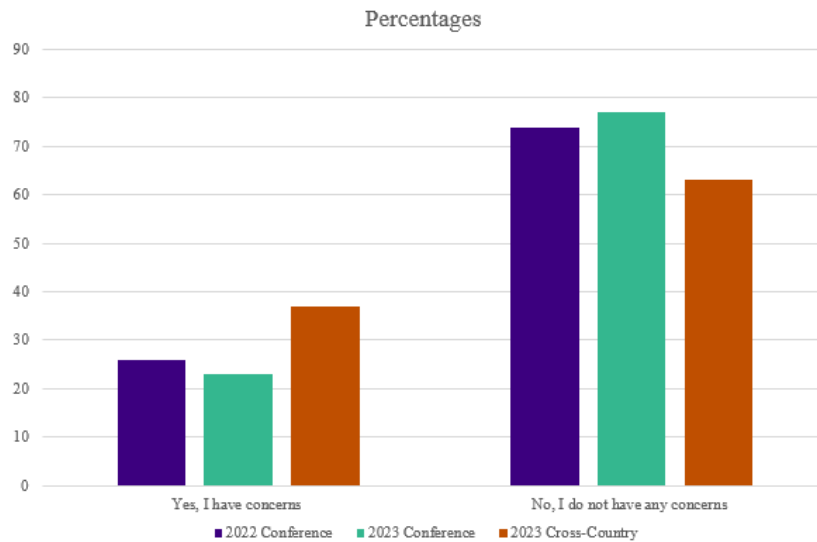## Do you have any concerns about ePayroll?

Figure 3: A comparison of the results from the 2022 Conference, the 2023 Conference and the 2023 Cross-Country guided discussions when asked if there were any concerns about ePayroll.

Conclusion

The overall feedback from employers and PSSPs on the ePayroll initiative was optimistically positive. Data requirements are different for CRA and SC versus RQ, but PSSPs are confident that they can create near real-time pay-related output in a way that will meet all needs, so long as the federal government continues to work with the Institute, PSSPs, and RQ throughout the duration of this project.

The Institute's members see the potential efficiencies that can be realized for:
- employers − through the reduction of administrative burden;
- employees − through accelerated government benefits such as EI claim adjudication; and
- the federal government and RQ − through better-informed policy decisions and more accurate and timely benefits.

The Institute's membership is supportive of moving the ePayroll initiative from a concept to a Government of Canada ecosystem that will inform social and economic policy development, while achieving the administrative burden and cost reductions. This could eventually extend to a collaborative environment with provincial and territorial governments that could result in furthering improving employer administration, government efficiencies, and result in more accurate and informed delivery of services to employees.

The National Payroll Institute looks forward to continuing its support of the ePayroll initiative. Its members have expressed interest in participating in a pilot phase, along with their Payroll Service and Software Providers, in hopes of a national ePayroll rollout before the end of this decade.

Appendix A

Seven in-person sessions and two virtual sessions were conducted by the National Payroll Institute (Institute) in major cities across Canada, with a total of 102 participants. The sessions provided Institute members with a background of the initiative, the direction in which the Canada Revenue Agency (CRA) is envisioning the ePayroll initiative, followed by an open discussion with the participants. A representative from the CRA was present for four of the seven in-person sessions, and a representative of Revenu Québec was present for the French session in Montreal. Below is the list of the dates and locations in which the discussion groups were held:

- Halifax – May 11, 2023
- Montreal – May 12, 2023
- Vancouver – May 16, 2023
- Calgary – May 18, 2023
- Winnipeg – May 19, 2023
- Toronto (Mississauga) – May 23, 2023
- Toronto (Downtown) – May 24, 2023
- Virtual in English – May 23, 2023
- Virtual in French – May 24, 2023