

Month in Review – Federal



LAWS & ANNOUNCEMENTS

Leaves of Absence

Jan 1: Federally regulated employees now get up to 8 weeks' unpaid bereavement leave for the death of their child or that of their spouse or common-law partner. Leave may be taken starting on the date of death and ending up to 12 weeks after the latest funeral, burial or memorial service. Employers may require written notice of the reason for leave and any changes to its length.

Action Point: Find out how to implement a [Bereavement Leave Compliance Game Plan](#) at your workplace.

Leaves of Absence

Jan 1: Under newly effective [regulations](#), the first 3 days of bereavement leave are paid for federally regulated employees with at least 3 consecutive months of employment for the death of an immediate family member or family member for whom the employee was taking compassionate care or critical illness leave. The remaining 7 days of the 10-day bereavement leave allotment are unpaid.

Action Point: Look up the [bereavement leave rules in each part of Canada](#).

Payroll

Jan 1: The 50% deduction for Employee Security Options continues for 2026 T4 filings, but employers must withhold 1/3 on amounts above the combined limit for future filings. To report ESO benefits and related deduction for the 2025 calendar year on Box 4 of the T4 slip, employers may use either: Codes 38, 39 and 41 (for slips filed on or after January 12, 2026), or Codes 90, 91 and 92. Going forward, you must use the new Codes 90, 91 and 92.

Action Point: Find out about the [8 important new payroll changes](#) that will affect your current year T4 filings and 2026 source deductions.

Payroll

Jan 1: Effective January 1, 2026, the federal income tax rate for the lowest income bracket for income under \$58,523 decreases from 14.5% to 14.0%. Be sure to adjust your payroll withholdings and reportings for the new year accordingly.

Action Point: Find out about the 6 common pitfalls to avoid when balancing your payroll numbers at the end of the tax year.

Payroll

Jan 1: Key changes to automobile income tax deduction limits and expense benefit rates in 2026: i. CCA for Class 10.1 passenger vehicles increases from \$38,000 to \$39,000, before tax, for vehicles (new and used) acquired on or after January 1, 2026; ii. Limit on deduction of tax-exempt allowances paid by employers to employees who use their personal vehicle for business purposes in the provinces increases one cent to 73 cents per km for the first 5,000 kms driven, and 67 cents for each additional km; iii. The same one cent increase applies to the territories to 77 cents per km for the first 5,000 kms, and 71 cents for each additional km. All other limits and rates are unchanged from 2025, including deductible leasing costs at \$1,100 per month, before tax, for new leases made on or after January 1, 2026, and the general prescribed rate to determine the taxable benefit of employees relating to the personal portion of automobile expenses paid by their employers at 34 cents per km.

Immigration

Jan 19: For the fourth year in a row, the federal government exceeded its Francophone immigration target in 2025, at about 8.9% of admissions of French-speaking permanent residents outside Québec, above the target 8.5%. Starting in 2026, Ottawa will reserve 5,000 federal selection spaces to allow provinces and territories to designate French-speaking immigrants in addition to their annual Provincial Nominee Program allocations.

Action Point: Find out what companies and their HR directors need to know to [navigate the immigration law maze](#) and avoid penalties.

New Laws

Dec 5: The federal government says it plans to work with railway companies to reduce freight rates for transporting Canadian steel and lumber across provinces by 50%. To maximize use of Canadian softwood lumber in housing, Build Canada Homes will prioritize shovel-ready, multi-year projects that use Canadian wood products and can begin within 12 months. The government's new [Buy Canadian Policy](#) also requires that all contracts worth over \$25 million prioritize Canadian materials, including steel and lumber.

New Laws

Jan 19: The new Canadian Forest Sector Transformation Task Force held its first meeting and will soon launch a web portal to gather public feedback. Options on the table include expansion of mass timber, modular systems and prefabricated building solutions for homebuilding, and support for product diversification, including advanced wood materials and bioproducts.

New Laws

Jan 1: New interprovince free trade and labour mobility [regulations](#) took effect

providing that goods and services that meet the requirements of a province or territory are recognized as meeting comparable federal requirements and that workers licensed or certified by a province or territory may work in a comparable occupation in federal jurisdiction.

Action Point: Find out about the [5 ways the new interprovincial free trade and labour mobility regulations will impact HR operations](#)

New Laws

Jan 12: The federal Competition Bureau launched a market study into the state of competition in the financing sector for small and medium-sized enterprises. Key issues include the barriers faced by lenders seeking to enter the market and how to make it easier for businesses to switch lenders. Deadline to [comment](#): Feb. 27.

New Laws

Jan 9: The National Research Council of Canada Industrial Research Assistance Program launched a new Defence Industry Assist (DI Assist) program offering over \$240 million in funding to small and medium-sized enterprises to advance made-in-Canada defence and dual-use technologies for the Canadian Armed Forces.

New Laws

Feb 13: February 13 is the deadline to apply for government funding of up to \$500,000 per year for 3 years for projects to promote safer, more inclusive, and more equitable workplaces in private sector industries that are federally regulated. Funding will be provided through 2 existing funding streams: the [Workplace Opportunities: Removing Barriers to Equity](#) (WORBE) program and the [Workplace Harassment and Violence Prevention Fund](#) (WHVPF).

New Laws

Feb 11: That's the deadline to comment on the Competition Bureau's updated [Merger Enforcement Guidelines](#) governing how the Bureau reviews proposed mergers and acquisitions to ensure they don't stifle competition.

Privacy

Jan 1: Providing for easy and secure transfer of personal data from one insurance service provider to another would save Canadians between \$1.1 billion and \$3.8 billion per year. That's the conclusion of a new [report](#) from the Competition Bureau. The potential savings from enabling data portability across the broader Canadian economy would be even greater.

Accessibility

Jan 16: From now to March 12, companies can [apply](#) for federal Enabling Accessibility Fund grants of \$500,000 to \$1 million for construction, renovation, and retrofit projects aimed at making workplaces safer and more accessible for persons with disabilities. EAF funding is open to non-profits, for-profits, Indigenous organizations and municipal and territorial governments for projects lasting up to 24 months.

Action Point: One key aspect of an accessible workplace is ensuring that fire and other emergency evacuation plans accommodate employees with mobility impairments or

other disabilities. Find out how to make your own [emergency response plan accessible](#).

CASES

Termination: OK to Fire Government Employee for Fitness for Duty Non-Cooperation

A government employee was allowed to work from home while the employer investigated his OHS work refusal about being “watched” in the office. As his behaviour grew increasingly erratic, the employer placed the employee on paid leave and asked him to undergo a fitness for work evaluation to ensure it was safe for him to come back to work. But the employee failed to submit the required medical information or show up for appointments. So, after 9 months of non-cooperation, the employer changed his leave status; 8 months later, it terminated his employment. The employee claimed unjust discipline, but the Federal Public Sector Labour Relations and Employment Board rejected his grievances, finding that the employer’s actions weren’t disciplinary but rather an attempt to resolve its fitness for duty concerns and that it was the employee who failed to cooperate. The federal court found the Board’s ruling reasonable and refused to overturn it [*Osman v. Canada (Attorney General)*, 2026 FCA 5 (CanLII), January 13, 2026].

Action Point: The employee may have won this case had he claimed that the company’s fitness for duty evaluation demands violated his right to reasonable accommodations for his mental disabilities under human rights laws. Find out how to create a [legally sound policy](#) for accommodating employees with mental disabilities.

Health & Safety: Stevedore Company Fined \$300,000 for Forklift Fatality

An Ontario court fined a federally regulated stevedoring company \$300,000 for the death of a longshore worker who got struck by a Carry-Lift 254 vehicle transporting steel pipes. The company pled guilty to 3 COHS violations, including failure to assess the hazards of and ensure the safe operation of the vehicle and provide workers safe means of entry to and exit from the workplace (*Logistec Stevedoring (Ontario) Inc.*, December 30, 2025)].

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