New HR Laws: The 9 Changes in Federal Budget 2018 that HR & Payroll Need to Know About

Federal budgets generally have only a peripheral effect on HR and payroll operations. But Budget 2017 broke the mold with significant changes like electronic T4 delivery and enhancements to employee parental and maternity benefits and leave rights. This year's budget, which was tabled on Feb. 27, is more business as usual with less in the way of changes directly affecting taxable benefits, source deductions or employment rights. Still, Budget 2018 contains 9 items of significance that you need to be aware of.

1. **New 5-Week EI Parental Sharing Benefit**

The most significant employment-related measure in Budget 2018 is the proposed enhancement to EI parental benefits. Previously, women could receive up to 15 weeks in EI maternity benefits and either parent could receive up to 35 weeks in EI parental benefits over a 12-month period. Budget 2017 extended the number of parental benefit weeks from 35 to 61, available over an 18-month period albeit at a reduced rate from 55% to 33% of average weekly earnings.

Budget 2018 follows up by proposing a new Parental Sharing Benefit of up to 5 additional weeks of EI parental benefits as long as they're used by the other parent. This means that couples choosing the 55% benefit rate could now share up to 40 weeks of parental benefits and couples choosing the 33% benefit rate could now share up to 66 weeks of parental benefits. These weeks could be shared in any ratio so long as at least one parent claimed at least 5 of these weeks. For example, the mother could take 30 weeks of parent benefits at 55% if the father took the other 10 weeks at the same rate.

The purpose of this new Parental Sharing Benefit, which would be available to all two-parent families including adoptive and same-sex couples, is to encourage more men to take parental leave thus providing greater gender equality in caregiving and allowing women an earlier return to the workforce. Currently, the government estimates that only 8% of EI parental benefits are paid to men. By contrast, under QPIP, where a portion of parental benefits are reserved for men, 80% of new fathers indicated an interest in claiming the parental benefits reserved for them.

2. **Permanent Status for EI Working While on Claim**

The other key proposed EI change is to make the pilot "EI Working While on Claim" project a permanent program. The government would put up $351.9 million to fund the program for the first 5 years. Thereafter, funding would be increased to extend the program beyond unemployment to EI maternity and sickness benefits.

3. **Provincial EI Projects for Seasonal Workers**

Budget 2018 also provides for 2 years' worth of funding for pilot projects in key provinces to help workers in seasonal industries most affected by year to year EI eligibility fluctuations who can't find alternate work between seasons.

4. **New Pay Equity Legislation for Federally Regulated Employees**

Another potentially significant item in Budget 2018 is the promise of pay equity laws. Although the budget document doesn't list details, the new legislation would likely be modeled on existing Ontario and Quebec pay equity laws with the goal of cutting the gender gap in wages between men and women by 2.7 cents to 94.1 cents in the core federal public sector and by 2.6 cents to 90.7 cents in the federally-regulated private sector. In addition to employees of federally-regulated companies, the law would apply to provincially regulated employers covered by the Federal Contractors Program.

5. **Pay Equity Transparency**

Another budget item supporting gender equality in the workplace proposes making the wage data employers are currently required to submit under (Sections 17 and 18 of) the federal *Employment Equity Act* publicly available online in a format that's user-friendly and easily accessible.

6. **Increased WEPP Payouts to Employees**

Budget 2018 proposes to beef up payouts under the *Wage Earner Protection Program* (WEPP), the federal program designed to ensure compensation of wages, vacation and termination or severance pay to employees of companies that go into bankruptcy or receivership proceedings. Under current rules, WEPP compensation is limited to 4 times the maximum weekly Insurable Earnings ($994 in 2018) used to calculate EI benefits. Budget 2018 proposes to increase this coverage from 4 to 7 but doesn't specify an effective date.

7. **Equal Tax Treatment for QPP Contribution Increases**

A technical item in Budget 2018 clarifies that the increased QPP contributions required under Bill 149 must be treated the same as existing QPP contributions for federal income tax purposes. This would ensure that employers may use both existing and expanded QPP employee contributions to lower CRA calculated income tax.

8. **Increases to Canada Workers Benefit**

Budget 2018 would increase the Canada Workers Benefit for low-income workers earning less than $15,000 by almost $500 and the CWB disability supplement by $160, starting in 2019.

9. **Employer Recordkeeping Requirements**

Budget 2018 calls for so called “stop-the-clock” amendments to the *Income Tax Act* that would allow the CRA to extend the reassessment period on employees. Under current rules, employers must retain 6 years of records, plus the current year. The budget doesn’t go into details on the proposed changes.

Changes that Didn’t Make the Cut

No budget analysis would be complete without a look at the omissions. One issue that many hoped Budget 2018 would address is the standing of pension liabilities of an employer that’s bankrupt or in receivership. The past several years have seen a number of high-profile cases in which companies went bankrupt leaving their defined benefit pension plans underfunded and/or bereft of required contributions. The most recent example: Sears Canada, whose US parent allegedly chose to siphon off cash off to its US owners rather than put it into the company pension plan.

The problem is that under current bankruptcy legislation, the pension trust is left to share any remainder after the secured creditors, typically financial institutions but sometimes including a parent company, get their share. The Liberal government has been under public pressure to put employee pension plans above secured creditors. However, while it asks for public comment on the issue, Budget 2018 doesn’t include such a change.

Other items left out of Budget 2018: Higher EI parental benefits for low-income earners;

- Changes to personal income tax rates;
- New limits on deductions for executive stock options; and
- Taxes on employer-sponsored health and dental benefits premiums.

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