

The 11 Things in the New Federal Budget Payroll Must Know About



The biggest story may be what the 2022 federal budget **doesn't** contain.

As it does every year, the federal government's budget for 2022 includes a number of provisions directly affecting payroll and employment matters. Here's a briefing of the 11 things HR and payroll directors need to know about the new budget.

1. No Tax Changes

Perhaps the biggest takeaway from the new budget is what it **doesn't** contain. Despite the current budget deficit, there are no broad increases to either personal or corporate tax rates and no increases at all in the GST or HST. The one notable exception: The budget calls for significant new taxes on the banking and insurance sectors.

2. CPP & EI

The 2022 leaves CPP contribution and EI premium rates unchanged. But change is coming. After freezing EI at \$1.58 per \$100 of insurable earnings from 2020 to 2022, premiums are projected to rise to:

- \$1.63 in 2023;
- \$1.68 in 2024; and
- \$1.73 from 2025 to 2029.

3. EI for Seasonal Workers

The budget would extend (until October 2023) temporary rules allowing seasonal workers in 13 regions to receive up to 5 extra weeks of EI benefits, to a maximum of 45 weeks. Timing of COVID-19 benefits wouldn't affect future EI eligibility.

4. Increase in EI Sickness Benefits

Although it's not actually in the budget, the budget documents state that the federal government will increase EI sickness benefits from 15 to 26 weeks this summer.

5. No Major New COVID-19 Employment Benefits

COVID-19 relief payments to employers and employees have been key features of the federal budgets from the previous 2 years. By contrast, the 2022 budget includes no modifications or extensions to existing government plans, such as the Canada Emergency Wage Subsidy (CEWS) or Canada Emergency Rent Subsidy (CERS).

6. Expanded Leave for Miscarriages

The budget proposes significant changes to the *Canada Labour Code* (CLC), including allowing federally regulated employees to take up to 8 weeks of unpaid bereavement leave if their child dies or they experience a stillbirth.

7. 10 Days Paid Sick Leave

The other big CLC change in the budget is giving employees who complete a full month of continuous employment with an employer 1 day of paid sick leave per calendar year, up to 10 paid days after 10 months' employment. Key provisions:

- Sick days are paid at an employee's regular wage rate;
- Unused sick days carry forward to next calendar year, subject to the 10-day annual maximum; and
- Sick days may be taken in 1 or more periods, but the employer can require verification of paid leave after the employee returns.

8. Employee Ownership Trusts

The budget proposes to create Employee Ownership Trusts, a new dedicated type of trust to support employee ownership of businesses.

9. Labour Mobility Deduction for Tradespeople

The budget proposes to amend the *Income Tax Act* to allow trade persons and indentured apprentices to deduct up to \$4,000 per year for expenses of traveling from their regular place of employment for a construction activity at a job site that's at least 120 km away from their residence, starting in 2022.

10. More Borrowing Flexibility for DB Pensions

The budget would provide greater borrowing flexibility to administrators of registered defined benefit (DB) pension plans by maintaining the borrowing rule for real property acquisitions and replacing the 90-day term limit with a limit on the total amount of additional borrowed money equal to whichever is less:

- 20% of the value of the plan's assets (net of unpaid borrowed amounts); and
- The amount, if any, by which 125% of the plan's actuarial liabilities exceed the value of its assets, net of unpaid borrowed amounts.

11. New Minimum Tax Regime?

The budget calls on the federal government to study the feasibility of implementing a new personal minimum tax system. The current Alternative Minimum Tax (AMT) designed to hold individuals in the highest income tax brackets hasn't been significantly updated since it began in 1986, the budget documents note. The government says it will provide more details in the fall.