

The 14 Changes in the Federal 2016 Budget HR & Payroll Need to Know About



The new federal government tabled its first budget on March 24. As usual, the budget document is a tree-consuming monster that no HR or payroll administrator on this planet has the time, let alone inclination to read. The problem is that the 2016 federal budget includes more than the usual number of items affecting employment, including proposed changes that will affect the way your organization manages payroll. So I guess we'll just have to make your life simpler and let you know about the 14 changes in the 2016 federal budget that HR and payroll managers need to know about.

1. Reduced Waiting Period for EI Unemployment Benefits

For most employers, the most important provisions in the 2016 budget are the changes to EI. The first key change is to reduce the waiting period for new recipients to receive their first payment of benefits from 2 weeks to 1 week of unemployment, effective Jan. 1, 2017. The budget also calls for administrative improvements to speed up actual delivery of benefits.

2. Extension of EI Benefits for Workers in High Unemployment Regions

Effective July 1, 2016, workers in a dozen designated oil producing regions with sustained high unemployment will get an extra 5 weeks' eligibility for regular EI benefits up to a maximum of 50 weeks. Long-tenured workers who haven't made EI claims over a long period will be eligible for an extra 20 weeks of regular EI benefits up to a 70-week maximum. The changes apply retroactively to claims from Jan. 2015 and will remain in place until 2017. Affected regions:

- Newfoundland/Labrador;
- Sudbury;
- Northern Ontario;
- Northern Manitoba;
- Saskatoon;
- Northern Saskatchewan;
- Calgary;
- Northern Alberta;
- Southern Alberta;
- Northern BC;
- Whitehorse;

Loosening of EI Eligibility Criteria for New Entrants & Re-Entrants

Under current rules, new entrants to the workforce and re-entrants going back into the workforce must work at least 910 hours over the previous 52 weeks to qualify for EI benefits. But the 2016 budget would reduce that threshold minimum from between 420 and 700 hours over the previous 52 weeks, depending on the labour conditions in the area of the country they're from.

4. Simplification of Job Search Responsibilities

Unemployed workers are required to search for and accept "suitable employment" to be eligible to receive EI benefits. In 2012, the then HRSDC adopted new rules explaining what "suitable employment" is based on criteria like personal circumstances, working conditions, hours of work and commuting time. Budget 2016 proposes to eliminate the changes. The 2012 "suitable job" criteria forced some workers to accept work at lower rates of pay and with longer commuting times, the budget documents explain.

5. Extension of EI 'Working While On Claim' Pilot

The EI Working While on Claim pilot program, which allows the unemployed to accept new work without giving up their EI benefits, is being extended until August 2018. The "clawback" rule which cuts 50¢ in EI benefits from every dollar claimants earn after they make a certain amount, up to a maximum 90% of weekly insurable earnings, will stay in place.

Example: A laid off dental hygienist getting \$450 per week in EI benefits finds part-time work paying \$600 per week. The hygienist's benefits are reduced by 50% of her earnings allowing her to have combined earnings of \$750 before benefit cuts set in.

6. Expansion of Work-Sharing Program

The work-sharing program enables companies to avoid layoffs by giving employees the option to work fewer hours and still receive EI benefits. Budget 2016 calls for doubling the maximum duration of work-sharing arrangements from 38 to 76 weeks.

7. Increased Flexibility of EI Compassionate Care & Parental Leave Benefits

Although it offers no details or timetable, the budget says the federal government is committed to working in the years ahead to make EI parental leave benefits more flexible and making it easier for workers providing care for seriously ill family members to access EI compassionate care benefits.

8. Confirmation of Revisions to Withholding for Non-Resident Employers

After public consultations, last July, the federal government proposed rules to simplify the payroll withholding compliance requirements for non-resident employers with non-resident employees working in Canada temporarily. But the government lost the election and the changes were never implemented. Budget 2016 reassures non-resident employers who've applied for certification under the rules that the new government intends to go forward with the proposed changes, but "with potentially favourable modifications." Once again, no details were specified.

9. New Canada Child Benefit

The Universal Child Care Benefit (UCCB), Canada Child Tax Benefit (CCTB) and National Child Benefit will be replaced by a new Canada Child Benefit of up to \$6,400 per child under age 6 and \$5,400 per child ages 6 through 17. The new monthly benefit, which will begin with July 2016 payments, is tax-free and decreases as income

increases. As before, additional amounts will be provided if a child is eligible for the disability tax credit. Taxpayers may request a retroactive payment of the Canada Child Benefit, CCTB or UCCB within a 10-year period effective for requests made after June 2016.

10. Elimination of Education & Textbook Tax Credits

The 2016 Budget eliminates the education (tax savings of up to \$720) and textbook (tax savings of up to \$117) tax credits, starting in the 2017 tax year. However, the 15% tuition tax credit will remain in place.

11. Higher Northern Residents Deductions

Effective for the 2016 tax year, the maximum northern residency deduction for individuals living in designated areas of northern Canada for at least 6 consecutive months will increase from up to \$8.25 to up to \$11 per day per household member. The maximum deduction if no other household member claims the deduction will go up from \$16.50 to \$22 per day. Individuals can claim a deduction to offset the amount of any taxable with respect to up to 2 employer-paid vacation trips per year and an unlimited number of employer-paid medical trips.

12. Restoration of LSVCCs Tax Credit

Budget 2016 restores the federal 15% tax credit for share purchases of *provincially* registered Labour-Sponsored Venture Capital Corporations, starting in 2016. Certain LSVCCs that are newly registered under provincial legislation may be eligible for prescription under the federal *Income Tax Act*. However, the federal 5% tax credit for *federally* registered LSVCCs will remain in effect for just one more year before being eliminated in the 2017 tax year.

13. Tax System Review

The budget calls for government review of the tax system during the current year to determine if it's fair and efficient. Review will focus on the elimination of inefficient measures and determination of the "ability of high net worth individuals to use private corporations to inappropriately reduce or defer tax."

14. More Money for CRA Tax Enforcement

Budget 2016 provides the CRA additional funding to:

- Step up its efforts to crack down on tax cheats by, among other things, hiring more auditors, developing "robust business intelligence" and improving the quality of its investigation of criminal tax evaders;
- Improve its ability to collect tax debts; and
- Ramp up its educational outreach efforts.

Items that Didn't Make the Cut

No budget analysis is complete without a discussion of what was left out. Key things Budget 2016 **doesn't** propose to change include:

- A rule making electronic filing of T4 slips to the CRA the standard means of delivery; mandatory e-filing of T4s would save employers over \$100 million per year, according to the Canadian Payroll Association;
- Restoration of \$25,000 threshold for retiree life insurance, i.e., making the first \$25,000 of life insurance benefits to retirees tax-free;

- Adjustment of taxable benefit thresholds for inflation.