

adaptability

Bill 148

Fair Workplaces, Better Jobs Act

Tax & Business Implications For
Employers



Graham
Mathew

Bill 148

Tax & Business Implications

- Some highlights
 - 173 changes to Employment Standards Act and Labour Relations Act
 - Minimum wage \$14/hour January 1, 2018 (21% increase from \$11.60 as of October 1)
 - Further increase to \$15/hour January 1, 2019 (another 7% increase from \$14)

Bill 148

Tax & Business Implications

- Some highlights
 - Vacation of 3 weeks (6% rate) after 5 years with same employer (currently 2 weeks)
 - Public Holiday Pay changes (to be based on regular wages before holiday/days worked)
 - Advance notice of work (4 days) or staff can refuse without reprisal


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Tax & Business Implications

- Some highlights
 - Provide 3 hours pay at regular rate if shift is cancelled within 48 hours of start. Implications for seasonal/weather dependent businesses
 - Greater focus on employee vs. independent contractor status – onus on employer to prove someone is not an employee

Bill 148

Tax & Business Implications

- Some highlights
 - Amending 3 hour reporting rule to require payment at regular rate of pay, not minimum wage
 - Increase in personal emergency leave days to 10 days per year; minimum 2 days paid, can't request medical note
 - Part-time/temporary workers to receive same hourly wage as full-time worker doing same job
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Bill 148

Tax & Business Implications

Some good news:

- No new 'income tax' rules here, certainly nothing of the magnitude that the federal government is currently proposing
- Good news, given the number and magnitude of employment law changes


*But...



Bill 148

Tax & Business Implications

Unless cutbacks, layoffs or other cost reducing strategies are implemented, there will be higher costs to employers, some of which arise from existing tax rules



Bill 148

Tax & Business Implications

Example 1: Higher payroll taxes

With a higher wage, comes higher payroll remittances:

- CPP – 4.95%
- EI – 1.4%
- EHT? 1.95% if wages > \$450,000
- WSIB – based on insurable earnings

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Tax & Business Implications

Example 2: Possible Higher Payroll Costs

- Public holiday pay changes
 - Will be based on regular wages in pay period before holiday/days worked vs. current rule of the 4 week period prior/20 days
 - E.g. an employee works 3 days/week @ 8 hours/day. Current rules entitle them to 4.8 hours pay for the public holiday (24hrs/wk x 4 wks)/20 day period

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Tax & Business Implications

Example 2: Possible Higher Payroll Costs

- Public holiday pay changes
 - The new rules say employees must be paid based on regular wages in pay period before the holiday divided by number of days they worked in period
 - Using our example, same employee now entitled to **8 hours pay**. $(3 \text{ days/wk} \times 8 \text{ hrs/day} \times 4 \text{ wks}) / 12 \text{ days worked in period}$

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Tax & Business Implications


Example 2: Possible Higher Payroll Costs

- Public holiday pay changes
 - In this example, must now pay **nearly double the pay** for the public holiday for that employee
 - Same calculation for other employees. Same costs? It depends on each employee's schedule
 - Other rules that deal with circumstances of employee already working on a public holiday or if the holiday is a regular day off for that employee
 - More time and resources for employers to comply with these changes

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Tax & Business Implications

Example 3: Employee vs. Independent Contractor

- Popular target of CRA audits
 - Province proposing 175 new ESA compliance officers as part of this legislation
 - More reviews on this topic???
 - Onus firmly on employer to prove someone is not an employee
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Tax & Business Implications

- If an independent contractor, no requirement to remit payroll deductions (CPP/EI/EHT, etc.)
- No requirement to provide other benefits (vacation, etc.)
- **Possible** elements of an independent contractor
 - Control over work done and hours it's done
 - Provide tools of the trade
 - Risk of economic profit/loss
 - Economically dependent on the employer
 - Contract in place (be careful with this one)
- Opportune time to review these relationships

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Tax & Business Implications


Other Possible Economic Implications

- Impact on hourly wages already above min wage?
 - Possible job cutbacks or layoffs (or both) to compensate for higher costs under these rules?
 - Closure of smaller businesses?
 - Inflationary pressure on prices to cover costs?
 - Business/job loss to less costly jurisdictions?
 - Increase in unemployment, particularly youth unemployment?
 - Higher municipal taxes?
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Tax & Business Implications

Now what?

- Ontario government on track to pass legislation this fall
 - Get familiar with the requirements that will impact your business
 - Talk to your legal advisor – the changes to employment standards are substantial
 - Talk to your accountant to determine what your new cost structure could look like
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Questions?

Thank you for your time today.

If you feel we could be of assistance to your business, we would welcome the opportunity!



Graham
Mathew

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519-623-1870