Payroll in focus: The cost of employer compliance and public policy implications

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Background

The Canadian Payroll Association represents over 40,000 payroll professionals covered under individual or organizational memberships, working with employers, payroll service and software providers (PSSPs), and governments to make payroll legislation and administration more efficient and effective. The Canadian Payroll Association is also committed to sharing knowledge and insights regarding the role and value of payroll and payroll professionals. The Canadian Payroll Association has partnered with PwC to further their goals of raising the profile of payroll in Canada, providing input on key policy issues, engaging members and stakeholders, and providing professional development. In this regard, the Canadian Payroll Association commissioned PwC to conduct a comprehensive study, the results of which are being reported in a series of three reports on key topics related to payroll in Canada.

This report, entitled, *The cost of employer compliance and public policy implications,* measures the impact on employers of their obligations to collect and remit hundreds of billions of dollars in personal income taxes, Canada Pension Plan contributions, Employment Insurance premiums and other payroll taxes and levies. The report quantifies the cost of these remittance and other compliance obligations for Canadian employers, and explores key policy issues including taxable benefits, harmonization of provincial and territorial legislation, policy responses to COVID-19, and the advancement of digital payroll.[1] A previous report entitled, *The economic impact of payroll professionals in Canada*, assessed the importance of payroll to the Canadian economy, focusing on the channels of the economic footprint of the function, employer productivity, and employee retention and attraction. The final report in the series, *The future of payroll,* lays out a vision of what the future of payroll will look like including analyzing the current state of payroll, and identifying key trends that will shape future payroll models for organizations, payroll professionals, and the Canadian Payroll Association.

The cost of compliance

Remittance and other compliance activities are essential to the functioning of Canada's taxation system, and play an important role for governments, organizations, and individuals. Remittances associated with payroll account for 37% of total revenue to federal, provincial, and territorial governments,[2] and are a mechanism to administer a range of programs and benefits. For individuals, a well-functioning remittance system allows them to understand their net pay and therefore budget appropriately, and supports the smooth functioning of programs that may benefit them. The total cost of compliance to the economy is shared by governments and employers. Governments have a

[1] Digital payroll refers to a system where employers and PSSPs securely transmit payroll data every pay period which is then securely accessed by government agencies and departments. This system can be used for calculating benefit entitlements, employee/employer remittance obligations, and for potentially conducting labour market data analyses.

[2] Value of remittances is based on Canadian Payroll Association calculations. Total government revenue is sourced from Statistics Canada. Table 10-10-0015-01 Statement of government operations and balance sheet, government finance statistics (x 1,000,000).

responsibility to administer the tax system and social insurance programs, and to comply with relevant legislation, while employers are responsible for providing data and remittances in a timely and accurate manner. This study focuses on the role of employers in the administration of personal income taxes and social program remittances (i.e. Canada Pension Plan contributions and Employment Insurance premiums), provincial/territorial deductions and employer taxes and levies, as well as employment and labour legislation. It quantifies the total cost of compliance to employers, and identifies key areas where that cost may be reduced, while still supporting government obligations and priorities.

For employers, the cost of payroll compliance across Canada is not limited to the sum of hours spent by payroll professionals while they fulfill their employment duties of paying employees accurately and on time. The true cost of compliance can only be quantified through an in-depth analysis of all regulatory activities performed by payroll professionals, as well as identification of the roles played outside the payroll function. From a public policy perspective, a robust quantification of the cost of compliance to employers is valuable in understanding the critical work done by payroll professionals. This work provides a factual basis for the public discourse around the need to increase employer efficiencies and reduce the regulatory burden on both governments and employers.

Canada's current payroll compliance regime is incredibly complex. Each year, Canadian employers collect and remit hundreds of billions of dollars in personal income taxes, Canada Pension Plan (CPP) contributions, Employment Insurance (EI) premiums in addition to other payroll taxes and levies. Payroll professionals must navigate complex income tax legislation and regulations and employment and labour standards at both the federal and provincial/territorial levels—standards enabled by over two hundred legislative and regulatory requirements. The legislation itself is written to encompass many, if not all, conceivable scenarios and is often subject to interpretation by those it applies to.

For the purposes of this report, we define the cost of compliance to employers as all activities related to withholding, remittance, data collection and reporting obligations of employers as they relate to payroll. The total cost includes time spent by payroll professionals, and other roles associated with these functions such as finance and human resources (HR). The cost of compliance activities borne by Canadian employers is significant: in this study, we estimate the cost to Canadian employers is approximately $12.5 billion per year. To put this number into context, it is equivalent to 1.3% of total wages and salaries paid in Canada, and 2.1% of total corporate profits. On a per-employee basis, these costs are larger for small businesses, which are unable to take advantage of economies of scale in system setup, administration, and reporting.

Remittance and compliance activities are significant for governments' ability to raise tax revenue: Canadian employers collect $345 billion in statutory remittances, meaning that employers pay $0.36 for every $10 collected.[3]

The total cost was estimated through a combination of identifying the breakdown of annual activities of payroll professionals over the course of a normal year (compliance activities), and an assessment of the resources needed to respond to payroll-related information requests such as payroll audits, trust exam notifications, and pensionable and insurable earnings reviews (PIERs) and to meet the organization's provincially regulated payroll obligations such as employer health and post-secondary education taxes and levies, as well as workers' compensation board requirements.

Our study has captured the approximate cost of these additional resource activities to be $1.7 billion, equating to 14% of the total cost of compliance. This detailed analysis assigns a tangible cost to activities directly related to additional work required as a result of non-compliance (actual or perceived) by government agencies responsible for ensuring accuracy and collecting underpaid tax.

[3] The value of statutory remittances is calculated by the Canadian Payroll Association using inputs from the Canada Revenue Agency and provincial/territorial authorities.

The estimated total cost of compliance in Canada is $12.5 billion. Our approach to calculating this cost, as well as a breakdown of major compliance cost elements captured below, is available in the report and illustrated in the chart below.

Main category	Total cost across Canada ($ millions, annual)
Compliance activities	9,899
Responding to PIERs	86
Responding to payroll audits	1,201
Provincial and territorial employer taxes and levies and workers' compensation premiums	429
Changes to legislation	853
Total	**12,468**

Policy implications

Given the significant cost of compliance to Canadian employers, this study investigates three areas where policy changes could lower the cost of compliance, increasing Canada's attractiveness to investment in an increasingly competitive global market. These areas are:

- Taxable benefits
- Harmonization between provinces
- Digital payroll

Taxable benefits

One of the most onerous responsibilities with respect to assessing and reporting compensation is the accurate identification and valuation of taxable benefits. A taxable benefit occurs when an employer provides an item or service, such as meals or parking, from which an employee derives an economic benefit. The relevant legislative support provides guidance that leaves the payor (i.e. the employer) with the obligation to determine who the primary beneficiary of the economic outlay is. While there are significant examples and court cases to help in that determination, each case needs to be evaluated individually to ensure accuracy.

In addition to lowering the cost of compliance to employers, simplifying the taxable benefit rules would greatly enhance employer compliance—that is, the accurate recognition of income earned in a year by an employee. The resulting increased accuracy would, in turn, result in proper receipt of any associated tax revenue while decreasing the government resources required to perform audit activity.

We suggest the government revisit certain legislation in order to simplify the taxable benefit rules, such as

- Employer provided parking lots unrestricted to the public should not trigger a taxable benefit for employees
- Including gift cards as non-taxable under the Canada Revenue Agency's (CRA) Gifts and Awards policy
- Reviewing the tax-free benefit thresholds that may not have been indexed with inflation in recent years

Harmonization of payroll related legislation between provinces

The lack of policy harmonization between provinces and territories in Canada has a significant impact on the overall cost of compliance for Canadian organizations. Compliance requirements for elements such as vacation, overtime, legislated leaves, and terminations can lead to significant additional effort when an employer has employees in more than one province or territory. COVID-19 has shone a spotlight on this issue, as the lack of harmonization has made emergency policy responses more complex both for governments and for employers, as evidenced by the fact that between March 15 and August 24 of this year there were 239 updates to federal, provincial and territorial policy. These requirements would have been simpler to implement if there were fewer inconsistencies between provinces, which would have resulted in faster program implementation and a lower compliance cost for employers.

A key trend resulting from the pandemic is the rapid pace at which organizations are now moving toward more virtual work arrangements. This trend will likely have a long-lasting impact—not only on organizations but on countries looking to attract international employers. Without changes to our current system, some provinces will be better positioned to attract investment from foreign employers than others.

There is an opportunity for Canadian companies to be more competitive on the global stage by decreasing payroll complexity within Canada across all of its provinces. Organizations are shifting to be agile and adaptable to their business needs and Canada needs to be able to respond in kind. The swift implementation of provincial and territorial harmonization should be embraced in the immediate future to ensure we do not fall further behind other jurisdictions with less complex payroll requirements.

Digital payroll

In an effort to modernize the operations of the government, deliver government programs more effectively, reduce the cost of compliance across the country and decrease the administrative burden on employers, the Government of Canada should consider implementing a digital payroll solution. Under a digital payroll solution, information about tax and other deductions under the payroll system could be securely accessed by government agencies and departments every time an employee is paid. A digital payroll system would allow the government to ensure the collection of the right amount of tax and social program contributions, improve the accuracy of earnings-based benefit payments, deliver social programs based on payroll information more effectively, and allow for the successful implementation of new legislation tied to payroll reporting.

Moving to a digital payroll regime would significantly enhance transparency, access, and integrity of data in Canada. Government agencies would also benefit as they could use the data to create more relevant government programs or to adapt existing ones to changing circumstances. Digital payroll would also significantly reduce the number of errors and reduce the overall cost of compliance to employers, employees, and the government.

A functional digital payroll system would have expedited the distribution of funds under COVID-19 programs set by the Canadian governments. The lack of such a system was a significant hindrance for employers, employees, and governments to easily access the critical payroll information to support swift and direct wage subsidy programs. Although there could be significant costs to implementation, reviews conducted in countries that implemented such a system suggest that moving to digital payroll systems can save hundreds of millions of dollars a year in the long term.

Introduction

Background

The Canadian Payroll Association represents over 40,000 payroll professionals covered under individual or organizational memberships, working with employers, payroll service and software providers (PSSPs) and governments to make payroll legislation and administration more efficient and effective. The Canadian Payroll Association is also committed to sharing knowledge and insights regarding the role and value of payroll and payroll professionals. In this regard, the Canadian Payroll Association commissioned PwC to conduct a comprehensive study, the results of which are being reported in a series of three reports, aimed at informing stakeholders and the public at large about the socio-economic value provided by Canadian payroll professionals, providing input on key policy issues, and describing the future of the payroll profession.

This report, entitled, *The cost of employer compliance and public policy implications,* measures the impact on employers of their obligations to collect and remit hundreds of billions of dollars in personal income taxes, Canada and Quebec Pension Plan contributions, Employment Insurance and Quebec Parental Insurance Plan premiums and other payroll taxes and levies. The report quantifies the cost of these remittance and other compliance obligations to Canadian employers. It also explores key policy issues including taxable benefits, harmonization of provincial and territorial legislation, policy responses to COVID-19, and digital payroll reporting. A previous report entitled, *The economic impact of payroll professionals in Canada*, assessed the importance of payroll to the Canadian economy, focusing on the channels of the economic footprint of the function, employer productivity, and employee retention and attraction. The final report in the series, *The future of payroll*, lays out a vision of what the future of payroll will look like including analyzing the current state of payroll, and identifying key trends that will shape future payroll models for organizations, payroll professionals, and the Canadian Payroll Association.

About this study

The personal income tax system within Canada imposes costs beyond the amount remitted to the government. It encompasses compliance costs to taxpayers and employers as well as the administration costs that are borne by the federal, provincial and territorial governments. There is a cost to the Government for the collection of federal, provincial/territorial income taxes and social contributions such as processing costs (e.g. processing returns, public enquiries, taxpayer-requested adjustments), audit costs, collections, objections and appeals and administrative costs. There are also the costs to other departments such as the Department of Justice through litigation services and general legal services. These layers of costs impose a significant burden felt by government, employers and individuals through direct costs as well as economic costs through lost productivity and the dedication of time and resources allocated to compliance.

The layers of costs are not without purpose. The tax compliance system is intended to be the system that drives an effective government and funds public spending. In order for the system to function there is an inherent cost to ensure tax compliance. The focus is to implement the most effective system which limits the burden through unnecessary complexities.

This complexity creates a significant cost to organizations that are aiming to be fully compliant. Each year, Canadian employers collect and remit hundreds of billions of dollars in personal income taxes, Canada and Quebec Pension Plan contributions, Employment Insurance and Quebec Parental Insurance Plan premiums and other payroll taxes and levies. Payroll professionals must also navigate a complex array of taxation and employment and labour standards at both the federal and provincial levels—standards enabled by over two hundred legislative and regulatory requirements. The legislation itself is written to encompass many, if not all, conceivable scenarios and is often subject to interpretation by the user.

The cost of payroll compliance in Canada, however, is not limited to the sum of hours spent by payroll professionals, rather it also includes the activities and costs of other key stakeholders such as corporate tax and finance departments that have involvement with compliance functions. We have incorporated these additional costs into our study.

In arriving at the estimated total cost of compliance we have not incorporated indirect costs such as:

- legal fees;
- third party provider costs;
- service charges from payroll service and software providers (PSSPs);
- professional membership fees;
- activities not directly related to the payroll function, such as strategy and planning; and
- hours required by individuals in finance for approving overall payroll reporting have also not been captured in the costing, but are specifically referenced through our survey results within the report.

To better understand the full cost of payroll compliance in Canada and to identify public policy implications, the Canadian Payroll Association engaged PwC to conduct an independent assessment of:

- the total cost of compliance;
- the limitations of the current regulatory system, as evidenced, amongst other, by our current pandemic situation;
- how payroll is evolving and its role in driving the need for more efficient compliance processes and reduced red tape; and
- key areas of policy improvements to achieve greater efficiencies for employers, employees and the government.

Scope of review

This study relies on primary and secondary data sources, including the following:

- focus groups with payroll professionals;
- in-depth interviews with payroll professionals and PSSPs;
- a comprehensive survey of payroll professionals—with over 2,400 respondents;
- a review of relevant literature on the impact of payroll;
- secondary research on employers in Canada; and
- Statistics Canada data used to extrapolate costs to the economy as a whole.

Assumptions and limitations

This report was prepared in accordance with the study considerations outlined in Appendix B. It should be read in conjunction with two separate but related reports developed by PwC, including *The economic impact of payroll professionals in Canada*, and *The future of payroll*.

All dollar figures included in this report are in 2019 Canadian dollars unless otherwise specified.

Cost of compliance

In this section, we outline the current income tax and social program withholding and remittance obligations of Canadian employers, and quantify the cost of compliance for employers in Canada. For the purposes of this report, we define the cost of compliance to employers as all activities related to withholding, remittance, data collection and reporting obligations of employers as they relate to payroll. The total cost includes time spent by payroll professionals, and other roles associated with these functions such as finance and human resources.

Our survey of 2,400 payroll professionals captured the percentage of time spent on compliance activities over the course of a year in order to provide a detailed analysis of cost to activity. On top of this breakdown, we further analyzed specific time spent by payroll professionals and key stakeholders such as human resources and finance that are necessary to ensure employer compliance such as responding to government requests for information and legislation changes.

Withholding and remittance requirements

Canada's 1.5 million employers rely on payroll professionals to ensure the timely and accurate annual payment of $1.02 trillion in wages, $345 billion in statutory remittances to federal, provincial and territorial governments, and $180 billion in health and retirement benefits, while complying with more than two-hundred federal, provincial and territorial legislative and regulatory requirements.[4] In order to ensure an organization is compliant, payroll professionals are responsible for identifying the vast array of legislative differences impacting all employees, recording income properly and facilitating the applicable withholding and remittances to the Receiver General during the correct remittance periods. As discussed later, the complexity of the legislation involved makes these tasks challenging.

Currently, Canadian payroll remittance and regulatory requirements can be identified into the following six categories:

1. Individual income taxes;
2. Social program withholding: Canada and Quebec Pension Plan (CPP/QPP) contributions; Employment Insurance (EI) premiums, and Quebec Parental Insurance Plan (QPIP) premiums;
3. Workers' compensation premiums;
4. Provincial and territorial health/post-secondary education taxes and levies;
5. Pension regulations; and
6. Employment and labour standards as they pertain to payroll specific obligations.

The obligation to withhold and remit lies with the employer (or payor) to make in prescribed form to the regulatory body overseeing the legislation. This current system provides a substantial benefit to the federal, provincial and territorial legislative bodies, particularly when it comes to personal income taxes. Under the current model, a payroll professional—acting on behalf of their organization—must follow

[4] Source: Canadian Payroll Association

strict rules to calculate the total personal income tax obligation anticipated for each employee's income over the course of a given taxation year. Employers are then required to withhold and remit that tax, per employee, to the federal government by way of making payment to the Receiver General of Canada and to Revenu Québec (RQ), if applicable.

This approach has an economic benefit to both governments (federal, provincial and territorial) and to employees. For governments, the regular remittances made by employers keep funds flowing, ensuring tax revenue is being received as the employees are paid their wages. If this system was not in place, governments would need to deal directly with employees, requiring governments to spend considerable resources in the collection of taxes and would be required to expand auditing activities to ensure accurate tax collection. At the same time, employees benefit from this approach because they have a clear and current understanding of what disposable funds are available to them, which can help them with managing their day-to-day cost of living. Given the critical nature of the benefits to governments and employees, the level of care and attention to detail required by payroll professionals when conducting payroll activities is a key element in maintaining these benefits.

Payroll software platforms play an important role in many employers' compliance activity by providing the platform through which compliance information is collected. In recent years, improvements in data collection and coordination have automated more of these processes, reducing time spent on compliance. Although payroll technology and software is the platform for compliance activities, the responsibility for ensuring that information and remittances are calculated accurately and on time ultimately lies with the employer.

Quantification of the cost of compliance

The estimated cost of compliance, as per the overall categories described above, are summarized in the table below. We will delve into the major components of each category through the following sections.

Table 1: Summary of cost of compliance to employers

Main category	Total cost across Canada ($ millions, annual)
Compliance activities*	9,899
Responding to PIERs	86
Responding to payroll audits	1,201
Provincial and territorial employer taxes and levies and workers' compensation premiums	429
Changes to legislation	853
Total	**12,468**

*Note: we have analyzed the compliance activities utilizing a "top-down approach," where we surveyed payroll professionals' activities per category on an annual basis (as detailed below). We have combined this method with a "bottom-up approach," which involved estimating the number of hours spent on specific government correspondence and legislative changes activities: responding to PIERs; responding to payroll audits; provincial and territorial employer taxes and levies and workers' compensation premiums, and changes in legislation. Because these two categories overlap, we have reduced the overall top down quantification from approximately $10.7 billion to approximately $9.9 billion in the table above to avoid duplication of costs.

The total cost of compliance represents a significant cost to Canadian employers: the total annual costs of $12.5 billion are equivalent to 1.3% of total wages and salaries paid in Canada, and 2.1% of total corporate profits. For every $10 of the $345 billion in statutory remittances that governments collect, employers pay $0.36 to collect it. On a per-employee basis, these costs are larger for small businesses, which are unable to take advantage of economies of scale in system setup and reporting.

Payroll activities—Compliance activities

Summary of results

Based on our survey, we captured and analyzed compliance duties performed by payroll professionals over the course of an average year. We estimate that on average, 56% of time spent in payroll functions is related to compliance, meaning that the total cost of these functions to employers is approximately $9.9 billion, based on the average salary for payroll professionals.

Table 2 provides a breakdown of the annual costs associated with compliance activities performed by payroll professionals in Canadian organizations. We note that this approach is intended to estimate the cost of compliance over the past year, and does not reflect the impact of costs associated with major changes, including those associated with COVID-19 response.

Table 2: Breakdown of annual costs for compliance activities

Compliance activities	% of total time spent	Cost per payroll professional ($ annual)	Total cost across Canada ($ millions, annual)
Employee interactions and inquiry management			
Dealing with employee requirements for documentations (Records of Employment (ROEs), pay statements)	2.2%	1,312	385
Explaining payroll legislation to employees	1.4%	831	244
Answering compliance inquiries within the organization	1.5%	898	264
Payroll administration			
Preparing payroll gross amounts including time submission	6.7%	4,021	1.180
Processing payroll to calculate gross to net pay and produce direct deposits, pay cheques, pay statements	6.5%	3,923	1,152
Identifying, validating and processing payroll adjustments (e.g. retroactive adjustments for over/under payments)	3.5%	2,110	619

Compliance activities	% of total time spent	Cost per payroll professional ($ annual)	Total cost across Canada ($ millions, annual)
Payroll administration			
Processing employee garnishments (e.g. government requirements to pay, family maintenance, court orders)	1.3%	754	222
Calculating and processing payments for special situations (e.g. sign-on bonuses, commissions, severance)	2.0%	1,190	349
Performing EI administrative procedures. Actions may include processing required forms including ROEs and government requested verification and authorizing payments	2.5%	1,477	433
Providing employees with year-end information slips (e.g. T4, RL-1s) and sending year-end data to government entities	2.8%	1,710	499
Identifying, validating and processing a manual cheque (e.g. new employees not currently in payroll system)	1.2%	707	208
Payroll accounting & finance			
Processing remittances (e.g. statutory remittances, Workers' Compensation Board (WCB), Employer Health Tax (EHT)) and payments to third parties (e.g. unions, group insurance)	2.7%	1,586	469
Establishing and maintaining internal controls and audits	1.6%	960	282
Workforce administration & HR interactions			
Setting up new employee records on the payroll system. Data keying will include annual pay, direct deposit information, personal tax credits, etc.	1.8%	1,091	320
Updating and maintaining employee data on the payroll system. Data may include deduction changes, payroll classification, direct deposit changes, etc.	1.7%	1,021	300
Managing employee compensation (e.g. set up, changes to wage grids, salary progression, commission and bonus payments, etc.)	1.3%	773	226
Administering benefits & pension eligibility and transactions	1.4%	843	248
Termination documentation such as ROE and final pay statement	1.3%	791	232

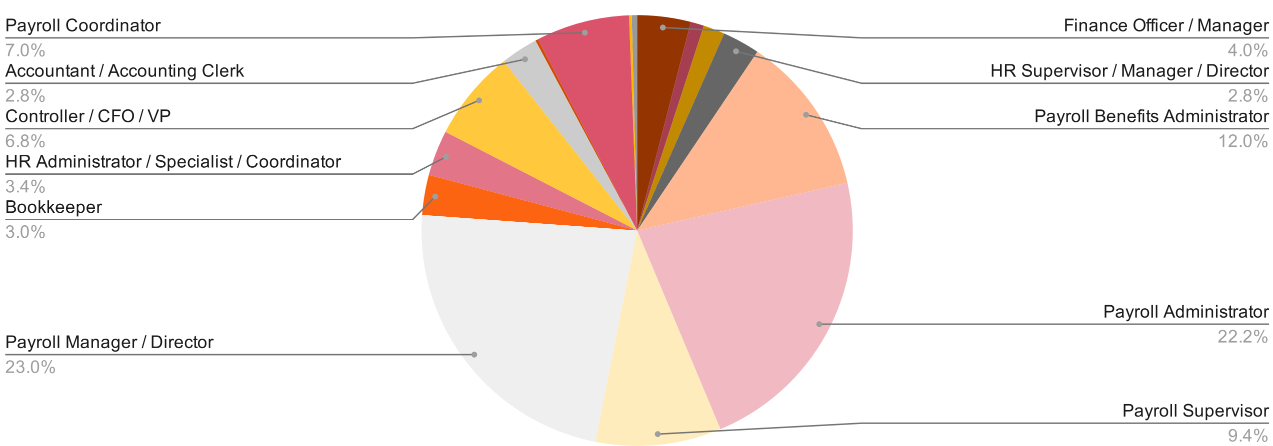
Compliance activities	% of total time spent	Cost per payroll professional ($ annual)	Total cost across Canada ($ millions, annual)
Workforce administration & HR interactions			
Generating and distributing time and attendance business and operational reports. For example, vacation accruals, overtime or exception reports	1.2%	728	213
Monitoring sick/vacation time accrual and balance information for employees and making corrections as needed	1.6%	936	275
Third party & vendor management			
Managing day-to-day file transmissions, integrations and sharing of required data/information with payroll vendors	1.4%	863	253
Responding to third party remittance inquiries	1.1%	660	194
Government correspondence & legislative changes			
Responding to government reports, for example, PIER discrepancies	1.2%	701	206
Investigating/responding to federal inquiries	0.6%	387	113
Investigating/responding to provincial/territorial inquiries	0.5%	303	89
Researching changes in legislation (e.g. keeping up with policies, confirming with Canadian Payroll Association, CRA, etc.)	1.9%	1,152	338
Ensuring compliance with legislative changes	1.9%	1,165	342
Ensuring compliance with collective bargaining agreements	1.1%	675	199
Other	0.2%	140	45
Total	**56.1%**	**33,699**	**9,899**

*Note: we have analyzed the compliance activities utilizing a “top-down approach,” where we surveyed payroll professionals’ activities per category on an annual basis (as detailed below). We have combined this method with a “bottom-up approach,” which involved estimating the number of hours spent on specific government correspondence and legislative changes activities: responding to PIERs; responding to payroll audits; provincial and territorial employer taxes and levies and workers’ compensation premiums, and changes in legislation. Because these two categories overlap, we have reduced the overall top down quantification from approximately $10.7 billion to approximately $9.9 billion in the table above to avoid duplication of costs.

Spotlight: Responsibility for ensuring proper reporting

In the above activities, we are highlighting the responsibilities for ensuring the proper reporting of year-end information slips. The core function of payroll compliance is the reporting of compensation as a validation of income tax, social program contributions (CPP, QPP, EI and QPIP) and employer remittances. Predictably, in most organizations, this responsibility falls to payroll professionals; most commonly a payroll manager, payroll administrator, or payroll supervisor. Based on our survey, however, almost 7% of respondents indicated that a senior member of the finance team or a finance executive is responsible for ensuring proper compensation reporting (see Figure 1). The costs associated with payroll professionals already represent $499 million. The costs associated with the involvement of senior finance personnel would represent an additional and significant increase in the cost associated with compliance for those employers, a cost not accounted for in our estimated cost of compliance. It also represents an opportunity cost to those organizations as these compliance requirements would take away from the strategic responsibilities of these roles. The requirement for involvement of senior staff members in these activities highlights the importance of compliance decisions in terms of the costs and risks that need to be managed.

Figure 1: Responsibility for ensuring proper T4/RL-1 reporting



Responding to PIERs

Organizations that receive a PIER must either pay the amount of the reported CPP and/or EI deficiency as determined by the CRA or provide the CRA with a valid explanation for the perceived discrepancy. Providing an explanation often requires employers to conduct time-consuming investigations at the individual employee level to determine, for example, that CPP was not deducted on non-cash taxable benefits during periods of unpaid leaves. Either approach results in payroll teams, particularly at small and medium-sized organizations, spending a percentage of their time responding to the PIER. According to our survey (see Table 3), the average employer cost associated with time spent reviewing a PIER report is $862 per PIER.

Table 3: Breakdown of annual costs for PIERs

	Average time (hours) spent responding to a review	Cost per payroll professional ($ annual)	Total cost across Canada ($ millions, annual)
Responding to a review*			
Payroll processors	10.0	248	36
Payroll reviewers	11.3	337	21
Payroll manager	7.6	264	29
Total			86
Paying amount directly**		1,058 (per report)	

*Payroll processors perform day-to-day payroll functions (Payroll Administrators, Payroll Specialists, Payroll Coordinators)
Payroll reviewers carry out experienced payroll functions and support payroll processors (Payroll Supervisor)
Payroll manager is responsible for the overall delivery of the payroll function and managing the payroll team (Payroll Managers/Directors)

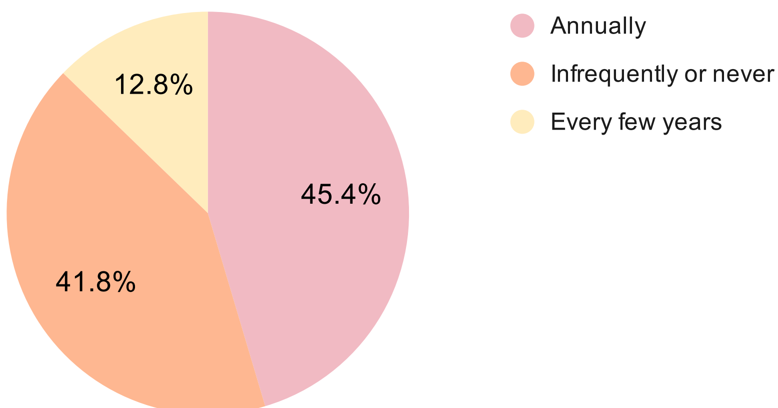
**Based on an expected PIER settlement of $5,000

In the charts below, we breakdown the results for how often organizations receive PIERs and their assessment on how they respond.

We found over 58% of respondents receive PIERs on at least a semi-regular basis, and 45% of respondents receive a PIER each year. These organizations have to assess whether to invest the resources in validating the identified deficiencies or simply pay the amount identified as owing.

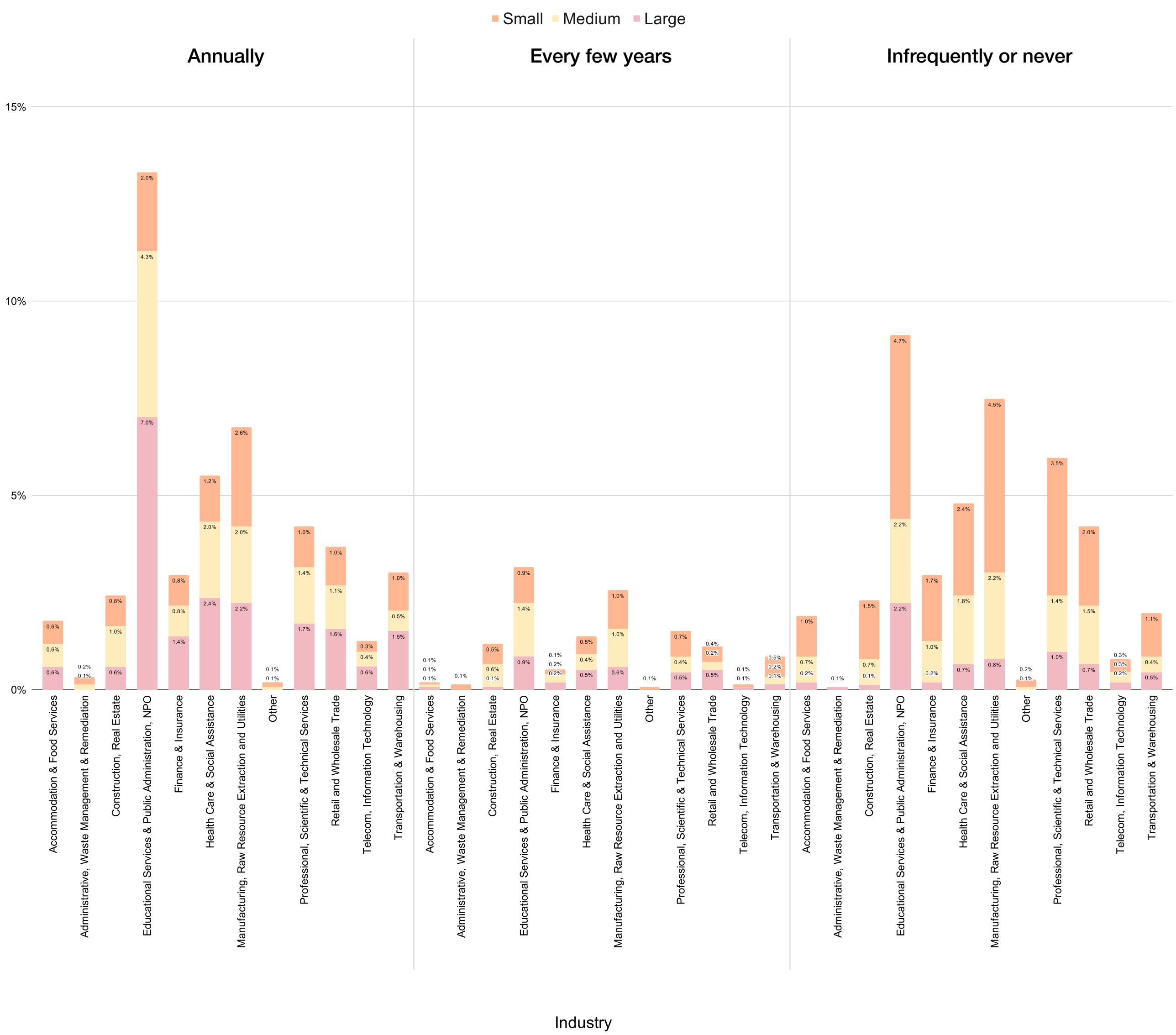
Costs to the organizations responding to a PIER include employee costs from the payroll function, employee cost from the supporting functions, potential costs from PSSPs and outside consultants, as well as lost productivity.

Figure 2: How often do organizations receive PIERs?



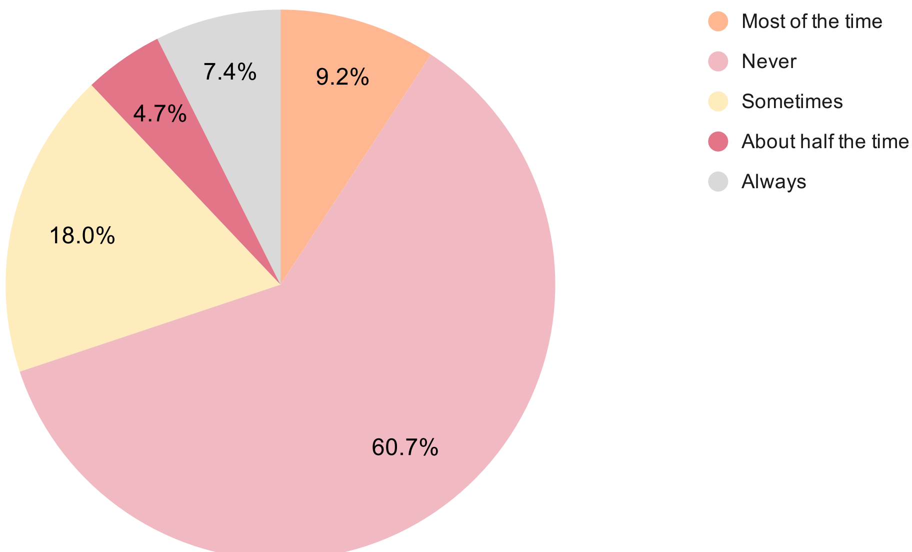
The chart below shows the breakdown of how often organizations receive PIERs highlighting the results by industry and organization size. We found Educational Services and Public Administration, and Transportation and Warehousing were industries more likely to receive PIERs annually.

Figure 3: How often do organizations receive PIERs?



The next breakdown focuses on the assessment organizations make on using the resources to respond to a PIER or simply pay the amount owing from the assessment. We see 60% of organizations always respond to PIERs representing a cost to the organization in employee resources and lost productivity. Almost 17% of organizations, most of the time, will simply pay the balance owing from the assessments when received, resulting in an automatic cost of compliance to the organization depending on the frequency of the reports.

Figure 4: How often does your organization simply pay the amount due from a PIER rather than deal with responding?

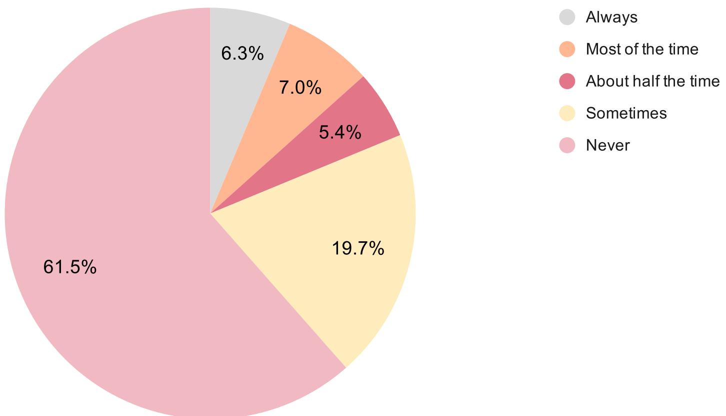


In the charts below, we see that over 13% of large organizations, over 15% of medium-size organizations, and over 20% of small organizations, most of the time, simply pay the balance owing. Possible explanations for smaller organizations being more likely to simply pay the balance owing could be correlated to the size of assessments these organizations receive. Alternatively, smaller organizations may not have the dedicated payroll expertise and resources to respond to a PIER.

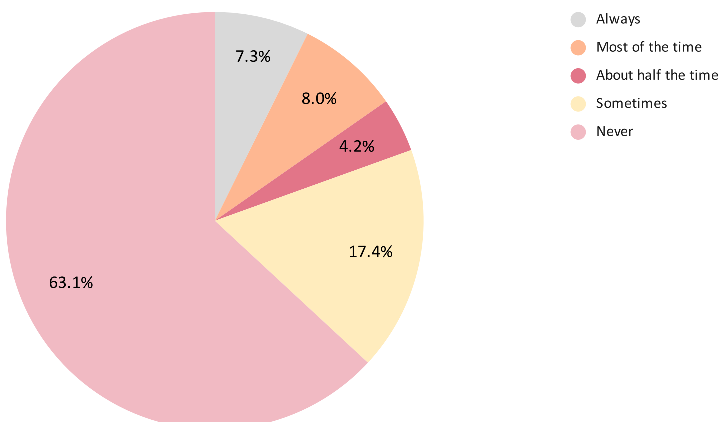
Large organizations are more likely to have compex payroll reporting, such as cross-border travellers and global assignments, that could trigger PIERs which these organizations can support. We also see that 61% of large organizations, over 63% of medium-size organizations, and over 58% of small organizations, never choose to simply pay the balance owing from an assessment rather than investigate the discrepancy, which may be a result of the discrepancies being explainable.

Figures 5, 6, 7: Breakdown by Organization Size on responding to a PIER

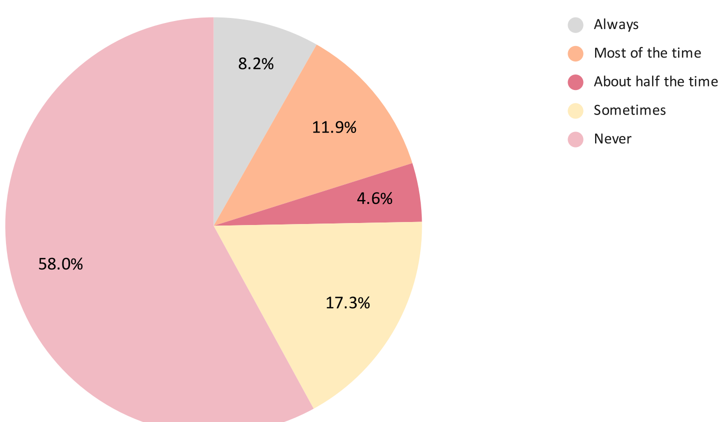
How often the organization simply pays the amount owing on a PIER review (Large organization)



How often the organization simply pays the amount owing on a PIER review (Medium organization)



How often the organization simply pays the amount owing on a PIER review (Small organization)



Responding to payroll audits

Our survey showed that the majority of payroll specialists spend an average of 22 hours per audit to gather information related to the audits, while managers spend up to 26 hours responding to audits and trust exams, reflecting the fact that the majority of the work dealing with responding is not handled at the payroll specialist level. Requests from the CRA have a major impact on other organization functions as well, with the majority of tax and finance functions spending up to 30 hours responding to CRA requests. If audits result in amended tax slips, then significant additional hours are spent notifying employees.

In Table 4, we show the breakdown of costs for responding to audits.

Table 4: Breakdown of annual costs for responding to audits

	Average time (hours) spent responding to a CRA/RQ audit or trust exam	**Cost per payroll professional ($ annual)**	**Total cost across Canada ($ millions, annual)**
Gathering information			
Payroll specialists	22.1	662.83	210
Tax/Finance Department/HR Functions (estimated total professional population of 333,157 across Canada)	24.8	926.29 (per professional)	309
Dealing with tax authorities to complete audit			
Payroll processors	21.7	539	64
Payroll reviewers	21.7	648	47
Payroll managers	25.9	904	115
Dealing with amended tax slips as a result of an audit			
Amending T4/RL-1: Dealing with outside advisors	11.1	332	105
Amending T4/RL-1: Informing employees	9.8	293	93
Amending T4/RL-1: Coordinating internally with the finance/tax/HR functions	16.5	494	156
Amending T4/RL-1: Processing penalties or interest	10.9	327	102
Total			1,201

It is important to note that as costly as audit activities are for employers, the federal government is also spending a significant amount on audit related activities. The 2019 Federal Budget included $151 million of new funds for the CRA over five years, the majority of which was allocated to hiring new auditors.[5] While this investment is not limited to payroll auditors, it is an indication of the government's interest in collecting tax revenues related to improper reporting.

In the budget, the federal government specifically mentioned cross-border payroll, illustrating its understanding and interest in the potential revenue associated with the lack of, or underreporting of, wages earned by employees temporarily working in Canada. This is important as the obligation to withhold and remit income and social insurance contributions on remuneration earned by individuals working in Canada, even temporarily, by a foreign employer are often misunderstood or simply not known. This lack of knowledge or understanding leads to a lack of compliance in this area.

Figure 8: Time spent by Payroll Specialists to respond to an audit

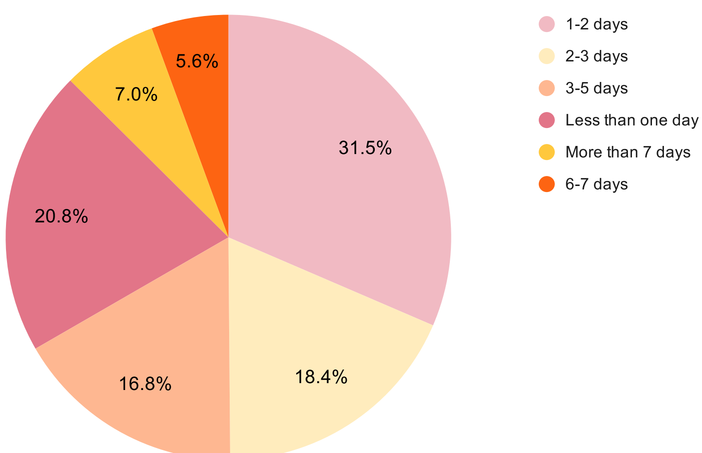
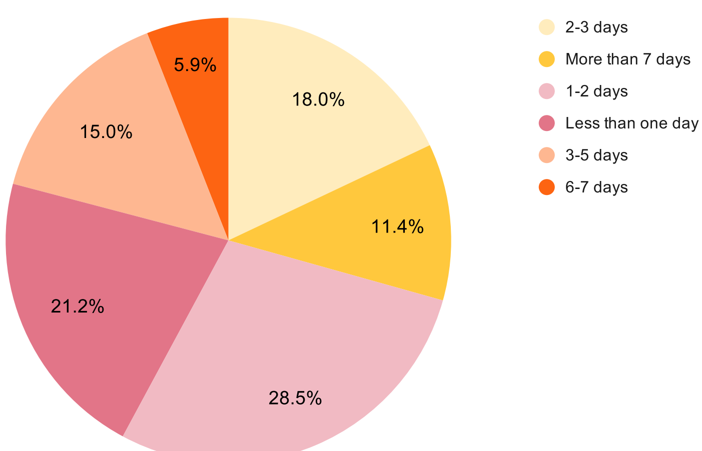


Figure 9: Time spent by Finance/Tax/HR Functions to support responding to audits



[5] Government of Canada Budget 2019

Provincial employer taxes and levies, and workers' compensation premiums

The costs associated with responding to the employer payroll costs that often go unnoticed when discussing payroll, provincial and territorial taxes and levies such as EHT and workers' compensation premiums, are categorized below. While often considered to be a simpler tax to pay when taking the full payroll professionals obligation into consideration, the total time spent across all levels remains high. Payroll reviewers/managers time is close to or more than 50% of the processor's time. The complexity around these costs should be reduced in order to limit that review time.

Table 5: Breakdown of annual costs for dealing with provincial and territorial employer taxes and levies and workers' compensation premiums

	Average time (hours) spent responding to a review	Cost per payroll professional ($ annual)	Total cost across Canada ($ millions, annual)
EHT and provincial/territorial levies			
Payroll processors	19.7	490	72
Payroll reviewers	17.3	516	29
Payroll managers	11.7	409	47
Sub-total			148
Workers' compensation premiums			
Payroll processors	42.4	1,055	151
Payroll reviewers	26.7	800	44
Payroll managers	20.9	727	86
Sub-total			281
Total			429

Changes to legislation

Any time federal or provincial and territorial governments make changes to payroll related legislation (e.g., personal income tax thresholds, statutory withholding rates and limits, employment and labour standards), there is a direct cost to employers. For regular legislative changes (e.g. updates to existing legislation or regulations), the primary added cost for organizations relates to the hours spent updating technology and software to align with the changes. Some organizations use their internal IT function to make required changes, while others hire additional employee resources to help with this task. The majority, however, rely on their existing PSSP to apply the updates—either as a part of their existing services contract, or at an additional fee. We found that 12.5% of organizations pay additional fees.

Legislative changes that represent a major change or add a new component that employers must account for drive more costs for organizations as illustrated by the costs related to the implementation of an EHT in British Columbia in the table below.

Table 6: Breakdown of costs related to changing legislation

	Average time (hours) spent responding to changes in legislation	Cost per payroll professional ($ annual)	Total cost across Canada ($ millions, annual)
Updating current software for legislation changes	90.1	2.695	852
Hiring additional employees			0.003
Paying fees to PSSPs for payroll system and reporting changes		917 (avg. cost)	
Spotlight: Change in BC legislation to EHT from Medical Services Plan (MSP) (total cost calculated with reference to BC payroll professionals only)			
Processors	26.2	652	14
Reviewers	24.0	718	6
Managers	22.3	778	15

Figure 10: Are there additional fees from payroll service and software providers associated with legislation changes?

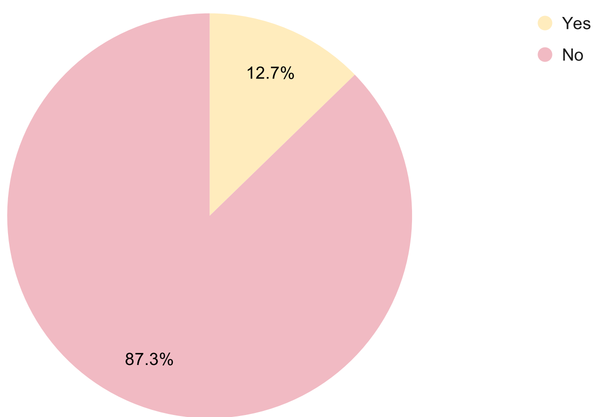


Figure 11: Average fees paid to payroll service and software providers for updates as a result of legislative changes

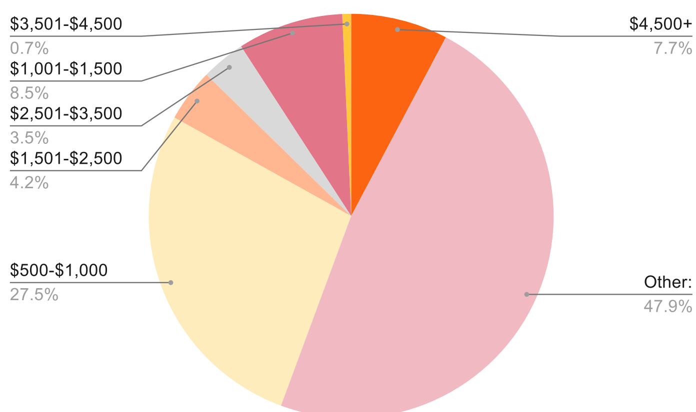
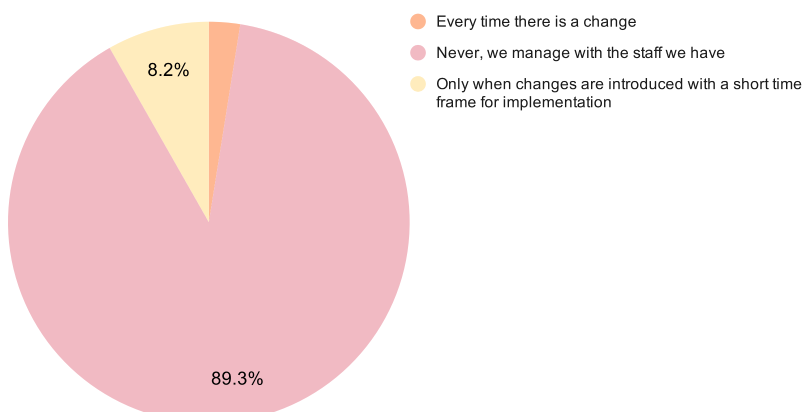


Figure 12: Employer readiness to hire additional employee resources for legislative changes



Seasonal payroll work

One area of unique concern for compliance that we found during our research was the lack of additional support for seasonal upswings in work requirements. According to our survey, 46% of Canadian organizations hire seasonal employees to help with payroll, however, more than 50% of these are large organizations. The lack of additional support, particularly at small and medium sized organizations, presents a significant risk to compliance as the burden on payroll professionals is heightened. When an organization does hire seasonal employees, they typically hire less than three employees. The most common seasonal staff hired are payroll processors.

Technology improvements should be able to reduce these hours with the integration of AI to incorporate research capabilities. The incidence of a lack of harmonization of rules and regulations across Canada are a contributor to the compliance costs borne by businesses. All provinces except Quebec follow the personal income tax and social insurance rules set out at the federal level; however, each has its own legislation covering workers' compensation, employer health or education tax (if applicable) and employment/labour standards that payroll professionals have to adhere to. Quebec has a completely stand-alone taxation system with its own Taxation Act, separate Receiver General and a significantly more onerous list of employer payroll obligations, including a separate pension plan, diverging rules about taxable benefits and duplicate reporting requirements. We provide further analysis with respect to Quebec in the next section.

Training and development

The last area to highlight with respect to cost of compliance is related to the time spent on training and development. Based on our survey, we found organizations spend on average 65 hours training new payroll staff. Using the percentage of activities related to compliance stated above, 56.1%, we extrapolated that up to 36.5 hours are spent on training new payroll staff related to compliance activities per employee. This represents an estimated cost of $287 million.

During our survey, the majority of payroll professionals reported spending approximately 15 to 20 hours a year on researching payroll matters. This time—and the related investment—while not high in comparison to the total time spent on payroll compliance, is a key part of ensuring payroll professionals can do their work effectively. Organizations can leverage technology to reduce these hours or to enhance the value of the time spent by payroll professionals. For example, AI can be used to enhance research capabilities.

In addition to providing payroll professionals with new insights and additional tools they can use to proactively achieve greater compliance, training and ongoing professional development opportunities are a key part of enhancing employee satisfaction.

Figure 13: Hours spent researching payroll matters to ensure compliance (per year)

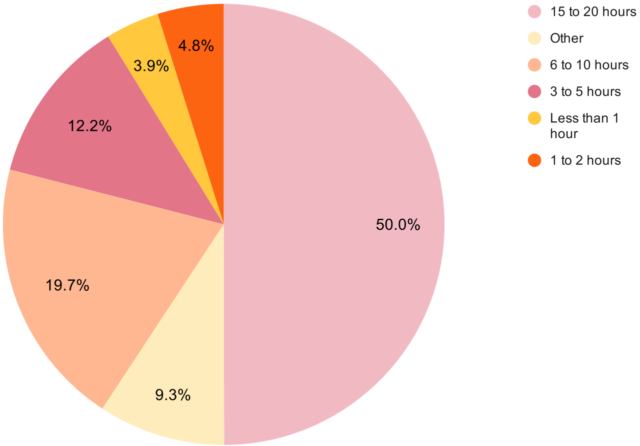
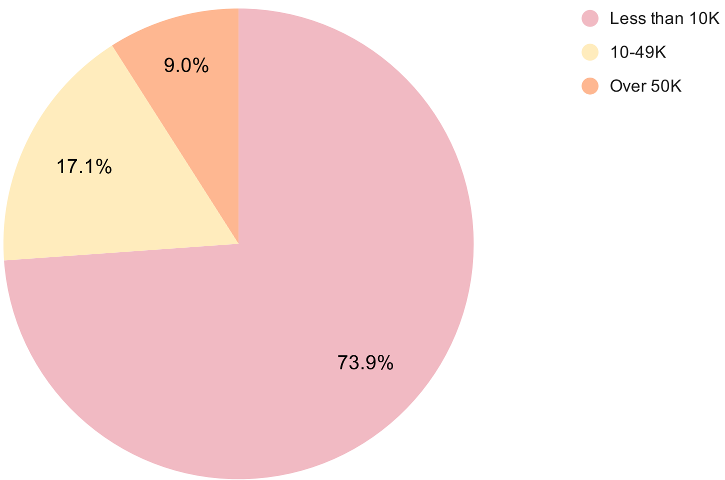


Figure 14: Amount paid annually for subscriptions on third party research platforms ($000's)



In their own words

“I love that moment when I send the bank file, to know that my team and I have successfully processed the organization’s payroll and life will go smoothly (hopefully) for our staff as a result.”

“I like that every day is different and that my skills are challenged. The ability to provide light to others about what payroll actually does and not just pushing a button. Being able to be myself and not having to present someone I'm not.”

Policy implications

As described in the previous section, the costs of compliance can be significant for employers. For employers deciding where to locate an investment or expand within Canada, compliance requirements can play a role. This means that lowering the cost of compliance can be an effective way to attract investment and employment to Canadian jurisdictions. In this section, we explore three key areas where complexity within the system stands out, and recommend steps that would lower the cost of compliance in these areas. These include the time-consuming aspect of identifying and valuing taxable benefits, the impact of payroll-related legislation that lacks harmony amongst provinces and territories, including the unique policy environment in Quebec; and the need for digital payroll.

Simplifying the taxation system, starting with taxable benefits

According to research, Canada's outdated tax system creates undue costs—in terms of both money and time—for Canadian businesses.[6] Identifying opportunities to simplify the taxation system should be a priority for governments at all times, as reducing costs for Canadian businesses would translate into increased economic benefits. This simplification would be particularly beneficial during times of economic crisis when employers are already facing complex challenges. There are many areas within our taxation system that are outdated; however one easily identifiable and approachable area to achieve increased simplicity lies in identifying and valuing taxable benefits.

One of the most onerous responsibilities with respect to reporting compensation is the accurate identification and valuation of taxable benefits. A taxable benefit occurs when an employer pays for something that provides an economic benefit to the employee. The legislative support provides guidance that leaves the payor (i.e. the employer) with the obligation to determine who the primary beneficiary of the economic outlay is. While there are significant examples and court cases to help in that determination, each case needs to be evaluated individually to ensure accuracy.

When a company undergoes a payroll audit, taxable benefits are always on the list for scrutiny. While most companies try to fully comply, the administrative complexity behind timing and valuation can make that goal practically unattainable. For example, if an organization provides employees with lunch on a regular basis, they are supposed to capture the fair market value (FMV) of the lunch consumed during the pay period eaten. A proper valuation entails identifying the FMV of the meal (which is not simply the cost to the employer), determining which of their employees actually consumed the meal and recording the cost in the accurate payroll run. This

[6] 50 Years of Cutting and Pasting: Modernizing Canada's Tax System, Canadian Chamber of Commerce, 2019

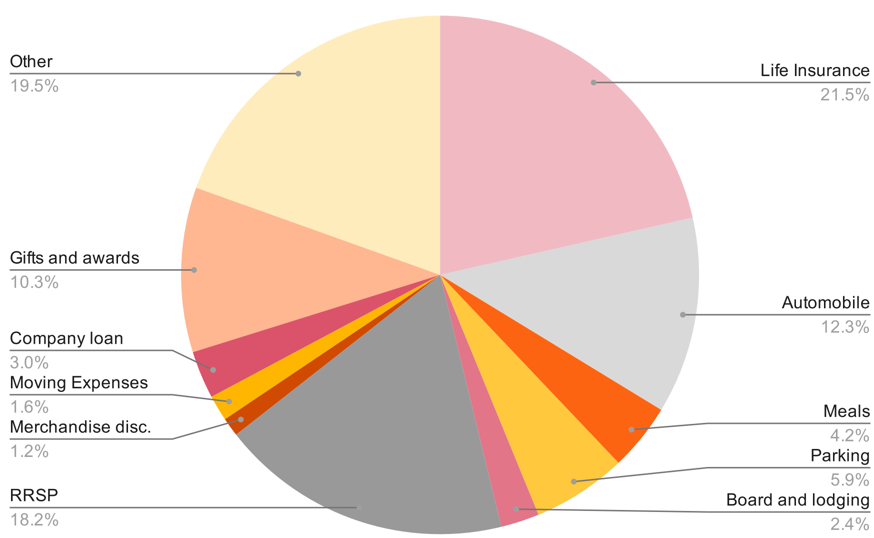
time-consuming work required to be compliant within each pay period is often a significant challenge for payroll professionals.

Other benefits, such as employer-provided parking, require employers to perform detailed analysis of the current economic environment in order to determine the FMV. Consider for example, an employer with multiple staff parking lots in various cities across the country. Current legislation makes it the employer's responsibility to determine the exact cost of similar parking spots for each location, with potential discounting for how industrial or open to the public the zoning area is. Since the FMV is in constant flux, not only due to inflation but also as neighbourhoods develop (e.g., a hospital with expensive paid parking could drastically increase the value of nearby parking), payroll professionals must currently be ready to recalculate and defend the taxable benefit valuation to government, management, employees, and unions where applicable.

Some benefit allowances have an associated dollar threshold under which the benefit is non-taxable. These thresholds should be reviewed on a regular basis for inflation. One example is the $650 tax-free allowance for moving expenses (i.e. up to $650 depending on the cost reported by the employee). The reality is $650 by today's standards does not go as far as it did when the threshold was initially set in 1984.

Benefits requiring the greatest amount of time to administer include Gifts and Awards. Such benefits typically include small gestures of recognition by the employer for milestone events such as an employee's wedding or years of service. Both the CRA and RQ have policies to exempt such token amounts from the calculation of an employee's taxable income provided the value is within a certain limit. However, while RQ permits merchandise gift cards to be provided to the employee, the CRA does not. This difference in policy creates not only inconvenience, especially as employees and employers enter into a more virtual relationship which may lead to more gift cards as opposed to actual physical gifts, but also lack of harmony between the two tax treatments on the employee's year-end tax slips.

Figure 15: Comparison of time spent on valuation of taxable benefits



Of the respondents who selected "other", 45% indicate they spend their time valuing group benefits, such as accidental death and dismemberment, long-term disability, etc. The rest of the respondents listed a variety of other taxable benefits, some of which are education benefits, cell phone use and allowances provided to internationally mobile employees.

The impact of the lack of harmony with provincial legislation

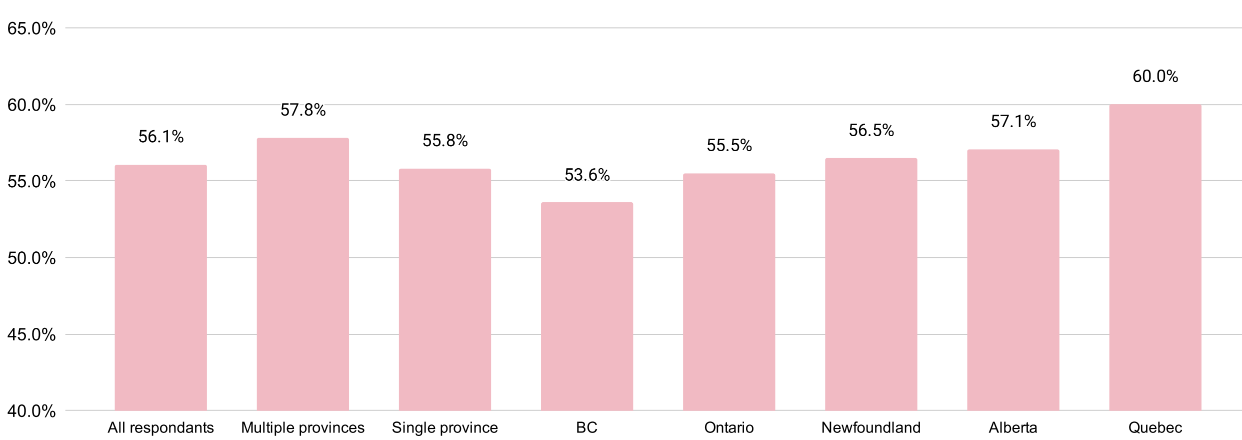
The lack of employment and labour standards policy harmonization in Canada has a significant impact on the overall cost of compliance for Canadian organizations. In our survey, we focused on identifying the total hours in a given year that payroll professionals focus on dealing with inconsistencies related to a number of activities, including:

- time spent on vacation time and pay by province;
- time spent on hours of work (e.g. overtime by province);
- time spent on termination;
- termination pay by province;
- time spent on Statutory Holiday Pay by province; and
- time spent on legislated leaves.

Lack of provincial and territorial harmonization is a significant driver of total compliance costs. Because of variations in legislative requirements by province, cost of compliance per employee is higher for employers operating in multiple provinces, compared to those operating in a single province. Employers operating in multiple provinces spend 57.8% of total payroll time on compliance, while those operating in a single province spend 55.8% of payroll time on compliance. In addition, some provinces and territories require more compliance time than others. For those operating in a single province, 53.6% of payroll time is spent on compliance in British Columbia, compared to 60.0% in Quebec.

To illustrate the impact of a lack of harmonization on costs, we estimate that if compliance requirements were equivalent to those operating in British Columbia only, the total savings to Canadian employers would be $476 million. This would be equivalent to a scenario where standards were harmonized such that there were no additional costs per-employee for operating in multiple provinces, and all standards were in line with those in the province with the lowest compliance cost (British Columbia).

Figure 16: Share of payroll time spent on compliance



Spotlight on COVID -19 experience

While lack of legislative harmony has a significant impact on the day-to-day compliance costs of Canadian organizations, an even more concerning impact was illustrated by the 2020 global pandemic: the challenge for organizations to adjust to emergency situations due to governments' inability to collaborate effectively when attempting to arrive at the necessary support measures.

COVID-19 shone a spotlight on the negative impact to our current payroll system through the multitude of roadblocks that impeded employers and employees alike from quickly obtaining emergency concessions or funds. For example, between March 15, 2020 and August 24, 2020, there were 239 separate government announcements (including federal, provincial and territorial), each with a different level of impact on the payroll of Canadian organizations. These announcements spanned a number of different categories, including:

- Employer financial aid programs that rely on payroll information
- Workers' compensation employer premium deferrals or credits
- Other provincial and territorial financial incentives for employers
- Employee/individual financial aid programs that rely on payroll information
- Provincial/territorial "emergency/pandemic pay" initiatives
- Job protected emergency leaves
- Temporary layoff extensions/changes
- Other employment standards changes
- Administrative relief
- Other announcements

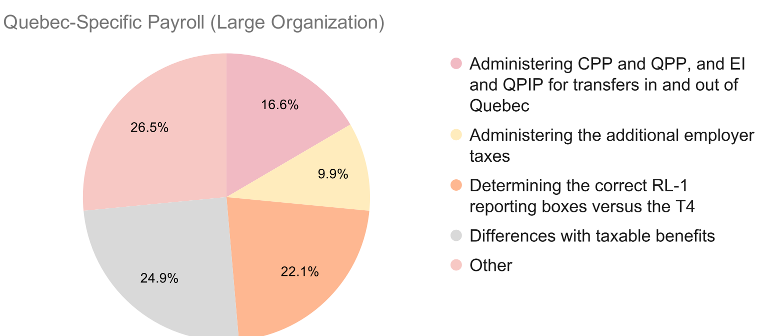
A complete list of the different announcements can be found in Appendix C. The complexity of the system in terms of the number of different rules and frameworks in place was likely a key factor in the sheer number of announcements listed previously because so many changes were required to respond effectively to the pandemic. With a more harmonized system across provinces, the same effects could have been achieved with fewer changes, and therefore a lower cost to employers.

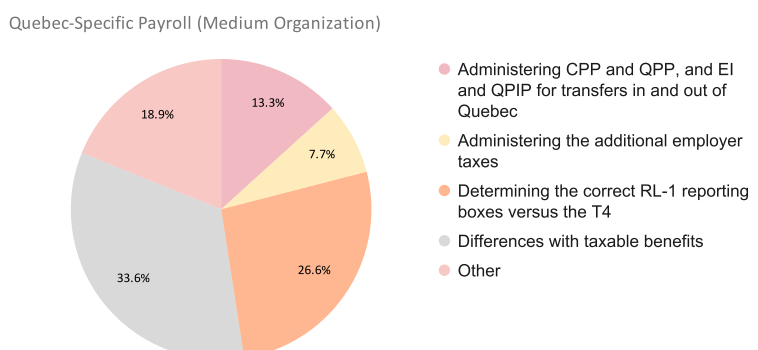
Quebec

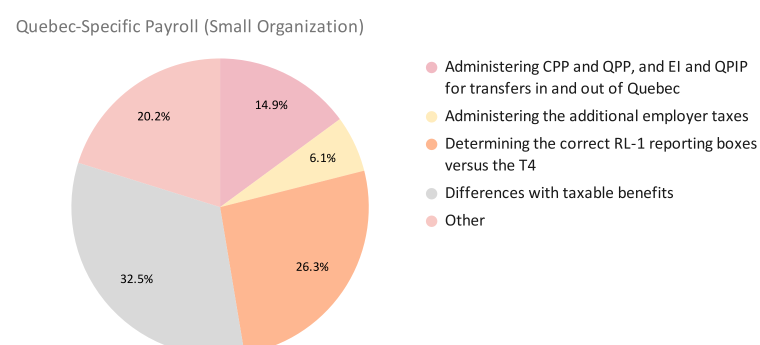
As stated above, Quebec has its own set of regulations and has a separate governing body that is responsible for the administration of the legislation and regulation. As such, Quebec represents an additional cost to payroll teams in ensuring they are compliant in that province. Additional time and resources are required to be compliant in Quebec in addition to the resources required to be compliant with the CRA and as noted above, payroll professionals in Quebec spend more time per employee on compliance activities than any other province.

Employers and payroll professionals are obligated to respond to notices from both the Federal government as well as the Quebec government. Duplicate reporting of all slips is required once an employer operates, and has a payroll in Quebec. Not surprisingly, the two most common items that require additional resources for being compliant in Quebec are differences in taxable benefit reporting and determining the correct RL-1 reporting (see Figure 17).

Figure 17: Reasons for spending additional hours on Quebec payroll compliance:







The chart below summarizes the approximate cost based on average time spent determining the correct RL-1 reporting versus T4 and identifying differences in taxable benefits based on the two legislative governing bodies. We have estimated the total average annual percentage of time spent, extended the estimated payroll professional annual salary per FTE/employee and extrapolated over the estimated number of employees in Quebec.

Table 7: Costs of certain Quebec-specific compliance requirements to employers

	Approximate % of time spent on Quebec nuances	Cost per payroll professional ($ annual)	Total cost across Quebec ($ millions, annual)
Determining the correct RL-1 reporting boxes versus the T4	24.7	420	3
Differences with taxable benefits	29.7	250	2
Total			5

Recently, there have been discussions in Alberta about introducing a provincial pension plan similar to the QPP. Such a system would add to the cost of compliance for employers in Alberta, as the system in Quebec has. When assessing the costs and benefits of a provincial pension plan, Alberta should carefully consider the impact of the associated compliance costs. This is particularly true in light of the fact that payroll compliance costs can be a consideration for employers in deciding where to locate.

Working in one province but residing in another

One of the most impactful discrepancies adding to the complexity and cost of complying with Canadian and Quebec differences is the requirement to withhold income and social program withholdings according to the province of employment, rather than by the province of residence. Requirements like the employer health and education tax and WCB premiums are also based on an employee's province of employment rather than by their province of residence.

If a payroll professional is not alerted to an employee's proper province of employment, or sets the employee up incorrectly based on their home address, withholding and premium payments will not get funneled to the proper government entity.

Table 8: Work location impact on employer obligations

Ontario resident who:	Reports to work at employer establishment in ON	Reports to work at employer establishment in Quebec
Personal Income tax obligation/province of residence	ON	ON
Province of employment (source deductions)	ON	QC
CPP	X	
QPP		X
EI	X	X
QPIP		X
Ontario Employer Health Tax	X	
Quebec Health Services Fund		X
Workers' compensation premiums	X	X
Contribution related to Quebec Labour Standards		X
WSDRF		X
T4	X	X
RL-1		X

The inconsistency has a direct impact on the affected provincial/territorial governments and on the employer as they will need to issue amended slips to correct the compliance error once it is identified.

Table 8 highlights an employer's obligations under two separate scenarios—one where the Ontario resident works in Ontario and one where the Ontario resident works in Quebec. This illustration provides another example of the challenges faced by the lack of harmonization with Quebec with respective legislation and regulation.

In Scenario 2 (see Table 8), the Ontario employer would be obligated to obtain a Quebec business identification number and comply with Quebec regulations with respect to withholding and remitting employee and employer payroll obligations. In addition to the different obligations noted in the table, the organization would also have to handle taxable benefits differently for the employee as the recognition of taxable benefits is different between the two provinces. For example, medical and dental premiums are benefits that are not taxable in any province but Quebec. Similarly, there are likely benefits that are taxable at the federal level but not in Quebec. As a result of the differences, the employee's T4 and RL-1 would report different income.

Table 7 highlights the additional work that would be required to ensure proper T4/RL-1 reporting. The employee is also significantly impacted by the discrepancy as they would have to manage their personal finances to bridge the gap between their personal tax obligation and their withholding rate which might not be the same. While this individual discrepancy is settled when they file their personal income tax returns, this represents a cost due to the time value of money.

Impact on global employment market

Federal and provincial governments should consider improving the harmonization of payroll policy in Canada not only to reduce payroll complexity and decrease the cost of compliance, but also to encourage foreign investment and increase Canada's readiness for dealing with inter-provincial/territorial and global remote work arrangements—an arrangement that is growing rapidly as a result of COVID-19.

Based on our experience advising multinational corporations looking to establish a presence in Canada or international organizations accessing the Canadian talent marketplace, we have found one of their primary concerns is to understand how to be compliant with Canadian payroll requirements. With corporations looking to establish a presence in Canada, one of the first questions we typically hear is, "Which province provides the least amount of payroll friction?"

The EHT in Ontario and British Columbia are not only deterrents, they are also often completely overlooked by multinational employers with workers in these provinces until the organizations become subject to a Ministry of Finance audit covering 3+ years. PwC has been assisting clients with their Ministry of Finance audit responses, many of which are left paying the amount due plus penalty and interest as a result of their inadvertent non-compliance. With British Columbia EHT being relatively new, these audits are less costly. However, Ontario audits often span 3+ years at the outset, with the possibility of further investigation on the table. Multinational employers who establish operations in Canada often engage third party providers to assist with their payroll, but apply their own country's lens while working with the third party. The rules with respect to who is or who is not subject to EHT are not captured at the federal level, but at the provincial level. As such, many foreign employers are not aware of their obligations until the Ministry reviews their corporate tax filings and identifies the potential lack of compliance. Meanwhile, Quebec has a separate regime entirely, with a significantly higher payroll cost to employers. The complexity of Quebec's system combined with the higher cost makes it a deterrent to multinational employers.

In today's business environment, virtual and remote worker arrangements are also becoming more prevalent, and are considered a plausible alternative to a typical global assignment or expatriate arrangement. Technology has reduced the requirement for many employees to work 'in-person'—which opens the door to different kinds of global work arrangements as employees look for more rewarding experiences and job flexibility. COVID-19 has also helped make the case for remote work arrangements as many employers have realized that having employees work from home can be successful under the right circumstances. These trends mean that there is likely to be increased interest in virtual work arrangements, both across provincial/territorial borders, and potentially across national borders. Because some compliance obligations are based on the employees' location, an employer located in one jurisdiction may need to deal with compliance obligations in several jurisdictions. Therefore, a lack of legislative harmonization means that employers may be less able or willing to take advantage of virtual work arrangements.

In order to decrease the complexity associated with compliance and reduce the friction resulting from the use of different virtual work arrangements, governments should work to harmonize key policies across Canada to make it easier for employers to navigate. Differences in provincial employment standards and payroll obligations should work to add to the simplicity rather than acting as a deterrence.

For example, it should be very clear to an employer which employer payroll obligations exist (e.g. EHT, workers' compensation) and what items in the compensation package are taxable benefits. The government should also review taxable benefits policies regularly in order to ensure threshold amounts are sensible and increased as appropriate due to inflation.

In our competitive world, the reality is that the easier it is for an employer—whether from a different province or from a different country—to hire the right candidate in Canada, the better.

Digital payroll

In an effort to modernize the operations of the government, deliver government programs more effectively, reduce the cost of compliance across the country and decrease the administrative burden on employers, employees and the government itself, the Government of Canada should consider implementing a digital payroll solution. Under a digital payroll solution, information about tax and other deductions applied within the payroll system could be accessed by relevant government agencies and departments as needed for specific purposes. Digital payroll would allow the government to ensure the collection of the right amount of tax and social program contributions during the year (instead of only at year-end), improve the accuracy of earnings based benefit payments, deliver social programs based on payroll information more effectively and allow for the successful implementation of new tax legislation tied to payroll reporting.

The CRA's current system collects remittances without the true reporting of payroll at the time of submission, acting as a funding mechanism for the government's operations with the reporting finalized at year-end. While this may offer the government easier access to capital, it can result in underfunding throughout the year leading to increased costs of collection through payroll audit activity and preventing the government from having access to true payroll data. In a digital payroll environment, the government could have access to up-to-date payroll information through secure and authenticated means. Digital payroll could also provide the Federal Government with predictable and natural payroll data, facilitating the determination and calculation of EI benefits. Such a move would, however, require a shift in the relationship between employers and the Government of Canada—from a simple conduit to finance government's operations to a highly integrated relationship with a more continuous flow of information and capital.

Due to the factors highlighted above, moving to a digital payroll regime would significantly enhance transparency, access, and integrity of data in Canada. This system can be used for calculating benefit entitlements, employee and employer remittance obligations, and the potential to conduct labour market data analyses. It would allow regulators to access payroll data throughout the year and significantly reduce the number of overstatements and errors and reduce the overall cost of compliance to employers, employees and the government. Other government agencies would also benefit as they could use the data to create more relevant government programs or to adapt existing ones to changing circumstances.

The Canadian government has made some strides in this area in an effort to modernize government operations. The government's mandate to the Minister of National Revenue, issued toward the end of 2019, included a particular note to work with the Minister of Families, Children and Social Development and the Minister of Digital Government to implement a voluntary, real-time e-payroll system with an initial focus on small businesses.[7] The recognition by the government that digital payroll solutions are needed is a good step, however, this approach falls short of a comprehensive plan to implement that solution. The voluntary approach does not create the buy-in required to see systematic change in adopting a solution of this magnitude. Initial transition costs and system upgrade requirements may prevent small businesses from adopting the voluntary program. A digital payroll approach could, therefore, be piloted with select large organizations with the resources required to operate a dual-platform payroll.

Both the federal and many provincial governments have made a commitment to increase efficiencies and lower costs for businesses in an effort to drive productivity. Digital payroll could be a significant building block towards achieving these productivity targets.

Potential impact on program delivery

As indicated above, digital payroll would provide the federal government with the information it needs to become more responsive in delivering services to Canadians and businesses. With better access to data, the government could implement more effective programs, and quicker, while also reducing information discrepancies and potential errors during delivery of programs. Benefits under programs like CPP and EI could be rolled out to eligible employees and individuals faster due to the government having access to the earnings data necessary to validate the claims.

We saw the challenges of accurate and efficient roll-out with the government's implementation of the Canada Emergency Response Benefit (CERB) during the outbreak of COVID-19. While the government was applauded for its swiftness in implementing the CERB program in order to provide financial relief during the pandemic, the quick development and swift rollout of the program resulted in issues around eligibility, validation and a lack of controls to prevent fraudulent claims.

The CRA estimated that 126,000 of the Canadians that applied for the CERB did so fraudulently. The CRA also stated that approximately 190,000 Canadians would have to repay some or all of their benefit because they were not eligible to receive it.[8] In addition, Employment and Social Development Canada (ESDC) who has been administering the program with the CRA stated that more than 221,000 Canadians received double CERB payments in error; an error totalling $442.6 million.[9] Digital payroll would have provided the government access to data on those individuals whose wages were impacted by COVID-19 and the ability to assess those that qualified for the program rather than placing the onus solely on the individual to assess eligibility.

[7] https://pm.gc.ca/en/mandate-letters/2019/12/13/minister-national-revenue-mandate-letter

[8] https://www.ctvnews.ca/politics/190-000-canadians-who-received-cerb-payments-have-had-to-repay-them-cra-says-1.4978602

[9] https://www.huffingtonpost.ca/entry/cerb-double-payments-mistake_ca_5f186e67c5b6f2f6c9f08784

Digital payroll would also be a major enabler for planning and implementing future rapid economic stimulus programs. For example, it would have provided the government with accurate and up-to-date payroll information to assist with rolling out the Canada Emergency Wage Subsidy (CEWS) to employers. The current CEWS administration includes the onerous task of taking natural payroll data and manually conforming to meet prescribed reporting requirements. In Australia for example, Single Touch Payroll (STP), has been essential in the rapid introduction of the government assistance allowance program (JobKeeper). Under the Australian system, all payments are processed through STP and the payment is monitored via program (JobKeeper) specific pay codes established in the STP system that are then monitored real-time by the Australian Tax Office for processing purposes.

A digital payroll environment would also allow employees to review and question not only the payroll data reported on their pay statements each pay period, but other data as well (such as pension information), giving them a level of control over their data and the ability to determine whether their reported information is accurate. In this regard, we note that recent changes to data privacy laws and data portability globally, such as the General Data Protection Regulation (GDPR) in Europe, state that data is owned by the customer or the employee, not the business or the employer.

Australia provides a strong example of the importance of transparent information. After identifying that approximately one-third of Australian workers were being underpaid their superannuation entitlements, the Government of Australia created a Superannuation Task Force to pursue employer non-compliance. Results from the implementation of this system gained a significant amount of media attention and helped to raise awareness among Australian employees that they could check their payroll data and query any information.

While Canada's data regime lags behind Europe and a number of other countries, it is likely moving in the direction of stricter regulations around the ownership and use of an individual's data; as such, a digital payroll environment would help with a smoother transition. Such a move, however, would take time to implement. For example, in order to support employee access to digital payroll data, payroll functions will either need to enhance their employee response process or develop a robust and user-friendly employee self-service functionality.

Potential impact on the cost of compliance

Digital payroll will reduce the overall costs employers face in ensuring their organizations are compliant. Our activity analysis identified that 6.6% of payroll activities dealt with processing employee government Requirements to Pay, performing EI administrative procedures and providing employees with year-end information slips and sending year-end data to government entities. This represents a cost to the employer of an estimated $1.2 billion across Canada.

Digital payroll reporting should reduce the requirement for amendments and government audits. Government agencies will have access to a central repository of employer information reducing the requirement for multiple agencies to request the same set of payroll data. This will lessen the burden placed on the different functions of an organization: payroll, HR, tax and finance. Currently, organizations are having payroll specialists spend on average 22.1 hours and their tax/finance/HR functions spend on average 24.8 hours to gather information for government audits.

Employee resources spent associated with compliance will be significantly reduced allowing these resources to focus their abilities on more strategic functions.

In a post-implementation review of Real-Time Information (RTI), the HMRC (Her Majesty's Revenue and Collections, the tax agency in the United Kingdom) assessed the results to employers as[10]:

- A net savings in administrative burden for employers of £292 million per annum; and
- Costs: £292 million as one-off and transitional costs for employers.

It should be noted that in the assessment some employers felt the amounts did not fully reflect the ongoing costs to small business.

Digital payroll should also reduce the cost to the government in reducing the number of corrections or amendments required by employers. It should also reduce the time spent on government audits and additional collection actions.

The HMRC assessed the results to government since the initial implementation[11]:

- Savings of £64 million for HMRC
- Savings of £672 million from reduced tax credits overpayments due to fraud and error and in year income discrepancy
- A one-off cash flow benefit to the Exchequer measured at £813 million
- Cost of £307 million for HMRC to implement over the life of the program

On a global scale, systematic changes in technology have shifted the mindset of individuals towards initiatives such as employee On-Demand Pay (technology changes driven by platforms such as Uber, Airbnb and Airtasker have fostered an expectation of live marketplaces and on-demand services) and a shift in employee demographics towards total reward compensation packages, all of which are expected to increase payroll complexity. The government implementation of a digital payroll solution is in our view an essential step required in order to adapt to these changes.

Data

Digital payroll will present a significant change for payroll functions in organizations and the government. Digital payroll has the potential to automate the data flow between employers and the authorities, tapping into the significant volumes of information that sits within payroll. In the UK, where they've been running their version of digital payroll since 2012, the HMRC is processing 100 million transactions every month and has said that RTI is "our richest and largest single source of customer data." Government regulators also see the value of the payroll data set.[12] Fair Work, Australia's independent body regulating industrial relations, uses payroll data sets as the basis for its audit activity and findings. With the implementation of the Australian version of digital payroll, the payroll data is becoming more visible and auditable.

Some analysts have suggested that Human Capital Management (HCM) systems implemented by a significant number of employers currently house the digital payroll data the government requires in order to implement digital payroll. The suggestion is to build on the current infrastructure of employers rather than undertake a massive central payroll data repository held by the government. This approach presents its own challenges and limitations, particularly around the storage and maintenance of data at the individual employer level, and the transparency of reporting payroll data to the government. Data privacy laws are being implemented to ensure that the data is owned by the employee and not the employer, required by the government. The HCM approach also does not address the concerns of small employers, where implementation of digital payroll reporting comes at a relatively greater cost to those organizations. This approach also does not address the reality that the payroll reporting required by employers does not always align with the information required by specific

[10] HM Revenue & Customs, *Real TIme Information Programme-Post Implementation Review report*, 2017

[11] HM Revenue & Customs, *Real TIme Information Programme-Post Implementation Review report*, 2017

[12] PwC Australia Payroll Consulting Team. The Power of Payroll. PwC Australia, 2018.

agencies of the government. For example, Service Canada, in assessing EI benefits, uses individuals' earnings as reported on an individual's ROE, where traditionally payroll data sets are based on an individual's compensation delivered to date.

Challenges

In implementing digital payroll, most employers will have to undertake a project plan and payroll data cleansing in order to prepare for the transition. To this end, they will require a moderate level of support from outside agencies, including the government, to ensure compliant implementation of digital payroll.

The biggest challenges in preparing and being ready for real-time payroll identified by employers in the UK were[13]:

- system changes and updating interfaces;
- data collection, storage and transmission;
- resource constraints in implementing and supporting the changes for real-time payroll compliance; and
- transparency of information and risk of government enquiries/penalties.

Organizations will have to update and implement system changes, ensure their data collection and reporting systems are sufficient and may suffer additional upfront costs or resource constraints. As evidenced in the post assessment review by HMRC, the one-off and transitional costs employers faced in implementing real-time payroll was significant, £292 million; however, these were offset by net savings in the first year.[14]

Transitioning to a digital payroll solution will require collaboration among the government and businesses to ensure a clear support framework is put in place. It is expected most large organizations will rely on their PSSPs, or outside consultants, to provide guidance or support in addition to the support provided by the government. For small business, it is expected their support framework will rely heavily on the government as their resource constraints will impact their ability to engage outside consultants. In the UK, 30% of organizations surveyed expected the HMRC to be the principal provider of support in ensuring compliance with RTI.

The Canadian government could adopt programs, beyond the voluntary program suggested in the Minister of National Revenue mandate, to support those organizations employing less than a set number of employees to provide digital payroll resources. During the implementation in the UK, HMRC support for RTI was more robustly provided to those organizations involved in the pilot period of implementation, but did not provide continued significant support to organizations in getting compliant during the full-scale rollout. One specific area identified by the UK where guidance was lacking was around organizations with internationally mobile employees. Internationally mobile employees bring complex payroll reporting through additional benefits and multiple jurisdiction reporting. The lack of information from the government leading up to RTI presented significant challenges in this area.

The separate administration of payroll and tax reporting between the Federal Government and Quebec could present challenges to employers in implementing a digital payroll solution. As discussed previously, the difference in reporting requirements by the respective governments presents a significant increase in the cost of compliance. Philosophical differences, or differences in timing in each government's approach to adopting a digital payroll solution could potentially increase the existing administrative burden. Different approaches to implementation could also restrict the benefits to employers, employees and the government digital payroll could provide as detailed above. If the governments were to engage in a coordinated effort, these benefits would have a better chance of being realized.

[13] PwC UK, Real Time Information Survey Results, 2013

[14] HM Revenue & Customs, *Real TIme Information Programme-Post Implementation Review report*, 2017

Implementation

A digital payroll solution's probability of success will increase if the key stakeholders, primarily the government and employers, engage in collaborative and transparent discussions on the clearest path for implementation. Transparency will be important around the initial costs, planning and system upgrades required and the burden shared by both employers and the government in achieving a successful implementation. The implementation plan and communication approach will need to focus on the key benefits of significant modernization of the payroll system to reduce the burden on employers, the annual cost savings to employers, providing digital payroll data to optimize decision making, and the benefit to Canadians through the accuracy and speed in which the initiative will be able to deliver government programs. The Canadian Government will need to assess whether they will take a phased approach to implementing any digital payroll solution, which was assessed to be a successful approach in the HMRC implementation of RTI in the UK.[15] The post-implementation assessment by the HMRC can provide the Canadian Government an idea of the expected results of moving to a digital payroll solution.

[15] Winning a Chartered Institute of Payroll Professional award for engagement and consultation. HM Revenue & Customs, *Real TIme Information Programme-Post Implementation Review report*, 2017

Conclusions, implications and next steps

Canada's taxation and social program legislation has resulted in multiple layers of complexity, especially as it relates to the administration of payroll. As illustrated in this report, the collective cost of payroll compliance for employers is approximately $12.5 billion per year. This cost would be even greater without the current advancements with respect to payroll technology and software utilized by employers and PSSPs which have allowed for decreased time spent on compliance, in part because of such advancements. In order to harness further efficiencies of payroll system technology, the government should consider engaging in consultations with key stakeholders within the payroll space with the goal of reducing administrative burden on employers, employees and the government itself.

Decreasing payroll complexity within Canada and across all provinces and territories is also essential if Canada wants to enhance its competitiveness in the global marketplace and attract more foreign investment. As Canadian companies become more competitive, more agile, and more growth-focused, the payroll policies and compliance requirements in Canada need to make it easier for organizations to succeed—rather than bogging them down with costly, complex and disharmonized rules.

Governments and businesses alike should embrace tax simplification, increased harmonization of policies between provinces, particularly in the province of Quebec, combined with the implementation of a digital payroll system to ensure we do not fall further behind other jurisdictions that have already embarked in this direction.

In that context, readying payroll professionals for the shift towards a more technologically advanced payroll system should be top of the list in terms of next steps. More information on what this shift is expected to look like can be found in our companion report, *The future of payroll.*

Appendix A: Study authors

The key authors of this report are:

Michael Dobner
National Leader, Economics Practice
416 815 5055
michael.dobner@pwc.com

Matthew Pittman
HR Transformation
416 402 8649
matthew.pittman@pwc.com

Kim White
Employment Tax and Global Payroll Solutions
416 869 2662
kim.white@pwc.com

Gemma Stanton-Hagan
Senior Economist
416 687 8967
gemma.l.stanton-hagan@pwc.com

Charlene Lutic
HR Transformation
403 509 6640
charlene.c.lutic@pwc.com

Nicole Nazareth
Employment Tax and Global Payroll Solutions
416 687 8458
nicole.nazareth@pwc.com

Farbod Nassiri
HR Transformation
647 878 7069
farbod.x.nassiri@pwc.com

Greg Carey-Hill
Tax and Global Mobility Services
416 687 8402
greg.carey-hill@pwc.com

Robin Orford
Economist
416 941 8383 ext. 16210
robin.e.orford@pwc.com

Kishore Daggupati
Consulting
905 439 6634
kishore.daggupati@pwc.com

Chanel Laffin
Data and Analytics
905 815 6500 ext. 63310
chanel.x.laffin@pwc.com

Appendix B: Limitations

Receipt of new data or facts: PwC reserves the right at its discretion to withdraw or revise this report should we receive additional data or be made aware of facts existing at the date of the report that were not known to us when we prepared this report. The findings are as of August 2020 and PwC is under no obligation to advise any person of any change or matter brought to its attention after such date that would affect our findings.

Use limitations: This report has been prepared solely for the use and benefit of, and pursuant to a client relationship exclusively with the Canadian Payroll Association ("Canadian Payroll Association"). We understand that Canadian Payroll Association may share our report with third parties. Canadian Payroll Association can release this report to third parties only in its entirety and any commentary or interpretation in relation to this report that Canadian Payroll Association intends to release to the public either requires PwC's written consent or has to be clearly identified as Canadian Payroll Association's own interpretation of the report or Canadian Payroll Association is required to add a link to the full report. PwC accepts no duty of care, obligation or liability, if any, suffered by Canadian Payroll Association or any third party as a result of an interpretation made by Canadian Payroll Association of this report.

Further, no other person or entity shall place any reliance upon the accuracy or completeness of the statements made herein. In no event shall PwC have any liability for damages, costs or losses suffered by reason of any reliance upon the contents of this report by any person other than Canadian Payroll Association.

This report and related analysis must be considered as a whole: Selecting only portions of the analysis or the factors considered by us, without considering all factors and analysis together, could create a misleading view of our findings. The preparation of our analysis is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis.

We note that significant deviations from the above listed major assumptions may result in a significant change to our analysis.

Appendix C: Payroll related government announcements from March 11-August 24, 2020

Federal employer financial aid programs that rely on payroll information

1. Extension of Work-Sharing Program (from 38 to 76 weeks), waiving of mandatory waiting period between agreements, and easing recovery plan requirements
2. Emergency Care Benefit introduced (later replaced with Canada Emergency Response Benefit (CERB)
3. Long-Term Income Support for Workers (later replaced by CERB)
4. Expansion of Summer Student Program
5. Temporary Wage Subsidy for Employers (TWSE)
6. TWSE changes (e.g. CRA's administrative change of "paid" employees to "employed")
7. TWSE: PD27 10% Temporary Wage Subsidy Self-identification Form for Employers introduced by CRA (required for all TWSE and CEWS participants eligible for TWSE)
8. Canada Emergency Wage Subsidy (CEWS) introduced
9. CEWS update: refund of employer contributions to CPP/QPP, EI and QPIP for "furloughed employees"
10. CEWS update: change to 15% from 30% revenue reduction for the first period
11. CEWS update: deduction of TWSE whether employer applied credit or not
12. CEWS update: aggregate of Jan & Feb 2020 comparator added to year-over-year monthly qualifier (beneficial for start-ups and other companies)
13. CEWS update: automatic qualifier for subsequent periods
14. CEWS period extended to August 29
15. CEWS update: alternate baseline period of March 1, 2019 to May 30, 2019, acceptable under proposed regulation
16. CEWS update: 10% TWSE is not deemed overpayment, and not required to be deducted unless claimed
17. CEWS update: CEWS extended until December
18. CEWS update: CRA would generally consider emergency government assistance, including assistance from provinces and municipalities, directly related to COVID-19 to be an extraordinary item and exempt from revenue considerations
19. CEWS Update: Program expanded with phased eligibility based on revenue losses
20. CEWS Update: Removal of requirement that employees not have 14 days without remuneration (for period 5 onward)
21. CEWS Update: CEWS 2.0 CRA Calculator launched August 11
22. Canada Emergency Business Account (CEBA) introduced
23. CEBA update: expansion to include sole proprietors, businesses that rely on contractors, and family-owned businesses that pay dividends
24. Mandatory Isolation Support for Temporary Foreign Workers Program introduced
25. CRA waives 1% minimum required employer contribution on DC pension plans for remainder of 2020
26. Large Employer Emergency Financing Facility (LEEFF) to provide bridge financing to Canada's largest employers introduced
27. Youth Employment and Skills Program (for agriculture jobs)
28. Executive Talent Program
29. Industrial Research Assistance Program Innovation Assistance Program

WCB employer premium deferrals or credits (in whole or for certain employers) announced in the following provinces and territories:

30. Alberta: Initial Announcement

31. Alberta update: For small and medium businesses, the government will cover 50% of the 2020 premium when it is due in 2021

32. British Columbia: Initial Announcement

33. British Columbia update: deferral extended

34. British Columbia update: premiums waived for furloughed employees receiving salary continuance from employers approved under CEWS

35. Manitoba: Initial Announcement

36. Manitoba update: eligible employers to receive a credit to their account based on 20% of their 2019 premium

37. New Brunswick: Initial Announcement

38. Newfoundland and Labrador: Initial Announcement

39. Newfoundland and Labrador update: Extended to March 31, 2021

40. Nova Scotia: Initial Announcement

41. Nova Scotia update: extended to October 2020

42. Nova Scotia update: Employers whose workers contract COVID-19 due to their work, will not have the costs of related workplace injury insurance claims impact their industry rate or individual experience rating

43. Northwest Territories: Initial Announcement

44. Nunavut: Initial Announcement

45. Ontario: Initial Announcement

46. Prince Edward Island: Initial Announcement

47. Prince Edward Island update: Extended deferral until September 30

48. Yukon: along with ability for employer's to review and amend annual projections

Other provincial and territorial financial initiatives for employers

49. Regional Relief and Recovery Fund (RRRF): Additional support to Atlantic provinces

50. RRRF: Additional support by province of Quebec

51. CanNor's Northern Business Relief Fund

52. Alberta: Small and Medium Enterprise Relaunch Grant

53. British Columbia: EHT return and final payment due date for 2019 extended to September 30

54. British Columbia: schedule of new EHT installment payments announced

55. British Columbia: MSP coverage expanded to temporary foreign workers until July 31, 2020

56. Manitoba: Summer Student Recovery Plan

57. Manitoba: Back to Work this Summer Program (BWSP)

58. Manitoba: BWSP updated criteria on other government programs

59. Manitoba: BWSP extended

60. Manitoba: PST reduction from 7% to 6% (impact on taxable benefits)

61. Manitoba: Gap Protection Program (MGPP) for small and medium enterprises that do not qualify for federal programs

62. Manitoba: Delay of MGPP for SMEs that do not qualify for federal programs

63. Manitoba: MGPP extended

64. New Brunswick: Small Business Emergency Working Capital Program

65. Newfoundland and Labrador: Employer Compensation for Workers in Self-Isolation due to COVID-19 Travel Restrictions ($500/week for two weeks)

66. Newfoundland and Labrador: Health and Post-Secondary Education Tax (HAPSET) deadline extension

67. Newfoundland and Labrador: further extension of HAPSET deadlines

68. Nova Scotia: COVID-19 Small Business Credit and Support Program (SBCSP)

69. Nova Scotia: SBCSP extended

70. Ontario: EHT & Insurance Tax: interest and penalty-free for late payments (for 5 months)

71. Ontario: EHT & Insurance Tax relief period further extended until October 1, 2020

72. Ontario: EHT exemption increase from $490,000 to $1,000,000 for 2020

73. Ontario: COVID-19 Rapid Research Fund

74. Prince Edward Island: Rural Jobs Initiative

75. Quebec: QHSF refund for furloughed employees on CEWS

76. Quebec: Extension of above until August 29, 2020

77. Quebec: Further extension of QHSF refund for furloughed employees until November 21

78. Quebec: Commission des normes, de l'équité, de la santé et de la sécurité du travail (CNESST) insurance premium exclusion for furloughed employees on CEWS

79. Quebec: Extension of above until August 29, 2020

80. Quebec: Training refunds for ERs (Concerted Actions for Job Retention Program)

81. Quebec: Small Business Deduction – Adjustment to the Calculation of Employee Remunerated Hours

82. Saskatchewan: Small Business Emergency Payment

83. Saskatchewan: Saskatchewan Tourism Sector Support Program (STSSP)

84. Yukon: Paid Sick Leave Rebate for Employers

85. Yukon: Funding to Hire Students for Critical and Essential Service

Employee/individual financial aid programs that rely on payroll information:

86. One-week EI waiting period waived

87. CERB introduced

88. CERB: definition of remuneration announced

89. CERB: $1,000 threshold change

90. CERB: employee to repay benefits if rehired retroactively

91. CERB repayment method for overpayments announced

92. CERB: proposed fines and penalties for fraudulent claims

93. CERB: extended by eight weeks

94. CERB: extended by additional 4 weeks

95. CERB/EI: EI enhancements planned following end of CERB (more details to be announced end of August)

96. EI: Effective August 9, 2020, a minimum employment rate of 13.1% will be used to determine number of weeks of benefits available, and minimum number of required weeks of employment

97. EI enhancements: modified eligibility effective September 27

98. EI: Temporary Canada Recovery Benefit for self-employed workers and workers not eligible for EI announced

99. EI: Temporary Canada Recovery Sickness Benefits announced

100. EI: Temporary Canada Recovery Caregiving Benefit announced

101. Canada Emergency Student Benefit introduced

102. Canada Emergency Student Benefit change to $2,000 for students dependents or disabilities

103. Canada Emergency Student Benefit: new requirement of job-searching proof

104. Suspension of Requirements to Pay

105. Suspension of Third Party Demands

106. Above CRA garnishments deducted but not remitted are to be reimbursed to employee

107. Above CRA garnishments suspension extended until January 2021

108. Suspension of Administrative Wage Garnishment (AWG) orders and Requirements to Pay in Quebec

109. Suspension of British Columbia garnishments

Provincial/territorial “emergency/pandemic pay” initiatives

110. CRA: Confirmation of tax, CPP and EI treatment of emergency/pandemic payments

111. Exceptional Hazard Pay for the Military

112. Alberta: $1,146 Emergency Isolation Support Benefit

113. Alberta: subsidies for health-care aids

114. British Columbia: $1,000 Emergency Benefit for Workers

115. British Columbia: Emergency Benefit for Workers expanded

116. British Columbia: Temporary Pandemic Pay

117. Manitoba: Risk Recognition Program (one-time, pooled funding based payment)

118. Manitoba: $2,000 Manitoba Job Restart Program

119. New Brunswick: $900 Workers Emergency Income Benefit (WEIB)

120. New Brunswick: WEIB enhancements

121. Newfoundland and Labrador: Essential Worker Support Program (EWSP)

122. Newfoundland and Labrador: EWSP application deadline extended

123. Nova Scotia: $1,000 Worker Emergency Bridge Fund

124. Nova Scotia: Essential Care Workers Program (up to $2,000 over four months)

125. Northwest Territories: Employer Reimbursement Funding for Low Wage Workers

126. Northwest Territories: Employer Reimbursement Funding for Low Wage Workers extended

127. Nunavut: Essential Workers Wage Premium

128. Nunavut: Expansion of Essential Workers Wage Premium

129. Ontario: Pandemic Pay

130. Ontario: Pandemic Pay—confirmation that payments are subject to employment standards including vacation, public holidays and overtime provisions

131. Ontario: Pandemic Pay—confirmation that payments are subject to CPP, EI, income tax, EHT and Workers' Safety and Insurance Board (WSIB) premiums

132. Ontario: Confirmation of how to apply overtime calculations to both hourly and lump-sum Pandemic Pay

133. Ontario: Confirmation that Pandemic Pay is not exempt from CERB revenue threshold

134. Prince Edward Island: $250 Worker Assistance Program

135. Prince Edward Island: $1,000 Special Situations Fund

136. Prince Edward Island: $750 Income Support Fund

137. Prince Edward Island: $1,000 Support for Essential Workers

138. Prince Edward Island: gift card program (from Sobey’s and administered by employers)

139. Quebec: Temporary Aid for Workers Program (ended following launch of CERB)

140. Quebec: Retention of Low-Income Essential Workers Program

141. Quebec: Above program ended on July 4, applications accepted until November 15

142. Quebec: Additional bonuses for healthcare workers

143. Quebec: Extension of above

144. Saskatchewan: Self-Isolation Support Program ($450/week up to two weeks)

145. Saskatchewan: $400/month Temporary Wage Supplement Program (TWSP)

146. Saskatchewan: TWSP extended

147. Saskatchewan: TWSP: eligibility expanded

148. Saskatchewan: TWSP: income thresholds waived

149. Yukon: Essential Workers Income Support Program

Job protected emergency leaves:

150. Alberta: 14-day COVID-19 (quarantine) leave

151. Alberta: Quarantine leave extended

152. Alberta: Employees caring for children affected by school and daycare closures or ill or self-isolated family members due to COVID-19, and 90-day employment requirement is waived (leave length is flexible)

153. Alberta: COVID-related family leave extended

154. British Columbia: COVID-19 leave

155. British Columbia Leave extended under COVID-19 Related Measures Act

156. CLC Personal Emergency Leave of up to 16 weeks

157. CLC Personal Emergency Leave extended from 16 to 24 weeks

158. CLC: Limit to employer's ability to request doctor's notes during public a health emergency

159. Newfoundland and Labrador Pandemic Leave

160. Ontario: Infectious Diseases Leave

161. Ontario: Amendment to above

162. Ontario: Current Declared Emergency Leave provisions under the Employment Standards Act ended July 24

163. Prince Edward Island: Emergency Leave

164. Saskatchewan: Public Health Emergencies Leave

165. Manitoba: Public Health Emergency Leave

166. Manitoba: Admin Leave for Healthcare Workers

167. New Brunswick: COVID-19 Emergency Leave

168. Saskatchewan: Public Health Emergency Leave

169. Saskatchewan: Public Health Emergency Leave to care for family members or children only if employee is not required to provide critical public health and safety services

170. Yukon: 14-Day Emergency Leave

Temporary layoff extensions/changes:

171. Alberta: 60 to 120 days, and if there are unforeseeable circumstances (such as COVID-19), employers are required to provide as much notice as possible of the layoff, as opposed to the legislated one or two-week notice

172. Alberta: temporary layoff period further expanded from 120 to 180 days

173. British Columbia: from 13 to 16 weeks

174. British Columbia: further expansion to 24 weeks

175. British Columbia: introduction of online tool for employers and employees to apply for extension beyond 24 weeks

176. Canada Labour Code: from three to six months

177. Manitoba: extended until end of state of emergency

178. New Brunswick: announcement that COVID-19 falls within the exemption of requirement of notice under unforeseen reasons

179. Newfound and Labrador: from 13 within 20 weeks to 26 within 33 weeks

180. Ontario: COVID-related layoffs considered on Infectious Diseases Leave until six weeks following end of State of Emergency

181. Ontario: End of State of Emergency and beginning of temporary layoff provisions effective after September 4

182. Saskatchewan: extended from six days to 12 weeks

183. Saskatchewan: Emergency layoffs not subject to temporary layoff provisions until two weeks following state of emergency

184. Saskatchewan: Group Terminations during emergency period not subject to employee and union notice provisions

Other employment standards changes

185. Federal government announces plans to have provinces and territories adopt 10 paid sick days

186. Federal announcement of jurisdictional funding for temporary 10 paid sick days for workers without such a plan

187. National Sick Day arrangement between Federal and Provincial/Territorial providing workers with 10 sick days for COVID-related illness "for those who do not already have access to this benefit"

188. Alberta: acceptance of e-signatures

189. Newfound and Labrador: Complaint period temporarily extended from six to 12 months

190. Nunavut: no medical notes will be required; no medical notes will be issued by Nunavut Dept. of Health

191. Ontario: COVID-related reduction of hours or salary will not be considered constructive dismissal

192. Saskatchewan: removal of 24-hour written notice requirement for shift changes and the two weeks' notice for changes to work schedules for those under an averaging agreement

Administrative relief

193. Extension of federal personal tax filing deadline

194. Extension of Quebec personal tax filing deadline

195. Extension of Quebec corporate tax filing deadline

196. Further extension of Quebec corporate tax filing deadline

197. Extension of Federal Corporate tax filing deadline

198. Further extension of Federal corporate tax filing deadline

199. No penalties applicable on late federal personal or corporate tax filings up to September 30

200. No penalties applicable on late Quebec personal or corporate tax filings up to September 30

201. Extension of Alberta's corporate income tax filing deadline

202. Extension of CRA's deadline for registered pension plans to amend prescribed income provisions

203. Extension of Manitoba's Health and Post-Secondary Education Tax (HAPSET) deadline

204. Extension of Manitoba's corporate income tax filing deadline

205. Extension of Newfoundland and Labrador's HAPSET deadline

206. Suspension of federal audits

207. Federal audits resumed June 1

208. Suspension of RQ audits

209. Service Canada expediting ROE Web registrations

210. RQ's (temporary) acceptance of e-signatures

211. Extension of CNESST Statement of Account deadline

212. Extension of CNESST Wage Statement deadline

213. $500 non-taxable reimbursement of computer equipment for remote workers (federal)

214. Inclusion of home office equipment exclusion under CRA's $500 non-taxable reimbursement

215. $500 non-taxable reimbursement of computer and home office equipment for remote workers (Quebec)

216. Financial institutions facilitating employer's receipt of CEWS payments

217. Extension of salary deferrals (CRA)

218. Newfoundland and Labrador: WCB clearance letters now available online

219. Alberta: Electronic statements permitted under the Employment Pension Plans Act (permanent amendment)

220. Quebec: Maintaining active membership in a supplemental pension plan, despite a temporary suspension of of accrued benefits

221. Ontario: Deadline for issuing registered pension plan statements to members extended

Other announcements

222. Service Canada: COVID-related ROE codes confirmed

223. CRA: New T4 codes for earnings during CEWS periods

224. Immigration, Refugees and Citizenship Canada: Interim employment authorization for foreign nationals

225. Foreign students: work permits and study requirements provisions

226. CRA launches mechanism for reporting a "lead on suspected tax or benefit cheating in Canada," including the CERB and CEWS

227. CRA allows one-time carrying forward of unused expiring Health Care Spending Account credits

228. CRA: Days of Presence test will not include days resulting from travel restrictions

229. CRA: Extending deadline for retroactive credit of pensionable service under a defined benefit plan or for catch-up contributions to money purchase accounts

230. CRA: Setting aside the 36-month employment condition in the definition "eligible period of reduced pay" for the purpose of using prescribed compensation to determine benefit or contribution level, and allowing wage rollback periods in 2020 to qualify as an eligible period of reduced pay for prescribed compensation purposes

231. CRA: Waiver Requests for Payments to non-residents for services provided in Canada may be submitted electronically (temporarily)

232. Ontario: online consultation portal: Tackling the Barriers (meeting the needs of employers through regulatory change)

233. Quebec: Tax credits available for home office expenses

234. Newfoundland and Labrador: Time period for making complaints to the Director of Labour Standards temporarily extended to 12 months

235. CRA: Tax Court of Canada and Federal Court of Appeal deadlines extended

236. CRA: Tax Court of Canada and Federal Court of Appeal deadlines further extended from 173 days to 185 days.

237. Federal Fish Harvester Benefit and Fish Harvester Grant to open on August 24

238. Federal Fish Harvester Benefit and Fish Harvester Grant: additional application details released

239. CanExport for businesses (SMEs): (COVID considerations)

Appendix D: References

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