



# Canada

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## About Country Profiles

**Note: To protect the confidential and proprietary information included in this material, it may not be disclosed or provided to any third parties without the approval of Aon Hewitt.**

This report provides a summary of statutory requirements related to employment. The material focuses on the factual legal requirements, without editorial comment.

Aon Hewitt prepares and maintains these summaries for more than 80 countries. The material is gathered from public and private sources to provide background information relevant to compensation and benefit planning.

Aon Hewitt does not provide legal or tax advice. Before specific decisions or plans are implemented, professional counsel should be obtained.

The currency abbreviations used in this report are the internationally standardized abbreviations published by ISO (the International Organization for Standardization).

Please note that in East Asia (and certain Southeast Asian countries), names are commonly written in the order of surname, followed by first name. Where this report discusses individuals from these countries, the report follows this practice.

# Employment Conditions

## Labor Relations

### Unions

Almost every employee in Canada has the right to join a trade union of his or her choice. Laws covering union organizing and recruitment vary across the country.

Under legislation enacted by the 10 provinces and the federal government, an “employee” is defined to exclude those who exercise managerial functions, who are employed in a confidential capacity in matters relating to industrial relations, or who are members of the architectural, dental, legal, or medical professions. Professions included may vary by province or territory. Most teachers, doctors, and nurses, as well as other medical staff, belong to “associations” that negotiate collective agreements with their provincial or territorial governments.

Although unions may vary in their organizational structure, the shop steward, elected by union members, is their representative in the workplace. The frequency of elections is established by the local unions’ bylaws. Union representatives must be permitted time off to attend to union duties. The maximum amount of leave permitted is normally included in the collective agreement.

The shop steward is responsible for ensuring that the collective agreement is followed and assists members in presenting and settling grievances. The local union may provide more experienced, or full-time, negotiators to assist with a grievance and for contract negotiations. If the business is cross-border (provincial, territorial, or national), the union normally assembles a negotiating team of representatives from all the affected locals to negotiate contracts.

### Employee Representation

Works councils, like those in European Union Member States, do not exist under Canadian labor law. Provincial and territorial legislation may require some employers to establish joint employer-employee committees to handle issues such as health and safety, retraining, or assistance programs for collective dismissals.

### Employer Associations

Employer associations are typically organized along common industrial or trade interests, most often to share information and lobby governments for legislative or regulatory changes, and occasionally to provide standards of practice or training. For example, there are two large associations of Canadian high-tech companies: Canadian Advanced Technology Alliance (CATA) and Information Technology of Canada (ITAC). Both lobby the government on behalf of their members, engage in community philanthropy, disseminate public information, and offer forums and information exchanges for members.

Employer associations do not usually negotiate labor relations with unions, although they may consult or lobby the government in conjunction with, or in opposition to, their union counterparts.

### Collective Bargaining

Collective bargaining is usually conducted between an employer and a single bargaining unit, although multiple negotiations may be carried on simultaneously when employees are covered under different contracts or are represented by different unions. In some cases, a union may negotiate a contract with one employer that becomes the model for contracts with other employers in the same industry. The Canadian Auto Workers Union (CAW) normally negotiates with auto manufacturers in this way, for example. Where a union local covers a trade,

with employees in different companies (International Brotherhood of Electrical Workers, for example), contracts are usually negotiated with each company.

Because employment standards and benefit regulations, as well as economic conditions, may vary from jurisdiction to jurisdiction, contracts for workers in the same union and doing similar work for the same employer in different jurisdictions may have substantial variations. For example, private health coverage may vary because the public health benefits are different from province to province.

## Employment Contracts

There are three common types of employment contract, not including a collective bargaining agreement:

- A written contract specifying compensation, length of service, and/or work to be undertaken or completed, commonly used to engage individuals with specific skills for a limited period or project;
- A contract between a company and an agency providing workers (usually hourly paid employees of the agency) for a specified period and for a specified fee; and
- A written contract specifying compensation and bonus structure and possibly performance standards or measurement criteria and terms of termination, commonly associated with senior management positions.

All employees, whether or not they are party to a written employment contract, are protected under employment standards legislation at the federal, provincial, or territorial level.

Employment contracts are subject to all applicable employment and tax law in the contract's jurisdiction. If a self-employed person invoices for work done, he or she is treated as an agency or separate company for tax and employment law purposes and is normally responsible for income tax, employment insurance, health insurance premiums, and other employment costs.

## Employee Rights

### Employment Equity

The federal *Employment Equity Act* requires certain employers to establish hiring practices that eliminate systemic discriminatory barriers to the employment of women, visible minorities, aboriginal peoples, and persons with disabilities. The Act applies to private-sector employers with 100 or more employees, or private-sector employers related to federal work, certain public-sector employers regulated under the *Financial Administration Act*, and any other public-sector employers with 100 or more employees. Annual reporting is required. The Act provides the Human Rights Commission with power to ensure that the law will be followed.

The Ontario government repealed the provincial *Employment Equity Act* effective December 14, 1995 and replaced it with a voluntary and nonlegislative plan—the Equal Opportunity Plan.

### Acquired Rights

Employee rights may be established under a collective agreement and may be surrendered in subsequent collective bargaining. Legislated rights, such as termination notice or rights established through the courts, cannot be surrendered, although their application may be negotiated (for example, when essential services workers swap statutory holidays for other time off).

Benefits accrued under a collective agreement or the terms of employment, such as pension, sick leave, or vacation leave cannot be abrogated. Changes can be made to future benefits, within limits, and under the terms and conditions in the jurisdiction, but benefits already earned or acquired cannot be reduced.

In Ontario, a 2008 Court of Appeal decision appears to restrict the right of employers to make fundamental changes in employment contracts, including pension, benefit, and compensation arrangements, even with adequate notice. In 2000, the parties had signed a written employment contract entitling the employee to payment of two years' salary plus bonus upon termination. In 2002, the employee was given a memorandum in which he was asked to sign a new contract reducing his entitlement upon termination to 30 weeks' notice. The employee refused, and the employer purported to give him two years' notice that the termination provision in his contract would be changed. During the two-year period, the employee reiterated his opposition to the change and sued for damages for constructive dismissal. A lower court ruled that the employer had the right to impose a change to the employment contract as long as it provided reasonable notice. The Ontario Court of Appeal reversed the ruling, ruling that because the employer failed immediately to terminate after the employee's initial refusal and make a new offer of employment consistent with the change in terms, the employer "must be taken to have acquiesced." While the case dealt with an individual, it has potential implications for a group situation. Prior to the decision, employers often made substantial changes to pension and benefits programs with little fear of triggering a constructive dismissal, as long as adequate notice was provided. The notice safeguard is now in question.

## Working Hours

Under the *Canada Labour Code* (federal) standard work hours are eight hours per day and 40 hours per week except in the case of averaging, special regulations, or modified hours. Hours worked in excess of standard hours must be paid for at the overtime rate (refer to **Overtime Pay**, below).

The maximum time an employee may work each week is normally 48 hours. Most jurisdictions also allow maximum hours of work to be exceeded where work is urgently required to maintain or repair equipment or plant, in an emergency, or for the provision of an essential service.

If the employer can satisfy the Ministry of Labour that exceptional circumstances make extra hours necessary, a permit specifying the number of hours employees can work over a limited period will be granted. The permit also may exempt the employer from the "day of rest" requirement. The labor code provides for at least one full day of rest per week (Sunday where practicable).

In case of emergency, the maximum hours may be exceeded without a permit. A written report to the regional director and to a trade union representing affected employees, if applicable, must be made within 15 days of the end of the month in which the emergency hours were worked.

If the nature of the company's work necessitates irregular hours, the hours can be averaged over a selected period of two or more weeks. There are complex regulations covering averaging. During an averaging period, hours may be scheduled and worked without regard to the normal requirement for a weekly day of rest.

## Variations

There are many exclusions, special provisions, and variations, by province and territory and by industry. Transportation workers are covered under a separate section of the labor code.

Apart from general hours of work laws, other statutes regulate working hours in certain industries. Schedules under industrial standards legislation in several provinces and territories, and decrees under the *Quebec Collective Agreement Decrees Act*, the *Construction Industry Labour Relations Act*, and under the *Manitoba Construction Industry Wages Act* regulate hours in construction and other industries:

- Standard weekly hours for the construction industry generally range from 40 hours to 48 hours; a 40-hour week is the usual standard in the larger centers.

- In Manitoba, maximum hours that may be worked at regular rates are set under the *Construction Industry Wages Act*, which applies to both private and public construction work. Currently, an eight-hour day and a 40-hour week apply to most classifications of construction work in the Greater Winnipeg area, Brandon, Portage LaPrairie, and Northern Manitoba, with a 44-hour week in the rest of the province. In the heavy construction industry, the maximum hours of work payable at regular rates are 52 hours, except in Metropolitan Winnipeg during the period from November 1 to April 30, when a 48-hour week is in effect.

Currently, employers can apply to the Director of Employment Standards for an averaging permit to increase the hours in a workweek or to average the hours across a longer period. Under Bill 23, enacted in 2011, the director is required to consider whether 75% of the employees affected by a permit are in favor of it being issued. The requirement that the director consider industry customs or practices was repealed.

As well, at the request of an employee, the parties are able to enter into a written flextime agreement to alter an employee's hours of work to a maximum of 10 hours per day and 40 hours per week.

- New Brunswick and Ontario have legislation establishing maximum hours on certain work done in the performance of a contract with the provincial government.
- In Quebec, a 40-hour week is set for tradesmen, a 42-hour week for laborers, and a 50-hour week for road building and excavation work.
- In the garment industry, regulated by schedules and decrees in Ontario and Quebec, standard weekly hours are 36 or 37 hours. In most branches of this industry, standard hours have been reduced to 35 hours.
- Effective March 1, 2005, employers in Ontario that want employees to work more than 48 hours per week must comply with the *Ontario Employment Standards Amendment Act (Hours of Work and Other Matters) 2004*. Under provisions of the Act, employers are required to:
  - Give nonunionized employees an information sheet published by the Ministry of Labor on rights and responsibilities regarding hours of work and overtime;
  - Obtain written agreement from the employees or from the union; and
  - Receive approval from the Ministry of Labor.

In all jurisdictions except Manitoba, Ontario, and Saskatchewan, there also is some indirect regulation of hours by virtue of provisions in minimum wage orders requiring the payment of an overtime rate after a specific number of working hours.

Workweek standards and maximums, like overtime pay, do not apply to management, professionals, or the self-employed.

## Wage Rates

All provinces and territories have established minimum hourly wage rates applicable to employees age 18 and over.

Certain classes of workers are altogether excluded from the minimum wage (and other provisions) in most jurisdictions. Typical exclusions are supervisory and managerial employees, students in job experience programs, registered apprentices, salespersons paid by commission, and members and students of designated professions. Construction workers have a separate minimum wage schedule in most jurisdictions.

Minimum wage legislation usually contains related provisions, for example, concerning gratuities, on-call pay, and deductions.

**Table 1: Minimum Wage Rates for Experienced Adult Workers**

<b>Jurisdiction</b>	<b>Hour Rate</b>	<b>Effective Date</b>
<b>Federal</b>	Same as adult minimum wage rate in each jurisdiction	
<b>Alberta</b>	CAD 12.20	October 1, 2016
<b>British Columbia</b>	10.85 <sup>1</sup>	September 15, 2016
<b>Manitoba</b>	11.00	October 1, 2015
<b>New Brunswick</b>	10.65	April 1, 2016
<b>Newfoundland and Labrador</b>	10.50	October 1, 2015
<b>Northwest Territories</b>	12.50	June 1, 2015
<b>Nova Scotia</b>	10.70 <sup>2</sup>	April 1, 2016
<b>Nunavut</b>	13.00	April 1, 2016
<b>Ontario</b>	11.40	October 1, 2016
<b>Prince Edward Island</b>	11.00	October 1, 2016
<b>Quebec</b>	10.75	May 1, 2016
<b>Saskatchewan</b>	11.07 <sup>3</sup>	October 1, 2016
<b>Yukon Territory</b>	11.07	April 1, 2016

## Overtime Pay

Overtime is defined as hours worked in excess of the standard hours specified in the federal labor code or provincial or territorial regulations. Unless otherwise indicated, standard hours are 40 hours per week.

The overtime pay rate in Federal, Provincial, and Territorial jurisdictions is generally 150% of regular wages for hours of work in excess of the standard workweek. In British Columbia, overtime is payable at 200% of regular wages for work in excess of 12 hours per day. Depending on the jurisdiction, workers also may be entitled to an overtime premium for work performed on an ordinarily scheduled rest day.

Federal, provincial, and territorial legislation does not address the issue of overtime wages for piece-rate workers.

## Holiday and Rest Day Pay

If an eligible employee works on a statutory holiday, he or she is entitled to premium pay in addition to his or her regular daily wage and/or (in some cases), an alternative paid day off. Provincial variations exist for employees of continuous operations, special industries, job types, and the length of time the day off in lieu can be used. Eligible employees who do not work the holiday are generally paid their regular wage for the day.

<sup>1</sup> Variations exist based on factors such as location, living arrangements, and job types.

<sup>2</sup> Adjusted annually based on the Consumer Price Index.

<sup>3</sup> Adjusted annually based on the Consumer Price Index.

**Table 2: Holiday Premium Pay Rate**

<b>Jurisdiction</b>	<b>Pay Rate</b>
<b>Federal</b>	1.5 × regular wage <sup>1</sup>
<b>Alberta</b>	1.5 × regular wage, plus an average daily wage <sup>2</sup>
<b>British Columbia</b>	1.5 × regular wage, plus an average daily wage
<b>Manitoba</b>	1.5 × regular wage, plus an average daily wage
<b>New Brunswick</b>	1.5 × regular wage, plus an average daily wage <sup>1</sup>
<b>Newfoundland and Labrador</b>	2.0 × regular wage <sup>1</sup>
<b>Northwest Territories and Nunavut</b>	1.5 × regular wage, plus an average daily wage <sup>1</sup>
<b>Nova Scotia</b>	1.5 × regular wage, plus an average daily wage
<b>Ontario</b>	1.5 × regular wage plus an average daily wage <sup>1</sup>
<b>Prince Edward Island</b>	1.5 × regular wage, plus an average daily wage <sup>1</sup>
<b>Quebec</b>	Regular wage plus an average daily wage <sup>1</sup>
<b>Saskatchewan</b>	1.5 × regular wage plus an average daily wage
<b>Yukon Territory</b>	1.5 × regular wage <sup>1</sup>

The labor code does not address the issue of holiday or rest day pay for piece-rate workers.

## Pay Equity

All jurisdictions have equal pay for equal work legislation that requires male and female employees to be paid the same wage for identical or similar work. The federal pay equity provisions, which apply to the federal civil service and federally regulated industries, require equal pay for work of equal value, but value equivalency has been largely established by the courts.

The *Canadian Human Rights Act* gives the federal government the power to call on federal employers and service providers to put pay equity programs in place.

The *Pay Equity Act* of Ontario requires equal pay for work of equal value. All public-sector employers and all private-sector employers with 100 or more employees are covered under the *Pay Equity Act*. Private-sector employers that have between 10 and 100 employees are not required to comply but may choose to do so.

In Quebec, employers registered under the *Act Respecting the Legal Publicity of Enterprises* must submit a report on pay equity during the period applicable to the employer for filing an annual declaration as set out in section 24 of the Regulation respecting the application of the Act. In addition, all other employers required to submit a report on pay equity must do so within six months of March 1 of each year.

All reports must be on the prescribed form and indicate the employer's sector of activity and whether all mandatory pay equity plans, compensation adjustments, and audits have been determined or completed and, if so, the confirmation date.

## Labor and Employment Law

Canada has extensive rules governing employee benefits and compensation, as various aspects of employment fall under both federal and provincial or territorial jurisdiction.

The primary federal labor relations law is the *Canada Labour Code* which covers vacation, holidays, terminations, labor relations, etc., for federally regulated industries. These industries include navigation, interprovincial

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<sup>1</sup> Or alternative paid day off.

transportation, radio broadcasting, banking, and other businesses outside the legislative authority of the provinces or territories.

Other private companies are subject to the provincial or territorial laws, plus any collective bargaining agreements (which may be more favorable). Therefore, employment standards, vacation, and holiday requirements, termination of employment laws, labor relations acts, etc., vary by province or territory. Government (civil service) jobs are covered under separate public service laws.

Other principal laws are:

*Canadian Human Rights Act* allows the federal government to require federal employers and service providers to establish pay equity programs.

*Employment Equity Act* requires certain employers to establish hiring practices that eliminate systematic discriminatory barriers to the employment of women, aboriginal peoples, visible minorities, and persons with disabilities. The Act applies to all employers in the federal public sector, as well as private-sector employers regulated under the *Canada Labour Code*, and with 100 or more employees.

*Canada Pension Plan* provides limited pension benefits for employment except in Quebec, where the Quebec Pension Plan provides similar benefits.

*Old Age Security Act*, which applies uniformly across Canada, provides basic flat-rate old age benefits to all residents who meet the Canadian residency requirement.

*Canada Health Act* enforces universal health care by providing for a reduction in transfer payments to jurisdictions that permit extra billing or prohibit user charges.

*Employment Insurance Act* provides a percentage of replacement wages, for a specific time period, to eligible unemployed individuals and employees on maternity, compassionate care, or parental leave. Both employers and employees contribute to the Employment Insurance (EI) program through payroll tax deductions.

The *Income Tax Act* establishes the schedule for payroll tax deductions and limits tax-deductible expenses, pension and income deferral plans, and other matters concerning federal income taxes. Provincial and territorial taxes have historically been assessed as a percentage of the applicable federal rate, but beginning in 2000, many provinces and territories began to set separate income tax rates for the future.

Provincial and territorial human rights and employment standards legislation, and specific legislation such as pension benefits acts or workers' compensation regulations, also affect working conditions and compensation.

## Termination of Employment

Generally, employees may be terminated for just cause or without cause. Those terminated for cause are not entitled to a notice period. However, a 2008 Supreme Court of Canada decision, *Wilson v. Atomic Energy of Canada, Ltd.*, stated that federally regulated employers may not terminate nonunionized employees without a reason, as required by the *Canada Labour Code*.

## Notice Period

Under the *Canada Labour Code*, a two-week notice for termination of employment is generally required after three months of employment for individual dismissals without cause. Payment of wages may be made in lieu of the notice period. Variations among the provinces and territories are shown below. Provinces and territories without specific legislation usually follow the custom in the industry in collective bargaining contracts.

It should be noted that the common law of wrongful dismissal requires a notice period that is reasonable for the circumstance. This notice period is often greater than the statutory minimum, and may apply even within the first few months of employment when the statutory minimum does not yet apply, unless otherwise limited to the statutory period by contract.

**Table 3: Statutory Notice Periods—Individual Dismissals**

	<b>Length of Service</b>	<b>Weeks of Notice</b>
<b>Federal</b>	3 months	2 weeks
<b>Alberta</b>	3 months to under 2 years	1 week
	2 years to under 4 years	2 weeks
	4 years to under 6 years	4 weeks
	6 years to under 8 years	5 weeks
	8 years to under 10 years	6 weeks
	10 years and over	8 weeks
<b>British Columbia</b>	3 months to 12 months	1 week
	Over 12 months to under 3 years	2 weeks
	3 years and over	3 weeks plus 1 additional week for each subsequent year up to a max. of 8 weeks
<b>Manitoba</b>	30 days to 1 year	1 week
	1 year to 3 years	2 weeks
	3 years to 5 years	4 weeks
	5 years to 10 years	6 weeks
	10 years and over	8 weeks
<b>New Brunswick</b>	6 months to under 5 years	2 weeks
	5 years or more	4 weeks
<b>Newfoundland and Labrador</b>	3 months to under 2 years	1 week
	2 years to under 5 years	2 weeks
	5 years to under 10 years	3 weeks
	10 years to under 15 years	4 weeks
	15 years and over	6 weeks
<b>Northwest Territories and Nunavut</b>	90 days to under 3 years	2 weeks
	3 years and over	1 week for each year of service, max. of 8 weeks
<b>Nova Scotia</b>	3 months to under 2 years	1 week
	2 years to under 5 years	2 weeks
	5 years to under 10 years	4 weeks
	10 years and over	8 weeks
<b>Ontario</b>	3 months to under 1 year	1 week
	1 year to under 3 years	2 weeks
	3 years and over	1 week for each year of service, max. of 8 weeks
<b>Prince Edward Island</b>	6 months to under 5 years	2 weeks
	5 years to 10 years	4 weeks
	10 years to 15 years	6 weeks
	15 years and over	8 weeks
<b>Quebec</b>	3 months to under 1 year	1 week
	1 year to under 5 years	2 weeks
	5 years to under 10 years	4 weeks
	10 years and over	8 weeks

	<b>Length of Service</b>	<b>Weeks of Notice</b>
<b>Saskatchewan</b>	Over 13 consecutive weeks to under 1 year	1 week
	1 year to under 3 years	2 weeks
	3 years to under 5 years	4 weeks
	5 years to under 10 years	6 weeks
	10 years and under	8 weeks
<b>Yukon Territory</b>	6 months to under 1 year	1 week
	1 year to under 3 years	2 weeks
	3 years and over	1 week for each year of service, max. of 8 weeks

**Table 4: Statutory Notice Periods—Collective Dismissals**

	<b>Number of Employees to Be Terminated</b>	<b>Notice Period</b>
<b>Federal</b>	50 or more	16 weeks
<b>Alberta</b>	Same as individual terminations	
<b>British Columbia</b>	50–100	8 weeks
	101–300	12 weeks
	300 or more	16 weeks
<b>Manitoba</b>	50–100	10 weeks
	101–299	14 weeks
	300 or more	18 weeks
<b>New Brunswick</b>	More than 10 employees (when at least 25% of employees) within a 4-week period	6 weeks
<b>Newfoundland and Labrador</b>	50–199	8 weeks
	200–499	12 weeks
	500 or more	16 weeks
<b>Northwest Territories and Nunavut</b>	25–49	4 weeks
	50–99	8 weeks
	100–299	12 weeks
	300 or more	16 weeks
<b>Nova Scotia</b>	10–99	8 weeks
	100–299	12 weeks
	300 or more	16 weeks
<b>Ontario</b>	50–199	8 weeks
	200–499	12 weeks
	500 or more	16 weeks
<b>Prince Edward Island</b>	Same as individual terminations	
<b>Quebec</b>	10–99	8 weeks
	100–299	12 weeks
	300 or more	16 weeks
<b>Saskatchewan</b>	10–49	4 weeks
	50–99	8 weeks
	100 or more	12 weeks

	<b>Number of Employees to Be Terminated</b>	<b>Notice Period</b>
<b>Yukon Territory</b>	25–49	4 weeks
	50–99	8 weeks
	100–299	12 weeks
	300 or more	16 weeks

## Severance Pay

Severance pay has not been a major issue in Canada. This can be attributed to the availability of a comprehensive unemployment insurance program and redress in the courts if termination has been without cause or reasonable notice.

Except for Ontario, the provinces and territories do not have specific statutes requiring severance pay. However, severance pay may be covered in collective bargaining contracts. In Ontario, severance payments are required for employees who have been with the employer for at least five years, and either: (1) 50 or more employees are terminated within a six-month period resulting from the permanent discontinuance of all or part of the employer's business at an establishment, or (2) termination by an employer with a payroll of CAD 2.5 million or more. The amount, payable only to employees with five or more years of employment on the termination date, is equal to one week's regular pay for each completed year of employment plus one-twelfth of one week's regular pay for each additional month of service up to a maximum of 26 weeks' pay.

Persons in federally regulated employment are entitled to severance pay upon termination without just cause after 12 months of employment. Such employees are entitled to two days' pay per year of service, with a minimum payment of five days' wages.

## Collective Dismissals

In federally regulated employment, notice must be given to the Ministry of Labour, and copies must be forwarded to the Minister of Employment and Social Development, the Canada Employment and Immigration Commission, and relevant trade unions if more than 50 employees are to be terminated within a period of up to four weeks. If no union is involved, a notice must be posted for employees. The notice period is 16 weeks.

Most provinces and territories have specific laws for collective dismissals that vary slightly from the rules applicable to federally regulated industries. Jurisdictions with no specific statutes follow industry custom or collective bargaining contracts. Alberta and Prince Edward Island are the only provinces with no specific legislation governing required notice for collective dismissal.

## Transfer of Undertakings

Most jurisdictions have statutory provisions requiring that service be treated as continuous in any transfer or sale of all or part of an undertaking. This means, for example, that a new employer cannot dismiss an employee without notice within months of taking over the business.

The common law of wrongful dismissal often treats a transfer or sale of a business as a constructive dismissal triggering the right to reasonable notice, subject to the duty to mitigate. Thus, an employee who is dismissed shortly after the sale of a business may be able to sue both the old and new employers for reasonable notice. Where employment continues, service usually will be treated as continuous for common law purposes, as well.

## Required Time Off

Most private companies are subject to provincial or territorial legislation regarding vacation and holidays. Federally regulated industries, such as navigation, air and rail transportation, radio broadcasting, banking,

businesses in two or more provinces or territories, or businesses outside the legislative authority of the provinces or territories, have separate legislation. Public service (government) employees also have separate legislation.

## Vacation

All provinces and territories require at least two weeks of annual vacation after each year of service (except Saskatchewan, which requires a minimum of three weeks). If not taken, a percentage of annual pay must be paid for this two-week vacation (for example, 4% of wages earned during the completed year of employment, see **Table 5**, below). Upon termination of employment, proportional vacation pay of wages earned during the completed portion of the year of employment is required.

In federally regulated industries, employees are entitled to two weeks of vacation after each year of service and three weeks of vacation after six years of service. They receive 4% of annual earnings as vacation pay (6% of annual earnings after six years of service). Some provincial and territorial variations are:

**Table 5: Annual Vacation Leave and Pay**

	<b>Length of Vacation</b>	<b>Vacation Pay</b>
<b>Federal</b>	2 weeks after each year of service	4% of annual earnings
	3 weeks after 6 years of service	6% of annual earnings
<b>Alberta and British Columbia<sup>1</sup></b>	2 weeks after each year of service	4% of annual earnings
	3 weeks after 5 years of service	6% of annual earnings
<b>Manitoba, Nunavut</b>	2 weeks after each year of service	4% of annual earnings
	3 weeks after 5 years of service	6% of annual earnings
<b>New Brunswick, Nova Scotia</b>	2 weeks after each year of service	4% of annual earnings
	3 weeks after 8 years of service	6% of annual earnings
<b>Newfoundland and Labrador</b>	2 weeks after each year of service	4% of annual earnings
	3 weeks after 15 years of service	6% of annual earnings
<b>Northwest Territories</b>	2 weeks after each year of service	4% of annual earnings
	3 weeks after 5 years of service	6% of annual earnings
<b>Ontario, Yukon</b>	2 weeks after each year of service	4% of annual earnings
<b>Prince Edward Island</b>	2 weeks after each year of service	4% of annual earnings
	3 weeks after 8 years of service	6% of annual earnings
<b>Quebec</b>	1 day per full month of employment if employed less than 1 year	4% of annual earnings
	2 weeks after each year of service	4% of annual earnings
	3 weeks after 5 years of service	6% of annual earnings
<b>Saskatchewan</b>	3 weeks after each year of service	3/52 of annual earnings
	4 weeks after 10 years of service	4/52 of annual earnings

<sup>1</sup> Variations exist by industry.

## Holidays

Under federal law, federally regulated industries must provide nine statutory holidays with pay. The statutory holidays are:

**Table 6: Statutory Holidays—Federal**

Holiday	Date
<b>New Year's Day</b>	January 1
<b>Good Friday</b>	Varies
<b>Easter Monday</b>	Monday following Good Friday; not a statutory holiday, but federal agencies and banks close
<b>Victoria Day</b>	Monday closest to May 24
<b>Canada Day</b>	July 1
<b>Labor Day</b>	Varies—first Monday of September
<b>Thanksgiving Day</b>	Varies—second Monday of October
<b>Remembrance Day</b>	November 11
<b>Christmas Day</b>	December 25
<b>Boxing Day</b>	December 26

Each province and territory also has separate laws specifying approximately the same holidays with variations as shown below.

**Table 7: Paid Holidays—Provincial and Territorial**

	# of Holidays	Variations From Federal Holidays
<b>Alberta</b>	9	No Easter Monday or Boxing Day; adds Alberta Family Day (third Monday in February).
<b>British Columbia</b>	10	No Easter Monday or Boxing day; adds Family Day (second Monday of February) and British Columbia Day (first Monday in August).
<b>Manitoba</b>	8	No Easter Monday, Remembrance Day (subject to special rules), or Boxing Day; adds Louis Riel Day (third Monday in February).
<b>New Brunswick</b>	7	No Victoria, Thanksgiving, or Boxing Day; adds New Brunswick Day (first Monday in August).
<b>Newfoundland/Labrador</b>	6	Plus Memorial Day (Canada Day) but no Victoria, Thanksgiving, or Boxing Day.
<b>Nova Scotia</b>	6	No Victoria, Thanksgiving, Boxing or Remembrance Day (subject to special rules); adds Nova Scotia Heritage Day.
<b>Ontario</b>	9	No Easter Monday or Remembrance Day (Remembrance Day is subject to special rules); adds Family Day.
<b>Prince Edward Island</b>	7	No Easter Monday, Victoria Day, Thanksgiving Day, or Boxing Day; adds Islander Day.
<b>Quebec</b>	8	Employer has the choice between Good Friday and Easter Monday, no Remembrance or Boxing Day; adds Plus St. Jean Baptiste Day (June 24).
<b>Saskatchewan</b>	10	No Easter Monday or Boxing Day; adds Family Day (third Monday in February) and Saskatchewan Day (first Monday in August).

	<b># of Holidays</b>	<b>Variations From Federal Holidays</b>
<b>Northwest Territories/Nunavut</b>	10	No Boxing Day, or Easter Monday; adds first Monday in August and National Aboriginal Day (June 21).
<b>Yukon</b>	9	No Boxing Day, or Easter Monday, adds Discovery Day (third Monday in August).

## Maternity and Parental Leave Requirements

Employers in federally regulated industries are required to give employees with six months of service 17 weeks of unpaid maternity leave, under Division VII of the *Canada Labour Code*. An additional 35 weeks is provided for an employee, male or female, who becomes responsible for the care of a newborn or adopted child (37 weeks for those who do not take maternity leave). The provinces and the territories have specific legislation for maternity leave, as well as unpaid leave provisions for adopting parents.

Maternity and parental leave benefits may be paid by Employment Insurance (EI) if the employer has no private insurance plan; however, EI is the payer of last resort unless the employer offers a Supplementary Unemployment Benefit (SUB) plan. Employers with private maternity and parental leave plans may be eligible for reduced EI contribution rates.

All jurisdictions require re-employment at least at the wage rate prior to taking leave. In several provinces and territories, returning employees are reinstated with no change in seniority status or accrued benefits since the leave began (in other words, seniority and benefits are “frozen” during the leave). In most jurisdictions, seniority and benefits continue to accrue during the leave period.

The following chart highlights the minimum statutory requirements. Parental leave is available in addition to maternity leave, and extended leave may be available for parents of children with special needs.

**Table 8: Minimum Requirements for Maternity and Parental Leave—By Province and Territory**

Jurisdiction	Qualifying Period	Length of Unpaid Leave	Status of Seniority/Benefits <sup>1</sup>
<b>Alberta</b>			
Maternity	52 weeks	15 weeks	Frozen
Parental	52 weeks	37 weeks	Frozen
<b>British Columbia</b>			
Maternity	None	17 weeks	Continued
Parental	None	35 weeks <sup>2</sup>	Continued
<b>Manitoba</b>			
Maternity	7 months	17 weeks	Continued
Parental	7 months	37 weeks	Continued
<b>New Brunswick</b>			
Maternity	None	17 weeks	Frozen
Child Care	None	35 weeks <sup>2</sup>	Frozen
<b>Newfoundland and Labrador</b>			
Maternity and adoption	20 weeks	17 weeks	Continued
Parental	20 weeks	35 weeks	Continued
<b>Northwest Territories</b>			
Maternity	12 months	17 weeks	Continued
Parental	12 months	37 weeks	Continued
<b>Nova Scotia</b>			
Maternity	12 months	17 weeks	Frozen
Parental	12 months	35 weeks <sup>3</sup>	Frozen
<b>Nunavut</b>			
Maternity	12 months	17 weeks	Frozen
Parental	12 months	12 weeks	Frozen
<b>Ontario</b>			
Maternity	13 weeks	17 weeks	Continued <sup>4</sup>
Parental	13 weeks	35 weeks <sup>2</sup>	Continued <sup>4</sup>
<b>Prince Edward Island</b>			
Maternity	20 weeks <sup>5</sup>	17 weeks	Frozen
Parental	20 weeks	35 weeks	Frozen
<b>Quebec</b>			
Maternity	None	18 weeks <sup>6</sup>	Continued
Paternity	None	5 weeks <sup>6</sup>	Continued
Parental	None	32 weeks <sup>6</sup>	Continued
Adoption	None	37 weeks	Continued
<b>Saskatchewan</b>			
Maternity	13 weeks	18 weeks	Continued
Parental	13 weeks	34 weeks <sup>7</sup>	Continued
<b>Yukon</b>			
Maternity	12 months	17 weeks	Continued
Parental	12 months	37 weeks	Continued

<sup>1</sup> Under the column Status of Seniority/Benefits, “frozen” means that the employee has the right to be reinstated at the wage, seniority, and benefit levels that were in place at commencement of the leave. “Continued” means that seniority accrues during the leave and the employee continues to participate in the benefit plans as an active member.

<sup>2</sup> 37 weeks for those who do not take maternity leave.

<sup>3</sup> 52 weeks for those who do not take maternity leave.

<sup>4</sup> An Ontario employer can exclude disability benefit coverage for employees on maternity leave if the disability coverage also is excluded for employees on other types of leave.

<sup>5</sup> The qualifying period is calculated as a total of at least 20 weeks in the previous 52-week period.

<sup>6</sup> Under the “special leave” option offered by the new Parental Insurance Plan in Quebec, the maximums are 15 weeks, three weeks, and 40 weeks, respectively.

<sup>7</sup> In addition to the above, birth fathers and spouses of primary caregivers are eligible for 37 weeks; the combined maximum job-protected leave is 89 weeks within the first year of the child’s life.

## Family Caregiver Leave

Saskatchewan provides up to eight weeks' leave per year for any serious illness that requires caregiving, with an additional four weeks' leave when the employee is in receipt of EI compassionate care benefits (see **Social Security and Other Required Benefits**). Quebec also provides 12 weeks' leave, except caregiving must be for someone with a palliative care situation.

All other provinces, with the exception of Alberta, provide up to eight weeks' unpaid leave as part of provincial-based compassionate care leave programs.

In Ontario, employees are entitled to a leave of absence without pay to provide care or support to a specified family member who has a serious medical condition. Employees may take up to eight weeks' leave in each calendar year for each family member, as defined by the Act or regulation. If requested by an employer, they must produce a medical certificate from a qualified health practitioner stating that a family member has a serious medical condition. Entitlement to family caregiver leave is in addition to any other entitlement to family medical leave or personal emergency leave.

## Critically Ill Child Care Leave

Employees are entitled to 37 weeks' leave to care or support a critically ill or injured child up to age 18. A medical certificate must be issued. A special benefit is paid by EI to the parent of a child who is critically ill or injured if the following eligibility conditions are met:

- Decrease in regular weekly earnings by more than 40% because of the care or support provided to the child; and
- Have at least 600 insured hours of work in the 52 weeks prior to the start of claim or since the start of the last claim.

Employers should consult provincial laws to determine if other terms and conditions exist.

## Parents of Murdered or Missing Children (PMMC) Leave

An employee who has completed six months of consecutive employment with an employer and is the parent of a child who has died as the result or probable result of a crime is entitled to 104 weeks' leave. An employee who is the parent of a child who is missing is entitled to 52 weeks' leave. Employees taking leave because of the death or disappearance of a child may receive federal income support for up to 35 weeks. A PMMC grant is payable if an employee meets the following eligibility conditions:

- Is legally responsible for child involved in the incident;
- Has earned at least CAD 6,500 in the previous calendar year or in the 52 weeks immediately prior to the incident;
- Is on leave from all employment;
- Has a valid social security number;
- Has not been charged with a criminal offense that led to the death or disappearance of the child; and
- Is not receiving any type of EI or Quebec Parental Insurance Plan benefit.

The gross payment is CAD 350, paid biweekly. An employee is entitled to 35 weeks of income support during the 52-week period following the incident.

Employers should consult provincial laws to determine if other terms and conditions exist.

## Donor Leave—Quebec

In Quebec, individuals with at least three months of uninterrupted service are entitled to a maximum 26 weeks' leave of absence within a 12-month period to donate an organ or tissues. During leave, the employer must maintain the employee's participation in group pension and insurance plans and continue to pay its usual share of contributions payable under such plans. After leave, the employer must reinstate the employee in his or her former position with the same wages and other benefits to which the employee would have been entitled had the leave not been taken. *An Act to facilitate organ and tissue donation* came into force on February 28, 2011.

## Workplace Privacy

### Data Privacy

Two federal laws set forth privacy requirements in Canada. The first, *Personal Information Protection and Electronic Documents Act* (PIPEDA) applies to the private sector. The Act establishes rules that govern the collection, use, and transfer of personal data, defined as "information about an identifiable person." Organizations collecting, processing, using, or transferring personal data must identify the purposes for the collection of personal information; obtain consent; limit collection, use, disclosure, and retention; ensure accuracy; provide adequate security; make information management policies available; provide individuals with access to their data; and give individuals a right to challenge an organization's compliance with data protection principles.

The *Personal Information Protection and Electronic Documents Act* applies to organizations that collect, use, or disclose personal information during the course of commercial activities, and organizations that collect, use, or disclose personal information of employees or applicants for employment for federal work.

The second law, the *Privacy Act*, sets forth requirements by federal government departments and agencies with respect to the handling of personal information, whether about individuals or employees.

There are no specific provisions in the Act regarding the international transfer of personal data. However, the general principle of consent has been interpreted to apply to these transfers. An individual's consent must be obtained, or in the case of lists of personal data used for charitable or commercial reasons, an individual must be given the opportunity to opt out of the list.

Privacy laws governing the public sector exist in every province and territory. Some provinces have laws governing data handled by the private sector, including Alberta, British Columbia, and Quebec. Ontario, New Brunswick, and Newfoundland's privacy laws govern health information.

## Employee Monitoring

There are no specific laws covering employee monitoring; however, PIPEDA is used as the basis for discussions/statements from the federal privacy commissioner to address the issue. The Privacy Commissioner of Canada has released statements indicating that employers must balance their "need to know" with their employees' right to privacy with respect to issues such as psychological tests, web-browsing records, video surveillance, keystroke monitoring, and genetic testing.

In 2009, the Office of the Privacy Commissioner issued a Guidance Document for federally regulated employers on covert video surveillance in the private sector. The employer should have evidence that the relationship of trust between itself and targeted employees has been broken before conducting such surveillance. Regardless of whether or not consent is obtained, the employer also must have a "reasonable purpose" for collecting personal employee information. Before doing so, employers should: determine how to limit the type and amount of information necessary to fulfill their identified purpose; implement a policy on covert video surveillance; and, if a

private investigation firm is hired to conduct such surveillance on its behalf, enter into a service agreement designed to ensure compliance with the *Personal Information Protection and Electronic Documents Act*.

As a result of the Supreme Court of Canada’s 2013 decision, *Alberta (Information and Privacy Commissioner) v. United Food and Commercial Workers, Local 401*, Alberta’s *Personal Information Protection Act* was amended in December of 2014, to allow trade unions to collect videos and photos of individuals crossing picket lines during a lawful strike, to accommodate the expressive purposes of unions engaged in lawful strikes (ensuring safety of union members, attempting to persuade the public not to do business with an employer, and debating labor conditions with an employer in the public realm).

In February 2015, the British Columbia Information and Privacy Commissioner issued a report recommending the amendment of British Columbia’s *Personal Information Protection Act* in order to protect a union’s right of freedom of expression, as set forth in *Alberta (Information and Privacy Commissioner) v. United Food and Commercial Workers, Local 401*.

## Employment Costs

### Social Security

Social security contributions finance old age, death, disability, cash sickness (accident and sickness), maternity, unemployment, and medical care benefits.

Participation is compulsory for employees age 15 to age 60 in all companies with at least five employees. Employees of companies not required to participate in social security may do so on a voluntary basis.

**Table 9: Social Security and Other Payroll Taxes**

Benefit Category	Employee	Employer	Annual Earnings Limits
<b>Retirement, death, and disability:</b>		Financed through general revenues	
<b>Old Age Security Act (flat rate benefit and means-tested supplements, “clawed back” if net income above a certain threshold)</b>			
<b>Canada Pension Plan<sup>1</sup> (earnings-related benefits)</b>	4.95% (max. CAD 2,544.30 for 2017)	4.95% (max. CAD 2,564.30 for 2017)	Between CAD 3,500 and CAD \$55,300 for 2016 the YMPE <sup>2</sup>
<b>Employment Insurance<sup>3, 4</sup> (including cash sickness and maternity)</b>	1.88% (max. CAD 955.04)	2.64% (1.4 x employee rate unless reduced); max. CAD 1,337.06	CAD 50,800
<b>Hospital/medical</b>	Refer to <b>Table 14</b>		None
<b>Workers’ compensation</b>		Varies by jurisdiction and risk category	See below

<sup>1</sup> The Canada Pension Plan (CPP) operates in all jurisdictions except Quebec, where the similar, but separate, Quebec Pension Plan (QPP) operates. Employers and employees must each contribute 5.325 % (5.4% in 2017) of pay up to CAD 54,900 the YMPE<sup>2</sup> to the QPP. (In 2018, an automatic mechanism to adjust the QPP contribution rate will be implemented to ensure the QPP’s financial status.) Starting January 1, 2012, individuals under age 65 who receive a retirement pension (CPP or QPP) and continue working are required to make CPP contributions, which are redirected to the Post-Retirement Benefit (PRB). Individuals age 65 to age 70 who receive a CPP or QPP may elect not to contribute to the CPP/PRB. Individuals who do not work and are receiving a retirement pension, or who are age 70 or older, are not required to make CPP contributions toward the PRB. Legislation has been introduced to enhance the CPP, commencing January 1, 2019. Please see the CPP section of this profile for more details.

<sup>2</sup> The ceiling (the “year’s maximum pensionable earnings” or YMPE) increases in accordance with changes in national average earnings. The YMPE is CAD 54,900 for 2016 and CAD 55,300 for 2017.

<sup>3</sup> Human Resources Development Canada (HRDC) sets the contribution rate (employers contribute at 1.4 x the employee rate) at a level that will balance expected income and expenditures. HRDC may grant an employer a reduced rate. The earnings ceiling increases according to changes in an earnings index.

<sup>4</sup> Effective January 1, 2015, the employee and employer Employment Insurance contribution rates in Quebec are 1.54% and 2.15%, respectively. The reduced rate is offset by contributions for parental insurance in Quebec (refer to **Table 16 in Social Security and Other Required Benefits**).

## Social Security and Other Required Benefits

The social security system in Canada is made up of a combination of federal, provincial, or territorial, and federal-provincial programs. These programs provide benefits in all the categories generally found in European social security systems.

Virtually all residents in Canada are covered under the various social security programs. Foreign nationals who are employed in Canada and paid from a Canadian payroll also may be covered. Under specified circumstances, Canadian nationals employed outside Canada may elect to continue to make contributions to the Canada Pension Plan (see **Issues for Expatriate Employees**).

Retirement benefits in Canada are primarily provided under two programs. The *Old Age Security Act*, which applies uniformly across Canada, provides basic flat-rate old age security (OAS) benefits to all residents who meet the Canadian residency requirement. OAS benefits are indexed quarterly to reflect changes in the Consumer Price Index (CPI). OAS benefits are subject to a clawback on 15% of income over a prescribed threshold (CAD 72,809 for July 2016—June 2017 and CAD 73,756 for July 2017—June 2018).

Means-tested, retirement-related supplements—the guaranteed income supplement (GIS) and the allowance for spouses and common-law partners (“the allowance”)—also are provided under the *Old Age Security Act*. Most provincial governments also have guaranteed income plans to assist low-income pensioners.

The Canada Pension Plan (CPP) and the Quebec Pension Plan (QPP), both established in 1966, provide earnings-related retirement, death, and disability benefits.

Generally, all Canadian jurisdictions have put an end to mandatory retirement. The main exception to this rule is if a mandatory retirement policy is based on a bona fide occupational requirement (BFOR). Depending on the jurisdiction, there may be other minor exceptions, such as where the employer offers a bona fide retirement plan. Mandatory retirement policies should be reviewed by your Canadian legal counsel.

Unemployment benefits are provided at the federal level. Sickness benefits (short-term disability), maternity, and parental benefits also are provided through the federal Employment Insurance (EI) Program. Similarly, family allowances are provided under a federal program, although two provinces have established their own rates. Medical and hospital benefits are provided at the provincial or territorial level, with subsidies from the federal government. Workers’ compensation programs are provided entirely by the provinces or territories.

Effective July 8, 2009, QPP benefits are extended to same-sex partners.

### Old Age Security Act

#### Old Age Pension

##### *Eligibility*

**Full pension**—An applicant must be age 65, resident in Canada on the day of application and the preceding day, and able to demonstrate a minimum residence in Canada of 40 years after age 18. However, individuals who, on July 1, 1977, were age 25 or over and were resident in Canada or had prior residence after age 18 also may qualify with either:

- Residence without interruption in Canada in the 10 years preceding the application; or

- Residence in Canada for the year preceding the application, plus three years' residence before age 55 for each year of absence in the 10-year period preceding the application.

**Partial pension**—An applicant must be age 65 and have been a resident of Canada for a minimum of 10 years after age 18. When the length of residence is fewer than 20 years, a person must be resident in Canada when the application is approved. The Canada/U.S. Social Security Agreement provides modifications to these requirements. (See **Issues for Expatriate Employees**.)

The old age pension is paid regardless of citizenship. If both husband and wife qualify by age and residence, both may receive it.

Absence from Canada for more than 183 days (not including the month of departure) results in suspension of the old age pension unless the pensioner had combined Canadian or U.S. residence for 20 years or more after reaching age 18. Payments resume upon the individual's return to Canada.

In its 2012 Economic Action Plan, the government announced an increase in the eligibility age for OAS and Guaranteed Income Supplement (GIS) benefits (refer to **Guaranteed Income Supplement**) to accommodate increases in life expectancy. Under the announced changes, starting April 1, 2023, the eligibility age would gradually increase from 65 to 67, with full implementation by January 2029. Individuals born between April 1, 1958 and January 31, 1962 would receive their OAS and GIS benefits between age 65 and age 67, depending on their birth date.

However, in the 2016 Federal Budget, Prime Minister announced that the changes to the retirement age under the *Old Age Security Act* would be cancelled, and the eligibility age will remain at 65.

Individuals are permitted to defer their OAS pension for up to five years, since July 1, 2013. The pension benefit will increase by 0.6% per month of deferral or 7.2% per year of deferral. The GIS Supplement will not be adjusted.

## Guaranteed Income Supplement (GIS)

A supplement is payable under the *Old Age Security Act*.

### *Eligibility*

An individual is eligible to receive an old age pension (full or partial benefit) upon the satisfaction of an income test which takes into account all income except old age pensions and certain other government pension payments.

GISs are payable outside Canada for six months. Unlike the old age pension, no provision exists for further continuation of payments outside the country. Payments may resume upon the individual's return to Canada.

### *Income Test*

The GIS is reduced by CAD 1 for every CAD 2 of income or in the case of a couple where both spouses or common-law partners receive the GIS, the GIS is reduced by CAD 1 each for every CAD 4 of combined income. Excluded from the calculation of income are old age pensions and spouses' and common-law partners' allowances payable under the *Old Age Security Act*, similar payments from provincial or territorial governments, death benefits under the CPP, but not retirement pensions payable under the CPP. Any private pension or income from capital, however, will eliminate a GIS.

## Allowance for Spouses and Common-Law Partners (*Old Age Security Act*)

### *Eligibility*

An individual age 60 through age 64 is eligible if he or she meets one of the residence requirements for an old age pension: designation as the spouse or common-law partner (applied equally to common-law relationships and legal marriages) of an old age pensioner; and satisfaction of an income test that is similar to the GIS.

Payments to the spouse or common-law partner are conditional on the couple not living “separate and apart,” a legal definition of the end of marital relations, which does not necessarily include actual living arrangements. However, if the pensioner dies, payments will continue to the spouse or common-law partner. Payments to the spouse or common-law partner terminate when he or she reaches age 65 (and is eligible for a direct benefit), remarries, dies, or is absent from Canada for more than six months.

A person qualifying for the allowance by meeting the residency requirements for a partial old age pension receives a partial allowance (the old age pension component is reduced). Allowances payable under the Act are linked to changes in the cost of living and adjusted quarterly.

If a pensioner is receiving a GIS at the single rate, the supplement is reduced to the individual married rate when the spouse or common-law partner becomes entitled to the allowance.

### *Income Test*

The two components of “the allowance” (the basic old age pension and GIS) are reduced separately according to the combined income of the couple. (Refer to definition of income under **Income Test** for the GIS.) The old age pension portion is reduced at the rate of CAD 3 of allowance for every CAD 4 of residual income or residual family income.

For couples or widowed persons with residual income or residual family income in the preceding year above four-thirds of the current old age pension, both the GIS portion for the pensioner and the GIS equivalent payment for the spouse or common-law partner are reduced by CAD 1 for each CAD 4 of income above that level.

## Extended Survivors' Allowance (*Old Age Security Act*)

### *Eligibility*

The survivors' allowance is extended to widows and widowers who meet the eligibility requirements. Payments are discontinued on remarriage, at age 65, or on absence from the country for more than six months.

## OAS and GIS (*Old Age Security Act*)

### *Benefit Amounts*

OAS and GIS benefit rates are adjusted quarterly, in January, April, July, and October, to reflect increases in the cost of living as measured by the CPI. The table below includes the maximum and average monthly rates for OAS benefits, as well as the maximum annual income to be eligible for these benefits. The partial OAS benefit is 2.5% of the full pension per year of residence (maximum 100% after 40 years).

Effective July 1, 2011, the federal government enhanced the GIS for certain seniors through a top-up benefit. The top-up is phased completely out above certain income levels, which are indexed to inflation quarterly. The federal government collaborates with provinces and territories to ensure the top-up does not negatively impact services

and benefits they provide. For 2016, pensioners with income below \$4,592 will receive a full top-up benefit of \$947, while pensioners with income between \$4,592 and \$8,384 will receive partial top-up benefits.

**Table 10: Old Age Security and Guaranteed Income Supplement Amounts**

Type of Benefit		Max Monthly Benefit (July-Sept 2016)	Max Monthly Benefit (Oct-Dec 2016) <sup>1</sup>	Income Level Cut-off (July-Sept 2016) <sup>2</sup>
<b>Old Age Security Pension</b>	CAD	573.37	CAD 578.37 <sup>1</sup>	CAD 119,615 <sup>1</sup>
<b>GIS</b>				
<b>Single</b>		856.39	864.09	17,544
<b>Spouse/common-law partner of a nonpensioner</b>		856.39	864.09	42,048
<b>Spouse/common-law partner of a pensioner</b>		515.53	520.17	23,184
<b>Spouse/common-law partner of an allowance recipient</b>		515.53	520.17	42,048
<b>Allowance</b>		1,088.90	1,098.70 <sup>3</sup>	32,448 <sup>3</sup>
<b>Survivors' Allowance</b>		1,297.99	1,309.67	23,616 <sup>3</sup>

## Provincial and Territorial Minimum Annual Income Arrangements

Six provincial governments (Alberta, British Columbia, Manitoba, Nova Scotia, Ontario, and Saskatchewan), the Yukon Territory, and the Northwest Territories have guaranteed income plans to assist low-income pensioners. These plans provide the difference between income from OAS, GIS, and CPP/QPP, as well as other taxable income and a guaranteed income level determined by the provinces and territories.

## Canada Pension Plan

The QPP is nearly identical to the CPP. QPP variations are described following the description of the CPP.

### Retirement Pension

#### Eligibility

An individual is eligible for a benefit at age 60 and if he or she has some period of pensionable employment. Previously, there was no provision for early retirement, except for disability; a worker had to be at least age 65 to receive the retirement pension. However, since January 1, 1987, employees have had the flexibility to draw CPP pensions from age 60 but must commence before age 70, with appropriate actuarial adjustments. In Quebec, individuals must contribute for at least one year to the QPP to be eligible for benefits. For the CPP, only one contribution is required.

CPP reforms in 2010 shifted the actuarial adjustments for individuals retiring before age 65 or after 70. Previously, if an employee elected to start receiving CPP benefits before age 65, the pension was reduced by 0.5% for each month between the date the pension began and his or her 65th birthday. For employees who postponed receipt of CPP benefits, pension benefits were increased by 0.5% for each month between the date on which the pension began and their 65th birthday. These amounts are changing gradually from 2011 through 2016.

<sup>1</sup> The maximum amount includes the new top-ups for GIS and the Allowances.

<sup>2</sup> The income level cut-offs do not include the OAS pension or the first CAD 3,500 of employment income. Pensioners with an annual income above CAD 72,809 must repay part or all of the maximum OAS amount. The repayment amounts are normally deducted from their payments before they are issued. The full OAS pension is eliminated when a pensioner's net income is CAD 119,165 or above.

<sup>3</sup> The allowance stops being paid at CAD 32,162 while the GIS stops being paid at CAD 41,664 (this threshold changes on a quarterly basis).

Regulations amending the CPP regulations came into force on January 1, 2011. The regulations implement the legislative amendment set out in the *Economic Recovery Act (stimulus)*, restoring the adjustments made to CPP retirement pensions taken before and after age 65 to their actuarially fair values:

- When fully implemented in 2016, the early pension will be reduced by 0.6% per month for each month that the pension is taken before an individual's 65th birthday; thus, if an individual chooses to take the pension at age 60, the adjustment will be 36% and he or she will receive 64% of the calculated retirement pension.
- As of 2013, the deferred pension is increased by 0.7% per month for each month that the pension is taken after age 65 up to the age of 70; thus, if an individual chooses to take the pension at age 70, the adjustment is 42% and he or she receives 142% of the calculated retirement pension.

In 2012, the work cessation test was eliminated, allowing an individual to take a retirement pension as early as age 60 without the requirement of a work interruption or earnings reduction.

The government of Quebec passed reforms to the QPP that are consistent with changes made to the CPP.

### *Amount*

The annual retirement pension is equal to 25% of average adjusted pensionable earnings.

### *Average Adjusted Pensionable Earnings*

A year of coverage is any preretirement year after January 1, 1966 or after age 18, if later, but before age 70, regardless of whether or not an individual was in pensionable employment. During years of coverage where an individual is not in pensionable employment, earnings are recorded as CAD 0.

The pensionable earnings for each year of coverage are equal to the annual earnings up to the "year's maximum pensionable earnings" (YMPE). The YMPE for 2016 is CAD 54,900. The annual YMPE increase is based on increases in the Industrial Aggregate (an index similar to the former Average Industrial Composite Wage) as reported by Statistics Canada.

Starting in 1999, adjusted pensionable earnings for each year are equal to the pensionable earnings for the year multiplied by the ratio of (A) to (B) where:

- (A) is the average of the YMPE for the year of retirement and the four preceding years; and
- (B) is the YMPE for the year in question.

Prior to 1998 (July 1, 1998 under QPP), the YMPE was averaged over three years.

Average adjusted pensionable earnings for the retiring employee are calculated by averaging adjusted pensionable earnings for the period of coverage. Earnings from the following periods are excluded from this calculation:

- Any period in which a disability pension was paid;
- Low-earning periods spent caring for children under age seven;
- Months of low or no earnings after age 65; and
- Fifteen percent (15%) of remaining low-earning years of coverage, provided the exclusion does not reduce the years used in the average to fewer than 10 years.

The annual amount of retirement pension is then determined as 25% of average adjusted pensionable earnings.

In the case of an earnings history that has paralleled the YMPE, this formula would produce a pension of 25% of the actual average pensionable earnings of the last five years in 2015.

The maximum CPP/QPP pension for an employee retiring in 2016 is CAD 1,092.50 per month or CAD 13,110.00 per year.

An old age pension under the *Old Age Security Act* is generally payable in addition to the CPP retirement benefits.

There is no increase in the amount of the CPP benefit for a dependent spouse, common-law partner, or children, although a spouse may be entitled to an old age pension and possibly CPP retirement benefits in his or her own right.

**Table 11: Maximum CPP/QPP Benefits—2016**

<b>Benefit</b>	<b>CPP Monthly Maximum</b>	<b>QPP Monthly Maximum</b>
<b>Disability benefit</b>	CAD 1,290.81	CAD 1,290.81
<b>Retirement pension (age 65)</b>	1,092.50	1,092.50
<b>Survivors' benefit (under age 65—see eligibility below)</b>	593.62	
<b>Under age 45/no dependent children</b>		530.42
<b>Under age 45/with dependent children</b>		847.39
<b>Disabled</b>		881.09
<b>Between age 45 and age 64</b>		881.09
<b>Survivors' benefit (age 65 and over)</b>	655.50	655.50
<b>Child of disabled contributor's benefit</b>	237.69	75.46
<b>Child of deceased contributor's benefit</b>	237.69	237.69
<b>Combined survivors' and retirement</b>	1,092.50	1,092.50
<b>Combined survivors' and disability benefit</b>	1,290.81	N/A
<b>Death benefit (one payment)</b>	2,500.00	2,500.00

## Post-Retirement Benefit (PRB)

Effective January 1, 2012, the PRB is a benefit that increases retirement income and rises with the increases in the cost of living, even for individuals who are receiving the maximum CPP/QPP pension. Participation is mandatory for individuals under age 65 who are in receipt of a CPP pension and continue to work. It is voluntary for individuals age 65 to age 70 who are in receipt of a pension and continue to work. Employers must contribute for employees who voluntarily contribute.

Employers and employees each contribute 4.95% of pensionable earnings; the self-employed contribute a total of 9.9%. Contributions do not increase the amount of other CPP benefits.

Benefits vary according to an individual's employment earnings for the year, the amount of his or her CPP contributions in the prior year, and his or her age.

## Survivors' Pensions (CPP)

The surviving spouse or common-law partner and children are, in certain circumstances, entitled to benefits on the death of the contributor.

## *Eligibility*

Contributors must have made contributions on earnings for no less than one-third of the contributor's contributory period.

A survivor age 65 or older (on the date of the contributor's death) is entitled to a basic monthly pension. If the survivor is under age 65, he or she is entitled to a reduced pension, and if the survivor is under the age of 45, he or she is entitled to a basic monthly pension depending on whether or not the survivor has dependents or is disabled. Under the CPP, if the survivor is under age 45 at the contributor's date of death, the pension is reduced 1/120th for each month that the survivor's age at the contributor's date of death was below age 45. Therefore, a survivor must be age 35 or over at the time of the contributor's death, or be disabled, or have dependent children (under age 18, age 18 to age 25 if attending school or disabled) in order to receive a monthly survivors' pension.

A surviving child must be disabled or under age 18 (age 25 if attending school).

Survivors' benefits are not terminated if a widow or widower remarries. Those who have lost benefits due to remarriage may apply for reinstatement.

All benefits are payable without residence or citizenship requirements and are payable abroad without restriction.

## *Amount*

**For children**—A child may receive up to two flat-rate benefits under CPP if both parents were CPP contributors and both are either deceased or disabled. The maximum benefit is CAD 237.69 per month.

**For a survivor under age 65**—The maximum survivors' pension for a spouse under age 65 is made up of two components:

- Under CPP, a flat-rate portion, indexed annually, equal to CAD 183.93 per month; and
- An earnings-related portion equal to 37.5% of the contributor's pension calculated as of the date of death.

The actual amount of pension payable to an eligible surviving dependent under the CPP is:

- For a survivor age 45 or over, or disabled, or with dependent children—the maximum amount; or
- For a survivor age 35 to age 45, not disabled, and with no dependent children—the maximum pension reduced by 1/120th for each month that he or she is under age 45.

**For a survivor age 65 and over**—At age 65, the recipient of a survivors' pension who is not entitled to a retirement pension in his or her own right will receive a pension of 60% of the deceased contributor's pension, calculated as of the date of the contributor's death and updated for changes in the cost of living.

At age 65, the recipient of a survivors' pension who is entitled to a retirement pension in his or her own right will receive a pension equal to the sum of a flat-rate benefit (CAD 183.93) plus the lesser of (A) or (B), where:

- (A) is 37.5% of the retirement pension, if the retirement benefit commenced before 1998. Otherwise, the recipient is entitled to the sum of the flat-rate benefit and either 60% of 37.5% of the deceased contributor's retirement pension or 37.5% of the deceased contributor's retirement pension less 40% of the spouse's retirement pension, whichever is greater. However, the pension is limited to the largest amount that may be granted to any retired contributor in the year in which the combined pension becomes payable to the surviving spouse.

- (B) is an amount that, when added to the survivor's retirement pension, is equal to 25% of the survivor's maximum pensionable earnings average for the year in which the survivor first received either the survivor's pension or the retirement pension, whichever year was later.

A survivor who does not qualify for a survivors' retirement pension before age 65 will be entitled to a pension upon reaching age 65 if the deceased contributor had contributed for the minimum period. Such a pension is determined in the same manner as for a survivor who was the recipient of a survivors' pension before age 65.

## Lump-Sum Death Benefits (CPP)

### *Eligibility*

A lump-sum death benefit is payable if the deceased contributor has met the minimum contribution requirements for payment of a survivors' pension. The lump sum amount is six times the monthly CPP benefit paid or payable, or CAD 2,500, whichever is less. This benefit is paid to the surviving spouse or to the deceased's estate.

## Disability Pension (CPP)

### *Eligibility*

Disability must be "severe and prolonged" and prevent the pursuit of any gainful occupation. Contributions must have been made for at least four years of the last six calendar years, or if the applicant has contributed to the CPP for at least 25 years, contributions must have been made for three of the last six years. Applicants that have become disabled after December 31, 1997 must have earned, during that period, at least 10% of each year's maximum pensionable earnings, and made contributions in four of the last six years. The applicant must be under age 65 and if retired, must be deemed to be disabled within six months of the commencement of the retirement pension.

Under the QPP, disabled contributors are eligible for disability benefits provided they have contributed in two of the last three years, in five of the last 10 years or in half of the years in the contributory period, subject to a minimum of two years.

### *Amount*

The disability pension payable consists of two components:

- A flat-rate portion, indexed annually, equal to CAD 471.43 per month; and
- An earnings-related portion equal to 75% of the monthly retirement pension calculated as if the employee had retired on the date of his or her disability.

The pension is payable beginning in the fourth month following the month in which disability occurs.

Disability pensions payable at age 65 are continued in lieu of a retirement pension. Under QPP, when the pensioner reaches age 65, the disability pension is discontinued and replaced with a retirement pension calculated according to the regular QPP formula, except the years of disability are omitted in determining average adjusted pensionable earnings.

In addition, a disabled pensioner is entitled to a supplemental pension for each unmarried child under age 18 (age 25 if attending school) to a maximum CAD 237.69 per month (CAD 75.46 under QPP). Such supplemental disability pensions cease when the pensioner reaches age 65.

## Indexation of CPP Benefits

Pensions in the course of payment are adjusted each January 1 by the amount of change in the “pension index” (the average of the CPI for each month in the 12-month period ending October 31 of the preceding year). Benefits in the course of payment may never be decreased, even if the pension index registers a decline for a given year.

## QPP Variations

The QPP varies from the CPP in a number of respects, the most important of which are:

- Contribution rates differ between the QPP and CPP (see **Employment Costs**);
- Employees who are between age 55 and age 70 and whose working time is reduced as a result of phased retirement may determine that all or part of the reduction in their compensation is to be considered as compensation for purposes of contributions to QPP (arranged with the agreement of the employer);
- Under QPP, a recipient of a retirement pension who is working must contribute along with his or her employer;
- The QPP maximum monthly survivors’ pension for individuals under age 65 is higher than that available under the CPP (refer to **Table 12: Maximum CPP and QPP Benefits**);
- The children’s QPP supplement for children of disabled contributors is significantly lower than that available under the CPP;
- The eligibility requirements for QPP disability pensions differ from the CPP requirements. Generally, contributions are required for at least two of the last three years, five of the last 10 years, or at least half of the years of the applicant’s contributory period of the years in the contributory period (two-year minimum). Effective January 1, 2013, individuals age 60 to age 65 must have contributed to the plan for at least four of the last six years; and
- The disability amount is comprised of a flat-rate disability benefit equal to CAD 471.40 and an amount equal to 75% of the applicant’s basic retirement pension.

There is full portability between the CPP and QPP. Earnings records of contributors are maintained under both plans and merged when benefits become payable. Only one check is issued to the beneficiary; the CPP determines jurisdiction.

**Table 12: Maximum CPP and QPP Benefits**

	CPP Average Monthly Benefits (March 2016)		CPP/QPP Maximum Monthly Benefit (2016)	
<b>Retirement pension</b>	CAD	643.11	CAD	1,092.50
<b>Disability pension</b>		934.37		1,290.81
<b>Lump-sum death benefit</b>			N/A	
	2,306.13 <sup>1</sup>			

<sup>1</sup> The benefit is the lesser of CAD 2,500 or 6 times the deceased contributor’s monthly retirement pension.

## Other Mandatory Costs

### Workers' Compensation

Similar legislation in all 10 provinces and the territories makes workers' compensation benefits available to employees in mostly industrial occupations, who are disabled or die as a result of a work-related accident or specified occupational disease. Funds are maintained by the workers' compensation boards for the payment of claims, and employers are required to make annual contributions to the provincial or territorial fund at rates determined by the accident experience of each industry class. Employees do not contribute, and there is no minimum qualifying period in order to receive benefits.

**Table 13: Maximum Assessable/Insurable Earnings in 2016**

Jurisdiction		Maximum
Alberta	CAD	98,700
British Columbia		80,600
Manitoba		125,000
New Brunswick		61,800
Newfoundland and Labrador		62,540
Northwest Territories and Nunavut		88,600
Nova Scotia		58,200
Ontario		88,000
Prince Edward Island		52,200
Quebec		71,500
Saskatchewan		69,242
Yukon		84,837

Under these provincial and territorial programs, the board is the first payer. An employee may not waive or assign benefits or sue the employer for damages. Workers' compensation is a form of no-fault insurance, generally payable whether or not the employee is responsible for his or her injury.

### Provincial and Territorial Health Plans

The provincial and territorial governments that administer the plans are responsible for costs; however, federal subsidies cover a substantial portion of the total cost. (See **Health Care System**.)

**Table 14: Costs Under Provincial and Territorial Government Health Plans**

	<b>Employer</b>	<b>Residents</b>
<b>Alberta</b>	Not applicable	Not applicable
<b>British Columbia</b>	Not applicable	Monthly Premium <sup>1</sup> Single CAD 75.00 Family (2) 136.00 Family (>2) 150.00
<b>Manitoba</b>	4.3% on payroll of CAD 1.25 million to CAD 2.5 million; 2.15% on total payroll if over CAD 2.5 million <sup>2</sup>	Not applicable
<b>New Brunswick</b>	Not applicable	Not applicable
<b>Newfoundland and Labrador</b>	2.0% on payroll above CAD 1,200,000	Not applicable
<b>Northwest Territories and Nunavut</b>	Not applicable	A territorial tax of 2% of gross earnings is deducted from employee pay
<b>Nova Scotia</b>	Not applicable	Not applicable
<b>Ontario</b>	1.95% on payroll over CAD 450,000 for eligible employers; 0.98%–1.95% of total payroll for ineligible employers <sup>3</sup>	Premium based on taxable income <sup>4</sup> CAD 0–20,000 300 or 6% of income over 20,000, whichever is less 20,001–36,000 36,001–48,000 450 or 300 plus 6% of income over 36,000, whichever is less 48,001–72,000 600 or 450 plus 25% of income over 48,000, whichever is less 72,001–200,000 750 or 600 plus 25% of income over 72,000, whichever is less 200,000 and over 900 or 750 plus 25% of income over 200,000, whichever is less
<b>Prince Edward Island</b>	Not applicable	Not applicable
<b>Quebec</b>	2.70% on payroll of CAD 1 million or less <sup>5</sup> ; 2.70% to 4.26% on payrolls of CAD 1–5 million; 4.26% on payrolls above CAD 5 million	Annual per person premium is based on net family income (maximum premium of CAD 1,000). <sup>6</sup>
<b>Saskatchewan</b>	Not applicable	Not applicable
<b>Yukon</b>	Not applicable	Not applicable

<sup>1</sup> Exceptions are made for low-income residents and persons over age 65.

<sup>2</sup> Manitoba Levy for Health and Post-secondary Education.

<sup>3</sup> Eligible employers generally include private-sector employers and some crown corporations.

<sup>4</sup> No premium payable if taxable income is less than CAD 20,000.

<sup>5</sup> Contribution rate is 2.3% x [0.39 x (total payroll for calendar year/CAD 1 million)].

<sup>6</sup> Plan year is July 1, 2014 to June 30, 2015.

## Employment Insurance, Sickness, and Maternity Benefits

### Unemployment Benefits

#### *Eligibility*

An individual is eligible if his or her earnings have been “interrupted” (defined as a loss or separation from employment) for a minimum of seven consecutive days and has completed the required number of hours of insured employment during the qualifying period, depending on the local rate of unemployment. The qualifying period is defined as the previous 52 weeks before starting a benefit, or, if the individual has had a claim in this period, the number of hours since commencement of that claim, whichever is shorter.

Most employees who terminate their employment voluntarily, without just cause, or who are terminated for misconduct, are not eligible for unemployment insurance benefits.

#### *Amount*

The benefit amount is 55% of insurable earnings, defined as average earnings during the preceding 26 weeks of insured employment. The maximum benefit is CAD 537 per week.

The family supplement rate is based on family net income up to a maximum of CAD 25,921 per year, the number of children in the family and their ages. The maximum family supplement is 80% of the average insurable earnings of one claimant spouse (not both), usually the spouse with the lower benefit rate. As income level rises, the family supplement decreases, to the maximum income of CAD 25,921. The full family supplement is payable if family net income is below CAD 25,921.

Benefits are payable for up to 45 weeks, after a two-week waiting period. The benefit period depends on:

- Unemployment rate in the region; and
- Hours worked in the last 52 weeks or since the last claim, whichever is shorter.

Once benefits have been exhausted, entitlement may be re-established by returning to work and once again satisfying the qualifying conditions.

Recipients of unemployment benefits whose annual income exceeds 1.25 times the year’s maximum insurable earnings (CAD 72,908) are required to repay an amount up to 30% of the benefits received or 30% of income in excess of 1.25 times the year’s maximum insurable earnings, whichever is less. First-time claimants and claimants receiving maternity, paternal, sickness, or compassionate care benefits are exempt from this clawback.

### Sickness Benefits

#### *Eligibility*

The claimant’s earnings must have been interrupted due to illness, injury, or quarantine. A minimum of 600 hours of insured employment must have been completed during the qualifying period.

#### *Amount*

The benefit is identical to unemployment benefits—55% of insurable earnings—payable after a two-week waiting period for a maximum of 15 weeks. Benefits can be taken at any time during a 52-week period.

## Maternity Benefits

### *Eligibility*

The claimant must have completed a minimum of 600 hours of insured employment during the qualifying period. The pregnancy and expected date of birth must be confirmed by a physician.

### *Amount*

The amount is identical to unemployment benefits—55% of insurable earnings—payable after a two-week waiting period for a maximum of 15 consecutive weeks. The benefit is available only during the period beginning eight weeks before and ending 17 weeks after the expected week of delivery.

## Parental Benefits

### *Eligibility*

The claimant must be a parent who is staying at home to care for a newborn or recently adopted child. The leave must be taken within the 52-week period following the birth or adoption. Claimants must have completed a minimum of 600 hours of insured employment during the qualifying period.

### *Amount*

Biological and adoptive parents are entitled to 35 weeks of parental leave. A maximum of 50 weeks of combined maternity, parental, and sickness benefits is available. The amount payable is 55% of the individual's insurable earnings, after a two-week waiting period. If parents share parental leave, only one two-week waiting period is required.

## Parental Insurance Benefits (Quebec)

Effective January 1, 2006, the Parental Insurance Plan was established in Quebec. The plan differs from EI maternity and paternity benefits with regard to covered pay, pay replacement rates, the number of weeks benefits are payable, and leave for fathers (which cannot be shared).

### *Eligibility*

Claimants must be a working (or self-employed) resident of Quebec with at least CAD 2,000 in insurable income, the parent of a child born or adopted on or after January 1, 2006, and who have experienced at least a 40% reduction in weekly employment income or working time.

### *Amount*

There is no waiting period. Benefits cover up to 75% of the claimant's employment or business income. Maximum insurable income is CAD 71,500 per year in 2016. Benefits may be taken either in the form of a basic or a special plan, the choice of which affects the number of weeks benefits may be received and the pay replacement rate. The choice of plans is determined by the first partner to receive benefits.

Under the basic plan, the maximum number of benefits weeks is 18 weeks for maternity leave, five weeks for paternity leave, 32 weeks for parental leave, and 37 weeks for adoption leave. The percentage of average weekly covered income is 70% (except for the last 25 weeks of parental and adoption leave when the maximum is 55% of average weekly covered income).

Under the special plan, the maximum number of benefits weeks is 15 weeks for maternity leave, three weeks for paternity leave, 25 weeks for parental leave, and 28 weeks for adoption leave. The percentage of average weekly covered income is 75%.

## Compassionate Care Benefits

### *Eligibility*

The claimant must have completed a minimum of 600 hours of insured employment to qualify. He or she must be providing care or support to a family member who has a significant risk of death within 26 weeks (six months) due to a serious medical condition. Family members are defined as a spouse or common-law partner, a parent, a spouse or common-law partner of a parent, a child, or a child of the spouse of a common-law partner. Effective June 11, 2006, the list of persons for whom an individual may claim compassionate care benefits for the care support and support of that individual was expanded to include any person whom a terminally ill patient designates as his or her caregiver. Ontario and British Columbia expanded the terms of their provincial plans in 2006 to include new definitions of family members for the purposes of compassionate care leave.

### *Amount*

The amount payable is 55% of insured earnings for up to six weeks. The benefits may be shared among eligible family members.

## Combining Benefits

Within a “benefit period” (generally, the year following an initial claim), an individual may claim more than one type of “special benefit” (for example, maternity, parental, and sickness benefits) for up to 50 weeks. When special benefits and regular unemployment benefits are paid during a benefit period, the maximum coverage period is 50 weeks or the maximum period of regular coverage, whichever is greater.

## Effect of Private Plan Benefits

The government is intended to be the secondary payer in the event that an employer maintains a private sick pay or short-term disability income plan. Any payments from a private plan will reduce or eliminate the sickness and maternity benefits payable under the *Employment Insurance Act*, unless it is a supplemental unemployment benefit (SUB) plan. Payments from an approved SUB plan are not considered income and may be received without affecting EI payments.

To encourage private plans, Human Resources Development Canada will grant a reduction in contributions to an employer with a qualifying short-term disability income plan. In general, the plan must offer benefits comparable in amount to the federal program and cover 95% of an employee group. In addition, the plan must cover disabilities arising from pregnancy, drug or alcohol addiction, and venereal disease. Employer contribution reductions are based on four categories of qualified plans with distinct rates for each:

- Category 1—Cumulative paid sick leave plan with a minimum monthly accumulation of one day and a maximum accumulation of 75 days;
- Category 2—Cumulative paid sick leave plan with a minimum monthly accumulation of one and two-thirds days and a maximum accumulation of 125 days;
- Category 3—Weekly indemnity plan with a maximum benefit period of at least 15 weeks; and
- Category 4—Weekly indemnity plan with a maximum benefit period of at least 52 weeks (available only to public and para-public employers).

The *Employment Insurance Act* requires that the amount of premium reduction allowed to an employer must be shared, at least to the extent of five-twelfths, with the employees to whom the reduced rate applies. The employee share may be given to employees in cash (in which case, it is subject to income tax) or given in the form of new or increased short-term disability benefits, including upgrading existing benefits or providing more holidays or time off work.

## Summary of Employment Insurance Amounts

EI is an hour-based system. Collection of premiums is based on the first dollar earned. Individuals who work while receiving EI are permitted to keep CAD 0.50 of every CAD 1.00 earned.

## Optional Coverage for Executives

Some provinces and territories have made coverage optional for senior management employees. The provinces of Manitoba, Newfoundland, Ontario, Prince Edward Island, and Quebec allow executives to arrange their own coverage for disability or death arising from a work-related incident. Generally, senior-level executives are defined as employees having a controlling influence on the operation of a company. Normally, the definition includes presidents, general managers, vice presidents, corporate secretaries, and treasurers.

**Table 15: Employment Insurance Amounts (Jurisdictions Other Than Quebec)**

	Previous Amounts Effective January 1, 2015 <sup>1</sup>	Current Amounts Effective January 1, 2016
<b>Maximum insurable earnings</b>	CAD 49,500.00/year	CAD 50,800.00/year
<b>Maximum weekly benefit<sup>2</sup></b>	524.00/week	537.00/week
<b>Maximum employee contribution</b>	930.60/year	955.04/year
<b>Maximum employer contribution<sup>3</sup> (1.4 x employee's contribution)</b>	1,302.84/year	1,337.06/year
<b>Employee contribution per CAD 100 of weekly insurance earnings</b>	1.88	1.88
<b>Employer contribution per CAD 100 of weekly insurable earnings if there is no registered wage loss replacement plan (approved weekly indemnity plan)</b>	2.63	2.63
<b>Maximum employer contribution per CAD 100 of weekly insurable earnings if there is a registered wage loss replacement plan (approved weekly indemnity plan)</b>		
<b>Category 1<sup>4</sup></b>	2.44	2.43
<b>Category 2<sup>4</sup></b>	2.30	2.29
<b>Category 3<sup>4</sup></b>	2.30	2.29
<b>Category 4<sup>4</sup></b>	2.27	2.26

<sup>1</sup> Rates have dropped and are expected to continue to do so due to an EI fund surplus.

<sup>2</sup> Up to 30% of EI unemployment benefits are subject to clawback if benefits exceed CAD 72,809 (1.25 x maximum insurable earnings).

<sup>3</sup> An employer providing a wage loss replacement plan may qualify for a reduction.

<sup>4</sup> For 2015, based on 1.289, 1.223, 1.224, and 1.208 x the employee contribution rate (1.88), respectively. For 2016, based on 1.296, 1.216, 1.219, and 1.203 x the employee contribution rate (1.88), respectively.

**Table 16: 2016 Employment and Parental Insurance Amounts (Quebec)**

	Employment Insurance		Parental Insurance	
<b>Maximum insurable earnings</b>	CAD	50,800.00/year	CAD	71,500.00/year
<b>Maximum weekly benefit<sup>1</sup></b>		537.00/week		537.00/week
<b>Maximum employee contribution</b>		772.16/year		391.82/year
<b>Maximum employer contribution<sup>2</sup> (1.4 x employee's contribution)</b>		1,081.02/year		548.41/year
<b>Employee contribution per CAD 100 of weekly insurance earnings</b>		1.52		0.548
<b>Employer contribution per CAD 100 of weekly insurable earnings if there is no registered wage loss replacement plan</b>		2.128		0.767

## Environment for Employer-Sponsored Retirement Plans

Retirement income in Canada comes from three key sources: the government-sponsored pension programs described above, employer-sponsored retirement programs, and individual savings.

Government-sponsored plans in Canada were established as a means of providing basic retirement income for all individuals, to be supplemented by individual savings and employer-provided pension plans. Similar to the social security systems of the United Kingdom and the United States, the combination of the flat-rate OAS benefits and earnings-related CPP (or QPP) benefits replaces a fairly low level of preretirement income, ranging from about 48% of prior income for the lowest-paid workers, to under 10% for workers earning more than CAD 150,000.

Recently, Canada has experienced a shift toward defined contribution (DC) plans and greater flexibility in pension plan design. Supplemental executive/employee retirement plans also are increasing in popularity and have begun to apply to an increasing portion of the workforce.

Union-sponsored retirement plans are not prevalent in the Canadian pension system; however, collective bargaining agreements often mandate the terms of plans that are funded by employer contributions. In 2010, approximately 31% of employees in Canada were participants in, or covered by, a union-negotiated agreement.

In order for pension contributions to qualify as a legal tax deduction, private pension plans must meet the legislative requirements as set out in the *Income Tax Act* (ITA), the applicable provincial or federal pension standards legislation, and their subsequent regulations.

## Prevalence of Employer-Provided Pension Plans

Employers generally have no legal obligation to provide a pension plan for employees, but most have historically done so in order to attract and retain a competitive workforce. Various types of tax-favored, employer-sponsored retirement plans have been established in the last half century, including defined benefit (DB), DC, and hybrid or combination plans. As the types of plans have expanded, so too has the degree of individual flexibility and choice.

According to Statistics Canada, in 2014, 38.1% of employees were covered by a public or private registered pension plan (RPP). In 2015, public-sector employees accounted for 51% of membership in RPPs. In the early 1980s, membership in the private sector represented approximately 60% of members. The percentage of

<sup>1</sup> Up to 30% of EI unemployment benefits are subject to clawback if benefits exceed CAD 63,500 (excluding first-time claimants).

<sup>2</sup> As with EI contributions in other jurisdictions, maximum employer contributions are reduced if there is a registered wage loss replacement plan in place.

employees enrolled in private-sector plans has remained at or around 48% since 2009, down from 51% in 2008 and 52% in 2007.

As of 2015, 70% of workers participating in a RPP were covered by a DB plan; 17.5% were covered by a DC plan.

Fewer than 25% of employers offer a DB plan to employees. Over 75% of employers offered DC plans. More than 50% of employers offer immediate eligibility to DB plans; a 12-month waiting period is common, and two years is the legal maximum. The pension formula is integrated with social security, with accrual rates of 0.75% to 1.25% below the social security ceiling and 1.25% to 2.0% above the ceiling, per year of service. Combined with social security, the replacement ratio is approximately 2.0% per year.

For DC plans, eligibility is typically immediate, and conditions for participation vary by plan. The typical employer contribution is 4.5%; the typical employee contribution is 5.5%. Employees have a wide range of investment choices. Benefits may be taken as a lump sum or as an annuity.

### Tax-Free Savings Accounts (TFSA)

Any Canadian resident over age 18 may contribute up to CAD 5,500 per year to a Tax Free Savings Account (TFSA) with any unused amount carried forward indefinitely. This limit was increased to CAD 10,000, effective for 2015 and subsequent taxation years. However, on December 9, 2015, the newly elected federal government introduced Bill C-2, *An Act to amend the Income Tax Act*. This bill purports to amend the *Income Tax Act* to reduce the annual contribution limit for TFSAs from CAD 10,000 to its previous level with indexation (CAD 5,500 for 2016) starting January 1, 2016. The bill was not passed before this effective date, but the Canada Revenue Agency (CRA) has indicated that, consistent with its standard practice, the CRA will administer this decrease in the limit on the basis of the announcement.

Since the contribution is made with after-tax dollars, no tax is paid on capital gains or investment income or when the funds are withdrawn. The annual contribution limit is indexed to the CPI and rounded to the nearest CAD 500; excess contributions are subject to a tax of 1% per month. Neither income earned in a TFSA nor withdrawals from TFSAs affect eligibility for federal income-tested benefits and credits such as the Canada Child Tax Benefit, the Goods and Services Tax credit, the Age Credit, and OAS and GIS benefits. Withdrawals from TFSAs create contribution room for future savings. TFSA funds can be used for any purpose. Contributions to a spouse's or common-law partner's TFSA are permitted, and TFSA assets can be transferred to the TFSA of a spouse or common-law partner upon death.

Employers may offer group TFSAs as part of their benefits package to allow employees the ability to save via payroll deduction and to have access to institutional fund managers. Individuals are permitted to hold more than one TFSA.

# Health Care System

## Health Care Delivery

### Administration and Structure

Health care in Canada falls under provincial and territorial rather than federal control. Each province and territory is, therefore, responsible for the administration of a health care plan that meets the criteria set out in the *Canada Health Act* (refer to **Provincial and Territorial Health Plans** below), federal legislation setting the framework to which the provinces must adhere.

Health care represents a major government expenditure and is a highly visible government concern. The ministry of health in each province or territory is responsible for the negotiation of the wages and pay scales of health professionals, the distribution and oversight of hospitals and their services, the setting of education policies, standards, and quotas for health practitioners, and funding and oversight of the agency responsible for paying for services.

There is some variation in covered services, payment rates, and the administration of health care from jurisdiction to jurisdiction and greater variation in the raising of funds.

### Financing

Covered health care is financed by a combination of federal grants to the provinces and territories out of general taxation and, in some provinces and territories, dedicated tax levies. Approximately 70% of health care expenditures come from the public sector (Canadian Institute for Health Information (CIHI) 2015 data)).

As a percentage of Gross Domestic Product (GDP), total health care spending fell at about 10.9% in 2015, a share that has fallen gradually in the past few years, following the recession in 2009. The current trend of a declining health-to-GDP ratio, viewed in the context of the last 40 years, appears similar to that experienced in the mid-1990s (8.7% in 1997).

Hospitals and physicians are financed mainly by payments from the public sector, while drugs and other professionals are financed primarily by the private sector. Hospitals are the largest single category of total health expenditures (29.5%), followed by prescription drugs (15.7%) and physicians (15.5%). According to CIHI, other professionals, which include dentists, optometrists, chiropractors, private nurses, and others, account for 10% of total expenditures.

Access to universally insured care remains unrelated to income; however, Canadians have limited or no insured access to health services such as eye care, dental, paramedical practitioners (such as psychologists, physiotherapists, and chiropractors), and prescription drugs, unless they have access to supplementary private insurance individually or through an employer-sponsored plan.

Private drug plans cover 36% of prescription drug costs in Canada. Prescription drugs for residents under age 65 are generally excluded from provincial and territorial coverage (except in Saskatchewan, Manitoba, and British Columbia). Several provinces provide limited/catastrophic drug coverage for residents under age 65. Quebec also guarantees drug coverage for all residents, although it is largely provided by private plans.

Many services, such as private nursing care, some physiotherapy, nursing homes, or homes for the elderly remain in the private sector, although they are carefully regulated in all jurisdictions. Homeopathic and alternative care is not covered by government health plans and is unevenly regulated and supervised across the country.

## Resources and Quality

The quality of care in Canada is generally excellent despite some waiting lists and a public perception of declining quality. Resources in rural areas, and particularly in the sparsely populated north, are somewhat less accessible. Northern and rural residents are frequently obliged to travel great distances for specialist attention.

Generally, a patient's first point of access to the system is through a family doctor, a general practitioner who will refer patients to specialists as needed. Privately managed but publicly funded clinics in some jurisdictions, as well as hospital emergency rooms, are frequently used as the first or only point of access for nonurgent care.

### *Hospitals*

Although there is a mix of "public" and "private" hospitals in some jurisdictions, the distinction is primarily theoretical. Medically necessary care is covered by public health plans in both, and services not covered by the provincial or territorial health plan are billed directly to the patient by either.

Cost-saving measures have reduced, reorganized, and consolidated hospital services in every jurisdiction. In many regions, services or specialties have been assigned to specific regional hospitals and cut from others in an effort to improve cost efficiency. Rising costs driven by demographics, continuous improvements in technology, scope of services, and available treatments continue to put pressure on hospital budgets.

There are over 1,400 general and allied special hospitals across the country (2014 Statistics Canada data).

Hospital stays have been greatly reduced in number and in duration in recent years, partly as a result of cost-containment measures and partly as a result of technology and treatment improvements. More treatment is managed on an outpatient basis, and more surgery is handled on a day surgery basis. At the same time, emergency rooms are handling much higher traffic, much of it nonurgent, increasing the public perception of a health care crisis.

### *Medical Personnel*

Though a degree of physician "brain drain" was felt historically, with physicians relocating to more lucrative health care markets, net gains in physician relocation have been experienced over the past 10 years.

In general, Canada has fewer physicians per capita (2.4:1,000) than the Organisation for Economic Co-operation and Development (OECD) average of 3.1. As of 2012, Canada had 7.9 nurses per 1,000 population, slightly lower than the OECD average of 9.1.

A shortage of doctors is acute in rural and northern areas, and some jurisdictions have addressed the inequity by offering inducements such as higher pay rates to personnel willing to work in remote areas and free tuition to doctors willing to settle in remote areas.

## Provincial and Territorial Health Plans

The provincial and territorial plans came into existence as a result of the federal *Hospital Insurance and Diagnostic Services Act* of 1958 and the federal *Medical Care Act* of 1966. On April 1, 1984, these statutes were replaced by the *Canada Health Act* which establishes the current prerequisites for federal contributions to provincial and territorial health service plans.

Provinces and territories complying with the *Canada Health Act* are entitled to a transfer of federal tax revenues and a per capita cash payment that escalates with growth in the gross national product (GNP).

The *Canada Health Act* establishes the following criteria and conditions for provincial health plans:

- **Public Administration**—The plan must be administered on a nonprofit basis by a public authority appointed by, and accountable to, the government of the relevant jurisdiction;
- **Comprehensiveness**—The plan must insure all medically necessary services provided by doctors, hospitals, and dentists (further details as to minimum standard coverage are provided below);
- **Universality**—The plan must entitle all residents in the relevant jurisdiction (except members of the Canadian Forces, Royal Canadian Mounted Police officers of rank, and certain prisoners) to all insured services on uniform terms and conditions;
- **Portability**—The plan must not impose any minimum period of residence in the province or territory or any waiting period in excess of three months before persons who are or become residents are entitled to benefits. When a person takes up residence in another province or territory, coverage must continue during the minimum waiting period of the new jurisdiction. Insured persons temporarily absent from their home jurisdiction must be eligible for coverage at the rate payable by the plan of the host jurisdiction. When the services are provided outside Canada, coverage is at the rate payable for similar services provided in the jurisdiction. Prior approval may be required for elective services; and
- **Accessibility**—Insured health services must be available on uniform conditions and on a basis that includes no direct or indirect impediments to reasonable access. A tariff or system of payment authorized by law must govern payments to service providers. The plan must provide for reasonable compensation for all insured services rendered by medical practitioners and dentists and for payment of amounts to hospitals for the cost of insured services.

## Source of Financing

Since January 1961, all provinces and territories have had hospital insurance plans, and since April 1972, medical care plans have been in effect nationwide. The governments administer the plans and are responsible for costs, although a substantial portion of the cost is covered by a federal subsidy. Provincial and territorial costs are financed by general revenues, premiums (British Columbia), payroll taxes (Manitoba, Ontario, and Newfoundland and Labrador), or dedicated personal taxes collected at the source (Ontario). (See **Employment Costs**.)

Extra billing and most user charges are generally prohibited. However, billing fees for uninsured medical services such as completion of reports or forms, prescription renewals without an in-person visit, and telephone advice are acceptable. In addition, some services not covered by the provincial or territorial plan are billed to the patient. The *Canada Health Act* provides for a reduction in funding in the event of extra billing or prohibited user charges.

Budgetary pressure and increased costs for medical treatments and services has prompted de-listing of some services in many jurisdictions. Where services are de-listed and no longer considered medically necessary, consumers become responsible for their cost.

## Coverage

All residents are eligible for coverage. A resident is defined in all jurisdictions as a person who makes his or her home and is ordinarily present in that particular jurisdiction. By definition, therefore, tourists, transients, and visitors are excluded from coverage. Foreign workers holding valid work permits and their families who meet prescribed conditions are generally eligible for medical coverage. Generally, coverage under the provincial and territorial medical and hospital plans is not mandatory. In practice, opting out of the provincial or territorial hospital or medical plan is extremely uncommon.

Manitoba, Quebec, and Newfoundland collect payroll taxes related to health care. Ontario and British Columbia are currently the only provinces where monthly premiums are required. Firms with three or more employees in British Columbia may apply for group enrollment status. Individuals not connected with an employer group pay their premiums directly to the plan.

## Standard Medical Benefits

The *Canada Health Act* requires that provincial and territorial plans insure any “medically required” services rendered by medical practitioners. Included are services for preventive, diagnostic, or therapeutic care or treatment, including administration of anesthesia, X-rays, and prenatal and postnatal care. These services are covered whether rendered in the hospital, practitioner’s office, or the insured’s place of residence.

In virtually all circumstances, the patient has free choice of practitioners. The services of dentists are covered in most provinces and territories when treatment is considered medically necessary and performed by a dentist in a hospital. Psychiatric services are covered if required medically. Annual health examinations are typically covered, but recently some provinces have eliminated the annual exam in favor of visits as required. Some provinces and territories also include certain paramedical services.

### *Standard Exclusions From Medical Coverage*

The typical exclusions from medical coverage include:

- Cosmetic surgery for purely aesthetic purposes;
- Telephone advice;
- Prescription drugs (for residents under age 65), except in Saskatchewan, Manitoba, and British Columbia;
- Dental care;
- External appliances, including eye glasses, hearing aids, crutches, and special braces;
- Health examinations for employment, insurance, passports, travel, etc.;
- Health services other than those provided by approved practitioners; and
- Medical-legal services.

Prescription drugs, dental care, and external appliances are frequently covered by an employer’s private insurance plans and are covered under welfare provisions in all jurisdictions. Many jurisdictions cover at least part of the cost of high-cost drugs, or drugs and supplies used by residents suffering from specific diseases and conditions.

## Standard Hospital Benefits

Under the *Canada Health Act*, insured hospital services include the following services provided to inpatients or outpatients if the services are medically necessary for the purpose of maintaining health, preventing disease, or diagnosing or treating an injury, illness, or disability:

- Accommodation and meals at the standard of public ward level and preferred accommodation if medically required;
- Nursing service;
- Laboratory, radiological, and other diagnostic procedures, together with the necessary interpretations;
- Drugs, biologicals, and related preparations when administered in the hospital;
- Use of operating room, case room, and anesthetic facilities, including necessary equipment and supplies;
- Medical and surgical equipment and supplies;
- Use of radiotherapy facilities;

- Use of physiotherapy facilities; and
- Services provided by persons who receive compensation from the hospital.

### *Standard Exclusions From Hospital Coverage*

The standard exclusions from hospital coverage include:

- Semiprivate or private accommodations (except under prescribed conditions);
- Private doctor and nurse's fees (unless specifically ordered);
- Take-home drugs;
- Routine dental services; and
- Ambulance service.

Some or all of these services may be covered under private health insurance plans.

### **Out-of-Jurisdiction Coverage**

All plans provide coverage for residents in need of emergency care and treatment while temporarily absent from their home jurisdiction. "Temporarily absent" is normally defined as an absence of up to one year. Expenses are usually paid for whether incurred in or outside of Canada.

All provinces and territories participate in reciprocal agreements in which residents are covered for most medically necessary services, provided that these services are insured by the province or territory in which the individual is treated. Some restrictions may apply.

Under a federal-provincial agreement, the cost of out-of-province care provided in Canada is reimbursed according to the fee schedule effective in the province where the person is treated. Quebec is part of these agreements, except with respect to professional expenses; these are reimbursed according to the fee schedule effective in Quebec. Claims are billed directly to the provincial medical plan (if a personal health care card is presented at the time of service). In some provinces, physicians may not accept a health card from another province. In this case, a person must pay for physician services and be reimbursed by their own provincial medical plan.

For Canadian residents traveling outside Canada, costs for services rendered by eligible out-of-country hospitals and health care facilities will only be reimbursed for medically necessary emergency services. Some restrictions may apply. The costs of insured services may be considerably higher outside Canada and patients will be responsible for paying the difference between the fee charged and the amount covered by their own provincial medical plan.

Waiting lists for some procedures have recently forced some jurisdictions to permit prescribed treatment at approved facilities in nearby U.S. facilities, the cost of which is met by the relevant jurisdiction. Elective treatment received outside the jurisdiction is either not covered or covered at lower rates than the rates that apply in the event of an accident or unexpected illness.

### **Current Issues in Health Care**

In general, provincial governments prohibit private plans from covering the services offered under the provincial plan. Supplemental plans cannot be used to purchase enhanced care for government-provided services. In June 2005, the Supreme Court of Canada ruled that individuals in Quebec have the right to obtain private health

insurance for services already available under the public health care system (*Chaoulli v. Quebec*), thereby reopening the debate about the role of private insurers and payment in the current system.

In December 2006, the government of Quebec passed legislation (*An Act to Amend the Act Respecting Health Services and Social Services and Other Legislative Provisions*), reaching, at least, partial resolution to the discussion. Now, Quebecers are allowed to purchase private health insurance for three surgical procedures with long waiting lists—knee- and hip-replacement surgery and cataract surgery.

The court ruling and the new Quebec legislation have led the other provinces to examine whether an expanded private sector would create greater efficiencies or inefficiencies in the provision of health care in their jurisdictions. The concept of a two-tier health care system is not popular with most Canadians, who fear that the funding and quality of the public system would deteriorate if a parallel, rather than complementary system, was created.

The debate over a national pharmacare program has gained traction in recent years as Canada remains the only advanced industrialized nation with a universal medicare program that does not include prescription medications. When the government-sponsored health care system was established in the 1960's, prescription drugs played only a minor role in health care outside the hospital setting. Four decades later, the range of services covered by provincial health plans has expanded as technology and treatment methods have evolved. Despite parallel advances in drug therapies and treatments, drug coverage has not kept pace under provincial health plans and is not supported by the universality principles of the *Canada Health Act*. Provincial programs typically cover elderly, low income, and high medical risk Canadians but coverage, even for these vulnerable groups, varies province to province. Outside of Quebec, Canadians who do not fall into these groups must pay drug expenses out-of-pocket or rely on private insurance, which is often dependent on employment status.

In June 2015, provincial and territorial health ministers issued a joint statement outlining their position on how to achieve a national pharmacare program for Canada; the measure is largely supported by Canadians. Debate is ongoing and there are few details on what this kind of program might look like or whether it will transpire. If a national pharmacare program were established, it would likely have a significant financial impact on the design and management of employer-sponsored benefit plans.

## Environment for Employer-Provided Health and Other Benefits

In addition to retirement (see **Social Security and Other Required Benefits**), profit sharing, and stock option and/or purchase plans, employers in Canada provide medical, dental, life, and disability insurance plans that supplement the benefits under federal and provincial programs.

**Table 17: 2016 Prevalence and Characteristics of Medical Plans<sup>1</sup>**

Plan Characteristics	Percent of Employers
<b>Choice in Medical Plans</b>	
No choice	48.7%
Flexible benefit plan/choice of options	44.4%
2 options	5.5%
3 options	13.8%
4 options	17.8%
5 or more options	7%
No coverage	0

<sup>1</sup> For active employees only.

Plan Characteristics	Percent of Employers
<b>Prescription Drug Cost Containment</b>	
Coinsurance-Flat Structure	84%
Coinsurance-Tier Structure	12%
Generic-Reimbursement	41.7%
Generic-Tier Structure	11%
Generic-No Reimbursement	47.3%
Deductibles-Medical	12.1%
Deductibles-Per Order	10.4%
Deductibles-Annual	1.4%
Deductible-None	72.9%

Source: Aon Hewitt SpecSelect data

The most common medical plan coinsurance percentages provided by employers were 100% and 80% for both major medical and prescription drug coverage.

Many employers offer medical and dental plans or medical alone for their retired employees, and most of these plans require contributions from the retirees.

**Table 18: 2016 Prevalence and Characteristics of Dental Plans<sup>1</sup>**

Plan Characteristics	Percent of Employers	Percent of Plans
<b>Choice in Dental Plans</b>		
No choice	49.0%	
Flexible benefit plan/choice of options	43.7%	
2 options	4.6%	
3 options	15.5%	
4 options	15.5%	
5 or more options	7.50%	
No dental coverage	.30%	
<b>Orthodontia Benefits</b>		
Lifetime maximums		76.0%
Annual maximum		0.6%
Unlimited		1.7%
Not included in dental plan		19.8%
<b>Provincial Fee Guide</b>		
Current fee guide		85.8%
Prior year's guide		6.9%
2- to 4-year lag (automatic updating)		4.6%
Fixed fee guide prior to 2001		2.0%

Source: Aon Hewitt SpecSelect data

The most common dental plan coinsurance percentages provided by employers were 100% and 80% for preventive and basic services and 50% for major restorative services.

<sup>1</sup> For active employees only.

## Life and Disability Benefits

Most employers also provide short- (STD) and long-term disability (LTD) benefits as well as employer-paid life insurance to their active employees. STD plans generally provide six months of benefits and have no gap between STD and LTD. Most LTD plans do not offer a choice of options. The most common maximum monthly LTD benefit is CAD 10,000.

About one-half of employers offering life insurance plans (both employer-paid and contributory) provide a benefit that is a multiple of pay; just under one-half offer a combination of a multiple of pay and a flat-dollar amount. The most common combination of multiple of pay and flat-dollar amount is two times pay employer-paid plus CAD 500,000 employee-paid optional insurance. Many employers also offer postretirement life insurance.

# Taxation of Compensation and Benefits

Residents of Canada pay personal income tax on their worldwide income. Nonresidents are taxed only on Canadian-source income.

Canadian income taxes are imposed by the federal government and the provincial and territorial governments. In all provinces and territories, except Quebec, provincial and territorial personal income taxes have been a fixed percentage of the federal tax, collected by the federal government. Quebec assesses and collects income tax separately. Starting in 2000, the other jurisdictions delinked the provincial or territorial and federal tax calculations and went to a separate tax on income, although individuals (other than Quebec residents) continue to file only one tax return.

Spouses are taxed separately and a number of legislative provisions discourage income splitting. For example, if a person transfers property to a spouse, the income derived from the property or from substituted property is income of the transferor and not of the transferee. A business, whether or not incorporated, may employ the spouse of the owner as an employee and thus provide an opportunity for income splitting. However, such arrangements are scrutinized closely by the government and will be challenged if it can be shown that there is not a genuine employer-employee relationship, that the salary is not paid for bona fide service, or that the amount of the salary is unreasonable.

The tax year is the calendar year. Individual tax returns must be filed by April 30 of the year following the end of the tax year. Employee pay is subject to withholding at source which is credited against final tax liability.

## Personal Income Tax

Taxable income includes salary, wages, the value of benefits in kind, dividends, directors' fees, commissions, annuities, pensions, unemployment benefits, retirement allowances, death benefits, interest, alimony, scholarships over a specified annual amount, benefits from estates or trusts, and capital gains.

## Tax-Free Income

Types of income that are reported, but not taxable include:

- Proceeds of life insurance upon the death of the insured;
- Social assistance payments and "net federal supplements" made on a means-tested basis; and
- Workers' compensation payments.

Types of income that are neither reported nor taxable include:

- Child tax benefit payments and related provincial or territorial benefits;
- Veteran's disability and dependents' pension payments; and
- War veteran's allowance.

Income earned on the investment of nontaxable money is taxable.

## Deductions

Following are the principal deductions and nonrefundable tax credits for individuals:

- Employee contributions to an employer's registered pension plan (RPP);

- Contributions to a registered retirement savings plan (RRSP) up to CAD 24,930 in 2015 (or 18% of earned income, if less). If the taxpayer also is a member of an RPP or a deferred profit sharing plan (DPSP), the maximum contribution is reduced by a pension adjustment (PA), which reflects the assessed value of the benefit or contribution under the RPP or DPSP;
- Certain moving expenses in connection with a change in employment;
- Traveling, entertainment, and certain other expenses of commissioned sales employees, as well as other employees if required as a condition of employment;
- Child care expenses (the deductions are CAD 7,000 for each child under age seven; CAD 4,000 for each child over age seven and under age 16; and CAD 10,000 for a disabled child); and
- Union or other professional dues.

## Tax Credits

The 2016 federal personal tax credits are:

**Table 19: Federal Personal Tax Credits**

Credits	Amounts	Amounts with Family Caregiver Amount <sup>1</sup>
<b>Basic Credit</b>	CAD 11,474	N/A
<b>Married/Domestic Partner</b>	11,474	CAD 13,595
<b>Age 65 and Over</b>	7,125	N/A
<b>Eligible Dependent</b>	11,474	13,595
<b>Children Under Age 18</b>	— <sup>2</sup>	
<b>Disability</b>	8,001	N/A
<b>Disabled Dependent</b>	4,667	6,788
<b>Caregiver Amount</b>	4,667	6,788

All provinces have established their own values for many of the personal tax credit amounts.

## Family Caregiver Amount

The Family Caregiver Amount (FCA) is effective starting January 1, 2012. The FCA provides an additional tax credit to individuals in certain categories. Individuals caring for a disabled dependent qualify for the FCA if the disabled dependent is: 1) age 18 or older and dependent on the individual due to mental or physical infirmity; or 2) under the age of 18 with a medical or physical infirmity who is likely to be for a long continued period of indefinite duration, dependent on others for significantly more assistance in attending to the child's personal needs and care when compared to children of the same age.

## Medical Expense Tax Credit

The medical expense tax credit is 3% of the taxpayer's net income ceiling up to CAD 2,337.

## Federal Income Tax

Since 1974, a tax indexation system has adjusted income tax brackets and personal exemptions in accordance with the rate of inflation. Since 1986, adjustments have been limited to the extent that inflation has exceeded 3%.

<sup>1</sup> The Family Caregiver Amount (FCA) is effective January 1, 2012.

<sup>2</sup> The Canada Child Benefit replaces the credit for the 2015 and subsequent tax years.

The increase for a particular year is based on the increase in the Consumer Price Index (CPI) above 3% for the 12-month period ending in September of the preceding tax year.

The 2016 federal income tax rates are:

**Table 20: Federal Income Tax Rate**

<b>Taxable Income</b>	<b>Percent on Excess</b>
<b>CAD 0–45,282</b>	15%
<b>45,282–90,563</b>	20.5
<b>90,563–140,388</b>	26
<b>140,388–200,000</b>	29
<b>200,000 and over</b>	33

For Quebec residents, federal tax is reduced by 16.5%.

## Provincial and Territorial Income Tax

The 2016 provincial and territorial tax rates and surtaxes are:

**Table 21: Provincial and Territorial Tax Rates**

<b>Province or Territory</b>		<b>Taxable Income</b>	<b>Rate</b>
<b>Alberta</b>	CAD	0-125,000	10.00%
		125,000-150,000	12.00%
		150,000-200,000	13.00%
		200,000-300,000	14.00%
		300,000.01 and over	15.00%
<b>British Columbia</b>	CAD	0–38,210	5.06
		38,210–76,421	7.70
		76,421–87,741	10.50
		87,741–106,543	12.29
		106,543.01 and over	14.70
<b>Manitoba</b>	CAD	0–31,000	10.80
		31,000–67,000	12.75
		67,000.1 and over	17.40
<b>New Brunswick</b>	CAD	0–40,942	9.68
		40,492–80,985	14.82
		80,985–131,664	16.52
		131,664–150,000	17.84
		150,000.01 and over	20.30
<b>Newfoundland and Labrador</b>	CAD	0–35,148	8.20
		35,148–70,295	13.50
		70,295–125,500	14.55
		125,500–175,000	15.80
		175,000.0 and over	16.80

Province or Territory		Taxable Income	Rate
<b>Northwest Territories<sup>1</sup></b>	CAD	0–41,011	5.90
		41,011–82,024	8.60
		82,024–133,353	12.20
		133,353.01 and over	14.05
<b>Nova Scotia</b>	CAD	0–29,590	8.79
		29,590–59,180	14.95
		59,180–93,000	16.67
		93,000–150,000	17.50
		150,000.01 and over	21.00
<b>Nunavut<sup>2</sup></b>	CAD	0–43,176	
		42,622–86,351	7.00
		86,351–140,388	9.00
		140,388.01 and over	11.50
<b>Ontario<sup>3</sup></b>	CAD	0–41,536	5.05
		41,536–83,075	9.15
		83,075–150,000	11.16
		150,000–220,000	12.16
		220,000.01 and over	13.16
<b>Prince Edward Island<sup>4</sup></b>	CAD	0–31,984	9.80
		31,894–63,969	13.80
		63,969.01 and over	16.70
<b>Quebec</b>	CAD	0–42,390	16.00
		42,390–84,780	20.00
		84,780–103,150	24.00
		103,150.01 and over	25.75
<b>Saskatchewan</b>	CAD	0–44,601	11.00
		44,601–127,430	13.00
		127,430.01 and over	15.00
<b>Yukon</b>	CAD	0–45,282	6.40
		45,281–90,563	9.00
		90,563–140,388	10.90
		140,388–500,000	12.80
		500,000.01 and over	15.00

## Minimum Tax

In 1986, minimum tax rules were introduced. The minimum tax is based on a recalculation of taxable income involving an addback of certain deductions. This recalculated amount is reduced by the annual CAD 40,000 minimum tax exemption. The federal minimum tax is 15% of the adjusted taxable income less personal tax credits. The amount by which minimum tax exceeds the regular tax for a year may be carried forward for seven years to reduce any excess of regular tax over the minimum tax.

<sup>1</sup> Plus a territorial tax of 2% of gross earnings is deducted from employee pay.

<sup>2</sup> A territorial tax of 2% of gross earnings is deducted from employee pay.

<sup>3</sup> Plus a 20% surtax on provincial tax in excess of CAD 4,484 plus 56% on provincial tax in excess of CAD 5,739.

<sup>4</sup> Plus a 10% surtax on provincial tax payable in excess of CAD 12,500.

## Taxation of Capital Gains

One-half of capital gains are taxed as income on disposition. Capital gains tax on small business investments can be deferred if the proceeds are reinvested in qualified small businesses. The amount of the gain qualifying for the exemption takes into account factors such as the individual's annual and cumulative gains limits, cumulative net investment losses, and allowable business investment losses.

A Canadian resident must include as income 138% of taxable dividends received from taxable Canadian corporations (the "dividend gross-up"). A federal dividend tax credit equals 6/11ths of the gross-up (or 15.0198% of the grossed-up dividends). The actual dividend rate will vary depending on the provincial tax rate.

## Inheritance/Gift Tax

There is no inheritance or gift tax; however, under deemed dispositions provisions in the *Income Tax Act*, donors and estates of the deceased are taxed at normal rates on the value of the assets transferred.

## Taxation of Nonstatutory Deferred Compensation

Deferred compensation is taxed on an accrual basis, rather than when actually received.

## Employee Stock Options

Employee stock options are taxable at exercise as ordinary income; taxable value based on the difference between the fair market value of the shares and the exercise price. Provided the exercise price is equal to or greater than the fair market value of the shares on the date of the option grant, employees can generally claim a deduction equal to 50% of the taxable benefit at exercise.

Alternatively, employees have the option to defer taxation on up to CAD 100,000 in stock options (at grant) from the date of exercise to the date of sale of the underlying shares (or until the employee dies or becomes nonresident).

Fifty percent of the capital gain resulting from any appreciation in value of the shares from the date of exercise to the date of sale is taxed as income.

## Taxation of Payments in Kind

Section 6(1)(a) of the *Income Tax Act* provides that income from employment includes the value of "benefits of any kind whatever... received or enjoyed...by virtue of...employment." Specific applications of and exceptions to the general rule are addressed in the Act.

The Canada Revenue Agency (CRA) has specified various employee benefits that are not considered taxable to an employee including:

- Overtime meal allowances that are reasonable (generally up to CAD 17) if the employee works two or more hours of overtime immediately before or after scheduled hours of work and overtime is infrequent and occasional (generally less than three times per week);
- Loyalty points that are not converted to cash, if the plan is not an alternate form of compensation or used for tax avoidance purposes;
- Noncash gifts and awards to an arm's length employee, regardless of number, that total less than CAD 500 annually;

- A separate noncash long-service award not exceeding CAD 500 in value for tenures of at least five years; and
- Items of “an immaterial or nominal value” such as t-shirts, mugs, or trophies.

## Qualified (Registered) Pension Plans

An RPP is a defined contribution (DC) pension plan, a defined benefit (DB) pension plan, or a hybrid DB/DC pension plan accepted by the CRA for registration under the *Income Tax Act* (ITA). Once a plan has been granted registration, it is continued without further review, unless the plan is amended or legislative change mandates changes to the plan. Registration rules are meant to limit the type and extent of benefits which may be paid from an RPP, thereby limiting tax assistance and deferrals. Contributions made to an RPP are deductible for income tax purposes up to certain limits, and benefits are taxable to employees when paid. Income and capital gains earned by investing the assets of an RPP are not taxable.

Assets in an RPP must be kept separate from the employer’s general assets. A plan may be maintained through one of a number of vehicles:

- **Trust**—Large- and medium-sized employers commonly establish a trust agreement with a trust company or similar institution. In this case, the trust holds the plan’s money and invests it, and the employer does not generally have access to the funds. This is the most prevalent funding vehicle for registered employer-sponsored plans in Canada. A trust also is used in limited cases for some unregistered plans where the employer wishes to provide a measure of assurance to plan participants (typically executives) that sufficient funds will likely be available to pay these benefits when they retire or leave the company.
- **Insurance**—While it is not common for RPPs to be insured, the assets of many RPPs are held by insurance companies through a group annuity contract or custodial agreement.

To ensure that pension plans have sufficient assets to pay benefits when participants retire, the federal *Pension Benefits Standard Act* (PBSA) and provincial/territorial pension standards legislation establish minimum funding standards for DB plans and some DC plans. Ontario maintains a Pension Benefits Guarantee Fund (PBGF), unique in Canada, used to guarantee a minimum level of pension to a qualified Ontario DB member when a DB pension fund is unable to do so.

### Defined Benefit Plans

- The maximum annual retirement income allowed under a DB plan is 2% of earnings or the current DB limit of CAD 2,914.44 (for 2017), whichever is less. The DB limit is indexed annually to average wage growth. It equals 1/9 of the money purchase limit (MP limit) for the year (refer to **Table 22** below).
- Employers may fund the cost of the plan themselves, or plan provisions may require employees to make contributions.
- Contributions to a DB plan are tax deductible when calculating the employer’s or employee’s (as applicable) taxable income.
- A DB plan can provide for enhanced survivor benefits, which are indexed to inflation.

### Defined Contribution Plans

- Contributions can be the sole responsibility of an employer, or employee contributions may be required or permitted as well. Employer contributions can be fixed to match a certain level of contributions made by employees.
- Employer and employee contributions made to a DC plan are tax deductible and are usually defined.
- The combined employer and employee contribution in a year is limited to the lesser of the MP limit for the year (refer to **Table 22** below) and 18% of the employee’s income for the year.

- Any amount contributed to a DC Plan in a year forms part of an individual's "pension adjustment" (refer to definition below) for the year and will reduce the amount which an individual can contribute to an RRSP (refer to Registered Retirement Savings Plans (RRSPs) below) the following year.

### *Deferred Profit Sharing Plans (DPSPs)*

A DPSP is an arrangement whereby employer contributions are based on the company's profitability. The CCRA requires that in years where profitability is not great, an employer must contribute at least 1% of the total amount of the company's payroll.

- Contributions are allocated to the plan participants on an annual basis.
- Contributions must vest irrevocably in each participant within 24 months of membership.
- Employees cannot contribute to a DPSP.
- Employer contributions in any given year are limited to the lesser of 18% of the member's income from the employment for the year (refer to **Table 22** below) and one-half the MP limit for the year.
- Contributions made on behalf of an employee are included in the employee's "pension adjustment" for the year and will reduce the employee's RRSP deduction limit for the following year.

### Registered Retirement Savings Plans (RRSPs)

RRSPs are designed to encourage individuals to save for their retirement on a tax-sheltered basis. An RRSP is a contract between an individual and an authorized insurer, trustee, or corporation. Contributions are made by a taxpayer out of earned income and are deductible for taxation purposes within contribution limits (the comprehensive limit is equal to 18% of earned income in the previous year, subject to a dollar maximum). Investment earnings on the assets of RRSPs are tax-sheltered, but withdrawals from the plans are taxable. Participation in an RPP (or a DPSP) will have an impact on an individual's ability to contribute to his or her RRSP in the following year.

### Pension Adjustment (PA)

The PA defines how much an individual who participates in an employer-sponsored retirement plan can contribute to certain retirement plans on a tax-effective basis. It is the deemed value that, for tax purposes, is placed on the benefit accruing under a DC RPP or DB RPP or DPSP in a particular year. The PA will affect an individual's "investment room" in an RRSP for the subsequent year. In a DC plan, the PA is the total of employer and employee contributions. In a DPSP, the PA is equal to employer contributions, which are made on behalf of the employee. In a DB plan, the PA is nine times the accrued benefit minus CAD 600, where the accrued benefit equals the pension earned during the current year, based on that year's pensionable earnings.

**Table 22: Tax-Assisted Retirement Savings Limit**

Year	MPPP Limit <sup>1</sup>	DPSP Limit <sup>1,2</sup>	RRSP Limit <sup>3 4</sup> (Before Pension Adjustment)
2007	CAD 20,000	CAD 10,000	CAD 19,000
2008	21,000	10,500	20,000
2009	22,000	11,000	21,000
2010	22,450	11,225	22,000
2011	22,970	11,485	22,450
2012	23,820	11,910	22,970
2013	24,270	12,135	23,820
2014	24,930	12,465	24,270
2015	25,370	12,685	24,930
2016	26,010	13,005	25,370
2017	26,230	13,115	26,010
2018	Indexed	Indexed	26,230

## Nonqualified Plans

Employers normally maintain unregistered retirement plans that pay benefits out of general corporate assets.

- These plans often are maintained to pay supplemental retirement benefits to executives and other highly compensated employees in excess of what they receive under the employer's qualified retirement plans.
- Sometimes they are used to provide deferred compensation; and
- If the unfunded plan is supplementing benefits under a specific qualified plan of the employer, it is referred to as a supplemental executive/employer retirement plan (SERP).

There is no tax event (taxation of the employee or a deduction for the company) under an unregistered and unfunded plan until payment is made to an employee. Benefits under an unregistered and unfunded retirement plan are not secure from the company's creditors in the event of bankruptcy or insolvency.

<sup>1</sup> Indexed to growth in the annual Average Industrial Wage as of 2009.

<sup>2</sup> Contributions to DPSPs are limited to one-half the dollar limit on MPPP contributions.

<sup>3</sup> For a member of a DPSP or RPP, the basic RRSP "contribution room" is the RRSP limit reduced by the previous year's PA (the "contribution room" is the amount that an individual can contribute to an RRSP).

<sup>4</sup> The RRSP limit equals the preceding year's MP limit.

# Issues for Expatriate Employees

## Documentation Required

### Short Term—Business Visitors

Citizens of the United States and most of the European Union (EU) Member States and European Economic Area who travel to Canada for three months or less for business purposes do not need a visa to enter Canada as a business visitor. Permanent legal residents of the United States, with an “alien registration card” (“green card”), who travel to Canada for business purposes do not need a visa to enter Canada as a business visitor.

The General Agreement on Trade in Services (GATS), which is part of the World Trade Organization (WTO), also allows nationals of member nations to enter Canada temporarily, for 90 days or less, as a business visitor. To qualify for temporary entry under GATS, a business visitor must be a citizen of a GATS member country and must reside in one of the member countries. Business visitors must comply with existing immigration requirements for temporary entry including business visitor visa requirements for Canada.

Various treaties exist between Canada and other countries which exempt certain foreign nationals from obtaining a visa prior to arrival in Canada. Nationals of other countries should check with the consulate or embassy of Canada with jurisdiction over their place of residence to determine whether a business visa is required prior to arrival in Canada.

Required documents for a business visitor visa include a valid passport; a confirmed round-trip or onward ticket; a travel itinerary; and a company letter of support on company letterhead stating the nature of the business, detailed purpose of trip, date of travel, length of stay, contact name, the company in Canada, and a guarantee that the company in the home country will be responsible for the applicant’s expenses and salary while the individual is in Canada.

Citizens and residents of certain countries require additional formalities which may require a personal consulate interview and/or an addition of two to four weeks to the processing period. Most business visitor visas will be processed by the consulate or embassy of Canada in a few weeks.

### Long Term—Employment Authorization

Foreign nationals wishing to stay and work legally in Canada must obtain a temporary “employment authorization” before entering Canada.

The *Immigration and Refugee Protection Act S.C. 2001, c. 28* (“IRPA”) which came into force June 28, 2002, created a formal immigration application and entry structure.

Previously, a foreign national could enter Canada with the intention of working without having received the proper permits and/or status as “visitor.” The person was generally allowed to work until his/her visa had been approved or rejected. Under the new regime, no foreign national, with the intention of working in Canada, is allowed to enter the country without first obtaining the work permits and/or immigration status required. The new structure stipulates that mandatory requirements must be met before an application is considered “submitted.” Applications not meeting the mandatory requirements will not be processed. Even if the applicant has secured new employment in Canada or is filling a temporary cross-border assignment, the rules will remain firm—a visa is required before entry is granted. Employees working in Canada who do not possess work authorization permits will become subject to removal from Canada.

## *North American Free Trade Agreement (NAFTA) Requirements*

Under NAFTA, U.S. and Mexican citizens, as “intra-company transferees” or “professionals,” may submit their application for an employment authorization directly to Canadian Immigration at the port of entry or to the Canadian consulate or embassy with jurisdiction over their place of residence. Intra-company transferees (executives, managers, and individuals with specialized knowledge) must have been employed by a U.S. or Mexican company for at least one year in the last three years prior to obtaining an employment authorization. Intra-company transferees are defined as business persons employed by an enterprise, who are seeking to render services to a branch, parent, subsidiary, or affiliate of that enterprise, in a managerial or executive capacity or in a manner that involves specialized knowledge.

Individuals entering Canada as professionals under NAFTA must be employed in a profession listed in NAFTA and possess the appropriate educational credentials and experience.

### *NAFTA Required Documents*

Required documents for an employment authorization under NAFTA include a valid passport; a letter of employment offer from the employer in Canada (intra-company transferees should provide a letter from the company which establishes the transfer and identifies the relationship between the Canadian and foreign branches of the company); a letter of support from the home country employer; a detailed outline of the purpose and length of stay for which entry is being sought; a detailed outline of the current job description, position title, and place in the organizational structure of the enterprise; evidence of the necessary qualifications for the job offered (diplomas, certificates, resume/curriculum vitae, etc.); and a medical examination (if required).

Foreign nationals who apply for employment authorization at a Canadian consulate or embassy will receive an original letter of approval from the consulate which must be submitted to Canadian Immigration at the port of entry to obtain an employment authorization.

Typically, under NAFTA, employment authorization is initially granted for one year. Extensions may be obtained from the Citizenship and Immigration Office in Canada in two-year increments. The total period of stay in Canada for an intra-company transferee employed in an executive or managerial capacity cannot exceed seven years. The total period of stay for a person employed in a capacity that requires specialized knowledge cannot exceed five years. Professionals may work in Canada as long as the temporary nature of the situation remains bona fide.

NAFTA intra-company transferees and NAFTA professionals are exempt from the Human Resources Centre (HRC) employment validation process and can work in Canada regardless of the availability of qualified Canadian workers.

### *GATS Requirements*

Under GATS, intra-company transferees and professionals of member countries may submit their application for temporary employment authorization directly to Canadian Immigration at the port of entry (for citizens of member countries which do not require a visitor’s visa) or to the Canadian consulate or embassy with jurisdiction over their place of residence. Under GATS, individuals must be a citizen of a GATS member country and must reside in one of the member countries. Individuals must also work in one of the following service sectors: business, communications, construction, distribution, environment, finance, tourism, travel, or transport. To enter Canada as an intra-company transferee under GATS, the individual must hold a position as an executive, manager, or specialist in a qualifying company in a GATS member nation. The individual also must have been working for his or her current employer for at least one year immediately prior to applying for entry into Canada.

To enter Canada as a professional under GATS, the individual must be delivering a service under a signed contract between a company in Canada and a company in a member country. Professionals are allowed to work

on more than one contract at a time in Canada provided that all employers are listed on the employment authorization.

### *GATS Required Documents*

Required documents for an employment authorization under GATS as an intra-company transferee include a valid passport; a letter from the employer confirming years of service with the company; details of the current position; the type of service delivered by the Canadian employer; the work to be carried out in Canada; the intended length of stay in Canada; the relationship between the Canadian and foreign employer; an explanation as to why duties are crucial to the Canadian operation; evidence of specialist credentials; a letter of support from the Canadian employer; diplomas; and a resume (curriculum vitae).

Required documents for an employment authorization under GATS as a professional include a valid passport; a copy of the signed contract between the foreign company and the Canadian entity; details of the position; educational qualifications; evidence of professional qualifications; and a temporary or permanent license (if required).

Typically, under GATS, employment authorization is initially granted for one year. Extensions may be obtained from the Citizenship and Immigration office in Canada for two years. The total period of stay in Canada for an intra-company transferee under GATS cannot exceed three years. Professionals, under GATS, may remain in Canada for a maximum of 90 consecutive days in any 12-month period; no extensions are possible.

GATS intra-company transferees and GATS professionals also are exempt from the Human Resources Canada Centre (HRCC) employment validation process.

All other foreign nationals who do not qualify for temporary entry into Canada under NAFTA or GATS must obtain employment validation from the HRCC in Canada prior to obtaining an employment authorization. To obtain employment validation, the Canadian employer must advertise the position and submit proof that there is no qualified Canadian national or Canadian permanent resident available to fill the position.

### *Federal Skilled Worker*

To be considered for the Federal Skilled Worker program, immigrants must have at least one year of continuous full- or part-time work that totals 1,560 hours or 30 hours per week, and have skill type 0 or skill level A or B, as identified by the National Occupation Classification. Other eligibility criteria include language skills in English or French; educational background; work experience; age; valid job offer; and adaptability (likelihood of staying in Canada).

### *Dependents*

Dependents of foreign nationals with employment authorization may qualify for “open” work permits (for spouses).

**Note:** *The material above contains general information regarding visas, work permits, and residence permits required to stay and work legally in Canada. Readers should seek professional advice regarding the particular facts and circumstances involved in their case.*

## **Social Security**

Social security and the Canada Pension Plan (CPP)/ Quebec Pension Plan (QPP) registration are conditions of employment for anyone legally employed in Canada, subject to totalization agreements described below.

## Social Security Totalization Agreements

Canada has social security agreements with 52 countries and territories. These totalization agreements enable Canadian expatriates and foreign nationals working in Canada to avoid making contributions to the social security systems of both their home and host countries at the same time.

Agreements are in force between Canada and the following countries:

Antigua and Barbuda	France	Lithuania	St. Vincent and the Grenadines
Australia	Germany	Luxembourg	Serbia
Austria	Greece	Macedonia	Slovak Republic
Barbados	Grenada	Malta	Slovenia
Belgium	Guernsey	Mexico	South Korea
Brazil	Hungary	Morocco	Spain
Bulgaria	Iceland	Netherlands	Sweden
Chile	India	New Zealand	Switzerland
Croatia	Ireland	Norway	Trinidad and Tobago
Cyprus	Israel	Philippines	Turkey
Czech Republic	Italy	Poland	United Kingdom
Denmark	Jamaica	Portugal	United States
Dominican Republic	Japan	Romania	Uruguay
Estonia	Jersey	Saint Kitts-Nevis	
Finland	Latvia	Saint Lucia	

An agreement has been signed with Peru, but has not yet come into effect.

Specific provisions regarding the coverage and totalization of benefits vary among the individual agreements.

A social security agreement between Canada and the United States became effective August 1, 1984. The agreement has a major impact on a large number of individuals in two areas:

- It eliminates “dual coverage.” For example, employees who would otherwise contribute to the social security programs of both countries instead only have to contribute to the program of one of the countries; and
- It provides for the “totalization” of residency and contributory periods in both countries. In other words, the combined period of residency and contributory periods is used to determine an individual’s eligibility for social security benefits in either country.

The agreement with the United States applies to all Canadians, whether they contribute to the CPP, the QPP, or are entitled to old age security (OAS) pensions.

## Canada/United States Agreement Background

Canada and the United States have, in fact, negotiated five separate agreements. These have been signed by representatives of both federal governments, as well as the Quebec government. In this report, this set of agreements is referred to as one agreement.

The agreement became effective August 1, 1984. However, individuals are eligible for benefits even if they retired or became disabled prior to this date. Benefits were paid starting August 1984.

## Impact of the Canada/United States Agreement

The agreement primarily affects individuals who:

- Would otherwise have to contribute to social security programs in both countries;
- Work in one country and reside in the other; and
- Have worked, or will be working, in both countries but only for short periods of time.

### *Elimination of Dual Coverage*

The Canada/United States agreement eliminates situations where employees are required to contribute to the programs of both countries by specifying the social security program to which an employee contributes.

In general, an employee is to be covered under the social security program in the country of employment. But there are some exceptions:

- For temporary periods of employment (60 months or less), the employee continues to be covered by the country where the transfer originated;
- Where an employee routinely works in both countries (for example, truck drivers), the country of coverage is determined by such factors as the employee's citizenship, residence, etc.;
- For government employees, diplomats, etc., coverage is generally provided by the country of the employer unless the employee is a citizen or permanent resident of the other country; and
- Self-employed workers generally are covered in their country of residence unless they are considered as full-time employees in that country (and self-employed in the other). Then, coverage is determined according to the "temporary employment" rules.

Additional contributions made in the past, as a result of dual coverage, cannot be refunded under the agreement. For those periods, the employee would receive benefits from both countries, subject to the following minimum eligibility requirements.

### **Totalization for Eligibility Purposes**

The Canada/United States agreement permits individuals to combine (or totalize) their periods of residency and social security contributions in determining eligibility for a social security benefit. The amount of their benefit will continue to be based only on the period of residency or contributory period in the country where a benefit is claimed.

Brief descriptions of the various social security programs under the agreement follow.

#### *Canadian Old Age Security Program*

A minimum of 40 years of residency after age 18 is required to be eligible for a full old age pension at age 65. A minimum residency of 10 years after age 18 is required for a partial pension. Under the agreement, periods of U.S. coverage can be included for this purpose, provided the person has at least one year of Canadian residency after age 18.

The amount of pension under the new rules continues to be calculated by prorating the maximum benefit over periods of Canadian residency.

Persons age 25 or older on July 1, 1977, may choose to be covered under the old rules. In this situation, an individual is generally eligible if he or she has 10 years of residency immediately prior to age 65 (although two other rules may apply in certain situations). U.S. coverage cannot be included for this purpose. The full pension is payable. (There is no prorating.)

In order to receive an old age pension outside of Canada indefinitely, an individual must have 10 years of residency after age 18. If this requirement is not met, payments will cease after six months and until the person resides in Canada again. Under the agreement, U.S. coverage can be included to satisfy this requirement. This applies even to pensions calculated under the old rules. However, in all cases, a full pension must be prorated over 40 years of Canadian residency. An individual entitled to a pension under the old rules may have to choose between a full pension payable only in Canada or a partial pension payable in and outside Canada.

### *Canada or Quebec Pension Plan*

Combining periods of coverage in both countries is only necessary to establish entitlement to a disability, survivors', or dependent pension benefit or to a lump-sum death benefit.

For a CPP or QPP retirement pension, only one year of Canadian contributory coverage is necessary, so totalization is irrelevant.

To establish entitlement to nonretirement benefits, credits are given only for U.S. coverage earned after age 18 and after January 1, 1966 (the date on which the CPP and QPP programs became effective). A calendar year during which at least one-quarter of U.S. coverage is earned counts as a full year for totalization purposes.

The amount of any benefit is based on the employee's Canadian earnings. Where a flat-rate benefit is involved and totalization is necessary, it is prorated over the employee's total contributory period (for QPP) or over the (shorter) eligibility period for CPP purposes.

### *Social Security*

To be eligible for a U.S. social security retirement benefit, an employee must have contributed to U.S. social security for a minimum period. This period can vary from one and one-half years to 10 years (six to 40 quarters) depending on the individual's date of birth. Periods of Canadian coverage, if contributions were made to the CPP or QPP, may be combined to determine entitlement to a U.S. benefit.

The amount of the U.S. benefit is calculated by first computing a full pension based only on actual U.S. earnings, ignoring earnings outside of the U.S. The formula then prorates this pension by dividing the period of U.S. coverage by the period of "benefit computation" (generally the number of years from 1956 to age 62, maximum 35 years). This method is very similar to the one used to calculate a CPP or QPP pension and eliminates difficulties inherent in the methods used in earlier social security agreements with the United States.

## **Taxation**

### **Nonresident Taxation**

#### *Employment and Business Income*

A tax return must be filed by:

- Nonresidents of Canada who earn income in Canada;
- Canadian citizens who are temporarily traveling or living outside Canada;
- Individuals who have left another country to settle permanently in Canada; or
- Canadian citizens who have permanently left Canada.

A nonresident is subject to Canadian tax on employment and business income earned in Canada but received while nonresident if during the year or in a previous year he or she was employed or carried on business in

Canada. Accordingly, residents generally cannot avoid tax on Canadian employment income by delaying receipt until they become a nonresident of Canada.

### *Computation of Tax*

The tax of a nonresident is generally computed in the same manner as that of a resident, subject to double taxation treaty provisions. Nonresident withholding tax of 25% (unless reduced by a tax treaty) also is imposed on interest, dividends, rents, royalties, alimony, pension benefits, and payments from other retirement savings plans.

### *Emigration From Canada*

When a taxpayer ceases to reside in Canada, he or she is considered for Canadian income tax purposes to have disposed of all properties, other than certain defined properties and rights to income receipts, at the date of departure. The deemed proceeds of sale is fair market value at the date of departure.

Certain properties, such as real property situated in Canada, capital property used in carrying on business, and certain interests in a partnership, are considered taxable Canadian properties and are not affected by the deemed sale rule. The taxpayer need only account for these taxable Canadian properties when he or she actually disposes of them, and the tax treatment at that time may be subject to any alleviating provisions provided in a tax treaty between Canada and the foreign country of residence.

Rights to receive pension and retirement savings payments are not affected by the departure rules since these payments are subject to normal Canadian withholding tax when paid to a nonresident (depending on the country to which the person moves and Canadian tax agreements).

An individual's overall foreign and Canadian tax liabilities may be minimized in the year of departure by timing the move as closely as possible to the middle of the tax year. This tends to result in an even split of taxable income and a resulting decrease in the overall rates of foreign and Canadian income taxes incurred in the two half-year periods.

### **Taxation of Earnings Abroad**

Though residents of Canada are subject to tax on their worldwide income, they may claim a credit against Canadian income tax for income taxes paid to foreign countries, including political subdivisions of foreign countries. Credits are applied on a per-country basis and are applied separately for business income and nonbusiness income. The overall credit limitation, which also is applied separately as to country and source, is the proportion of Canadian taxes that the foreign income from the source bears to total income.

If an individual is terminating his or her employment with a foreign corporation and moving to Canada to assume a new position, he or she may be entitled to special payments from the former employer, such as refunds from profit-sharing or retirement plans, accrued bonuses, termination payments, and retiring or relocation allowances. Such payments are generally subject to full Canadian income taxes if received by the individual subsequent to his or her assumption of Canadian residence, regardless of the fact that they may relate entirely to his or her employment prior to the move to Canada.

### **Double Taxation Relief**

Canada has comprehensive treaties for the avoidance of double taxation of income with many countries. Negotiations and revisions are ongoing.

Treaties with the following countries are in force:

Algeria	France	Malaysia	South Africa
Argentina	Gabon	Malta	South Korea
Armenia	Germany	Mexico	Spain
Australia	Greece	Moldova	Sri Lanka
Austria	Guyana	Mongolia	Sweden
Azerbaijan	Hong Kong	Morocco	Switzerland
Bangladesh	Hungary	Netherlands	Tanzania
Barbados	Iceland	New Zealand	Thailand
Belgium	India	Nigeria	Trinidad and Tobago
Brazil	Indonesia	Norway	Tunisia
Bulgaria	Ireland	Oman	Turkey
Cameroon	Israel	Pakistan	Ukraine
Chile	Italy	Papua New Guinea	United Arab Emirates
China (PRC)	Ivory Coast	Peru	United Kingdom
Colombia	Jamaica	Philippines	United States
Croatia	Japan	Poland	Uzbekistan
Cyprus	Jordan	Portugal	Venezuela
Czech Republic	Kazakhstan	Romania	Vietnam
Denmark	Kenya	Russia	Zambia
Dominican Republic	Kuwait	Senegal	Zimbabwe
Ecuador	Kyrgyzstan	Serbia	
Egypt	Latvia	Singapore	
Estonia	Lithuania	Slovak Republic	
Finland	Luxembourg	Slovenia	

Agreements have been signed with Lebanon, Namibia, and Turkey, but have not yet become effective. Negotiations have been concluded with Taiwan.

If the provisions of a tax treaty are more favorable than the provisions of the *Income Tax Act*, the treaty provisions govern. Provincial income taxes are not covered by the treaties.

The Canadian Ministry of Finance has advised that there are no tax treaty provisions in the *Employer Health Tax Act* or agreements to exempt an employer from paying the health tax on the total compensation paid to expatriate employees or those working on foreign assignment that are paid from or through a permanent establishment of the employer in Ontario.

### Fifth Protocol to United States–Canada Income Tax Convention

Effective January 1, 2009, the implementing legislation establishes a new rule whereby, provided certain conditions are met, cross-border commuters may deduct, for residence country tax purposes, contributions made to a pension plan or other arrangement in the country where they work. Similarly, those who move for work and meet certain conditions can deduct, for source country tax purposes, their contributions to a plan or arrangement in the other country, for up to five years. In both cases, accruing benefits are not taxable, thus facilitating the movement of personnel between Canada and the United States.

In addition, the Protocol deals with the apportionment of taxing rights for stock options so as to provide greater protection against double taxation. Previously, no specific rule provided for apportionment between the two countries of a stock option benefit granted to an employee while employed in one country, and who then

works for the same or a related employer in the other country before exercising the options or disposing of the shares. As a result of new rules, the income in question (or stock option benefit) is now generally considered as derived in either Canada or the United States to the extent that the individual's principal place of employment was in each country during the time between the granting of the option and its exercise (or share disposition).

Other provisions include: elimination of withholding taxes on cross-border interest payments; extension of treaty benefits to limited liability companies; provision for the settlement of certain key double taxation issues, such as transfer pricing, through arbitration; elimination of double taxation on emigrants' gains; and clarification of how stock options are taxed.

## Appendix

This Country Guide series was launched well before the World Wide Web. The guides were introduced in as primers on the statutory benefit environments in select countries. Chapters on local economy, government structure, legislative process, and the tax system were included to provide some handy context for those who could benefit from orientation to a new market. In the internet's subsequent maturation and the evolution of robust online resources providing ample coverage for these topics, these segments have become superfluous. As a convenience to readers, we have listed a selection of websites maintaining concise, up-to-date resources on these topics:

### Economy

<https://www.cia.gov/library/publications/the-world-factbook/> CIA World Factbook, a primer on national governments, economies and more.

<http://www.imf.org/external/pubs/ft/weo/2016/02/index.htm> IMF World Economic Outlook.

<http://www.doingbusiness.org/reports> World Bank "Doing Business In" series offers economic profiles with emphasis on the business environment.

<http://www.indexmundi.com/factbook/countries> Index Mundi country profiles featuring economic statistics and government structure.

<https://stats.oecd.org/index.aspx?queryid=58290> OECD country statistical profiles for OECD nations.

<http://data.worldbank.org/country> World Bank economic stats for all nations.

### Government, Legislative Process

<https://edirc.repec.org/minlabor.html> global index of all ministry links by topic.

<https://www.cia.gov/library/publications/the-world-factbook/> CIA World Factbook, a primer on national governments, economies and more.

<http://www.indexmundi.com/factbook/countries> Index Mundi country profiles featuring economic statistics and government structure.

<https://www.bis.org/regauth.htm?m=2%7C269> Bank for International Settlements, financial regulators, and central banks.

[https://en.wikipedia.org/wiki/List\\_of\\_legislatures\\_by\\_country](https://en.wikipedia.org/wiki/List_of_legislatures_by_country) Wikipedia's digest and links for legislatures worldwide.

### Taxation

<http://www.oecd.org/tax/taxing-wages-20725124.htm> Annual payroll tax digest, just OECD countries.

<https://home.kpmg.com/xx/en/home/services/tax/regional-tax-centers/asia-pacific-tax-centre/guides-resources.html> Annual tax booklets for scores of Asian, European, and Latin American countries.

<http://www.ey.com/gl/en/services/tax/worldwide-personal-tax-guide---country-list> and

<http://www.ey.com/gl/en/services/tax/worldwide-corporate-tax-guide---country-list> Ernst & Young's annual corporate and personal tax guides for 162 jurisdictions.

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## About Aon Hewitt

Aon Hewitt empowers organizations and individuals to secure a better future through innovative talent, retirement and health solutions. We advise, design and execute a wide range of solutions that enable clients to cultivate talent to drive organizational and personal performance and growth, navigate retirement risk while providing new levels of financial security, and redefine health solutions for greater choice, affordability and wellness. Aon Hewitt is the global leader in human resource solutions, with over 35,000 professionals in 90 countries serving more than 20,000 clients worldwide across 100+ solutions. For more information on Aon Hewitt, please visit [www.aonhewitt.com](http://www.aonhewitt.com).

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