

What`s New - 2016 Federal and Provincial budgets

Refer to [ADP Taxation Rate sheet](#) for more information on the tax rates that are applied.

1) 2016 Federal Budget

Deduction for living in a prescribed zone

Individuals who live in prescribed areas in northern Canada for at least six consecutive months beginning or ending in a taxation year may claim the northern residents' deductions in computing their taxable income for that year. The maximum residency deduction that each member of a household may claim has increased from \$8.25 to \$11 per day and, where no other member of the household claims the residency deduction, the maximum residency deduction has increased from \$16.50 to \$22 per day for the 2016 taxation year. Residents of the Intermediate Zone will be entitled to deduct half of these increased amounts.

These changes have been [integrated](#) on [2016 TD1-Personal Tax Credits Returns](#)

For more information, go to www.cra.gc.ca/northernresidents

Federal labour-sponsored funds tax credit

Budget 2016 proposes to restore the Labour-Sponsored Venture Capital Corporations (LSVCC) federal tax credit to 15% for purchases of approved shares in provincially registered LSVCCs only. To be eligible for this tax credit, a provincially registered LSVCC must be a prescribed LSVCC in accordance with section 6701 of the *Income Tax Regulations*. This tax measure is applicable for 2016 and subsequent tax years.

The federal tax credit for federally registered LSVCCs remains at 5% for 2016, but it will be eliminated for the 2017 and subsequent tax years.

The ADP Canada payroll systems have been updated in compliance with these changes, effective with July 2016 tax table changes.

For more details refer to [T4127-JUL Payroll Deductions Formulas for Computer Programs - 104th Edition - Effective July 1, 2016](#)

2) 2016 Provincial Budgets

Alberta

The Honourable Joe Ceci, President of Treasury Board and Minister of Finance for the new government, tabled the Alberta Budget for 2016 in the Legislature on April 14, 2016.

The Budget resulted in no additional income tax increases beyond those which have been in effect since October 1, 2015; nor were there any other changes impacting payroll.

More information on the Alberta Provincial Budget may be obtained from the [Alberta Government's website](#).

British Columbia

On February 16, 2016, the British Columbia Provincial Budget was presented by Finance Minister Michael de Jong. The Budget has the following impacts on payroll.

British Columbia Tax Reduction

Effective for the 2016 tax year, the tax reduction phase-out threshold is increased to \$19,400 from \$19,171 and the phase-out rate is increased to 3.56% from 3.50% of net income.

Since these changes are effective January 1, 2016, prorated values will be applied for the remaining six months commencing with the first payroll in July. Effective July 1, 2016, the tax reduction phase-out threshold is \$19,629. The tax reduction phase-out rate is 3.62% of net income.

The ADP Canada payroll systems have been updated in compliance with these changes, effective with July 2016 tax table changes.

For more details refer to [T4127-JUL Payroll Deductions Formulas for Computer Programs - 104th Edition - Effective July 1, 2016](#)

British Columbia Medical Services Plan Premium Calculation Method Changing Effective January 1, 2017

Effective January 1, 2017, the British Columbia Medical Services Plan premiums (MSP) will have a new rate structure put in place to reflect premium charges for adults only. For example, a household with one parent and two children will be charged a single adult rate, rather than the previous three-person rate.

Below are the changes that have been reflected in the B.C. Budget:

What's New - 2016 Federal and Provincial budgets

Current MSP rates in effect since January 1, 2016	MSP rates to come into effect January 1, 2017
\$75.00 for one person	\$78.00 for one adult
\$136.00 for a family of two	\$78.00 for one adult with one or more children
\$150.00 for a family of three or more	\$156.00 for two adults
	\$156.00 for two adults with one or more children

Premium Assistance Eligibility

Families and individuals receiving premium assistance who currently pay partial premiums will see their premiums reduced, and additional households earning above the current premium assistance threshold may qualify for assistance.

For example, a couple with two children earning up to \$51,000 may qualify for assistance, and a single parent with two children earning up to \$48,000 may qualify for assistance.

- Premium assistance is based on an individual's net income for the preceding tax year as reported on line 236 of their Notice of Assessment (or for couples, their combined net income) adjusted for age, family size, disability and any reported Universal Child Care Benefit and Registered Disability Savings Plan Income.
- A new calculator is now available on the government website to help British Columbians estimate whether they could qualify for premium assistance today, and when the enhancements take effect in 2017.

Visit <https://extranet.gov.bc.ca/forms/gov/health/msppa.html> for more information.

Further details on when individuals can apply for the enhanced premium assistance effective January 1, 2017, will be provided in the coming months.

More information on the Budget, visit the [Ministry of Finance](#) website.

What's New - 2016 Federal and Provincial budgets

New Brunswick

On February 2, 2016, Finance Minister Roger Melanson tabled the 2016-2017 Budget in the New Brunswick Legislative Assembly. The budget included the following payroll-related changes:

Changes to Income Tax Rates and Brackets

Effective January 1, 2016, the government has eliminated the top marginal personal income tax rate of 25.75% and lowered the 21% tax rate to 20.3% for taxable income over \$150,000. Beginning January 1, 2017, indexation of this income bracket will be consistent with all other income brackets in New Brunswick.

Since employees in these income tax brackets have been taxed at the higher rates for the first six months of this year, a prorated tax rate will be applied for the remaining six months commencing with the first payroll in July.

Effective July 1, 2016, the rates for are as follows:

- 9.68% on income less than or equal to \$40,492;
- 14.82% on income greater than \$40,492, but less than or equal to \$80,985;
- 16.52% on income greater than \$80,985, but less than or equal to \$131,664;
- 17.84% on income greater than \$131,664, but less than or equal to \$150,000;
- 19.60% on income greater than \$150,000, but less than or equal to \$250,000;
- 14.85% on income greater than \$250,000

The ADP Canada payroll systems have been updated in compliance with these changes, effective with July 2016 tax table changes.

For more details refer to [T4127-JUL Payroll Deductions Formulas for Computer Programs - 104th Edition - Effective July 1, 2016-](#)

HST rate increase from 13% to 15% on July 1, 2016

An increase to the HST rate from 13% to 15% will come into effect on July 1, 2016.

For more information on the Budget, visit [New Brunswick Ministry of Finance](#).

Newfoundland and Labrador

On April 14, 2016, Honourable Cathy Bennett, Minister of Finance, and President of Treasury Board for Newfoundland and Labrador, delivered the provincial budget for 2016. The government announced several changes impacting payroll including the introduction of a Deficit Reduction Levy, tax rate increases as well as an increase to the HST.

What's New - 2016 Federal and Provincial budgets

Government Introduces Temporary Deficit Reduction Levy

The Budget announced that Newfoundland and Labrador residents will be subject to a new Deficit Reduction Levy based on individual taxable income

May 25, 2016, Newfoundland and Labrador's publishes a [News Release](#), from the Executive Council of Finance announcing last minute changes to the Temporary Deficit Reduction Levy coming into effect July 1, 2016.

With the suspension of the payments under the Equalization Repayable Floor Loan, the Provincial Government is able to make changes to the Temporary Deficit Reduction Levy. The Provincial Government is increasing the threshold from \$20,000 to \$50,000, meaning the number of people that will not have to pay the Temporary Deficit Reduction Levy will increase - now approximately 74 per cent of tax filers will pay no levy. Further, the amount of the levy being paid by those with a taxable income of more than \$50,000 will change, making the distribution more progressive.

For example, a person with a taxable income of \$55,000 will pay \$100 in the annual levy. While someone with a taxable income of \$100,000 will pay \$700. And someone with a taxable income of \$625,000 or more will pay a levy of \$1,800.

The ADP Canada payroll systems will be updated in compliance with these changes, effective with July 2016 tax table changes, after CRA published the revised formula.

Tax Rates to change effective July 1, 2016

In the provincial Budget 2016 of April 14, 2016, changes were announced to the provincial tax rates since employees in these income tax brackets have been taxed at lower rates for the first six months of this year, a prorated tax rate will be applied for the remaining six months commencing with the first payroll in July.

Effective July 1, 2016, the rates are as follows:

- 8.7% on income less than or equal to \$35,148
- 14.5% on income greater than \$35,148, but less than or equal to \$70,295;
- 15.8% on income greater than \$70,295, but less than or equal to \$125,500;
- 17.3% on income greater than \$125,500, but less than or equal to \$175,700;
- 18.3% on income greater than \$175,700.

The ADP Canada payroll systems have been updated in compliance with these changes, effective with July 2016 tax table changes,

For more details refer to [T4127-JUL Payroll Deductions Formulas for Computer Programs - 104th Edition - Effective July 1, 2016](#)

What`s New - 2016 Federal and Provincial budgets

HST to increase effective July 1, 2016

Effective July 1, 2016, the HST rate will go up from 13 per cent to 15 per cent, with the provincial portion of the HST increasing from 8 per cent to 10 per cent.

More information on the Budget for Newfoundland and Labrador may be obtained from [the Newfoundland and Labrador Department of Finance website](#)

Prince Edward Island

The Prince Edward Island budget, tabled on April 19, 2016, announced that effective January 1, 2016, the province will increase the basic personal amount to \$8,000 from \$7,708. Since \$7,708 has been used for employees for the first six months of this year, a basic personal amount of \$8,292 will be applied for the remaining six months commencing with the first payroll in July.

Spousal/Dependent amount is also changed to \$6,795. A pro-rated amount of \$7,044 will be applied for the remaining six months of the year.

The ADP Canada payroll systems have been updated in compliance with these changes, effective with July 2016 tax table changes.

For more details refer to [T4127-JUL Payroll Deductions Formulas for Computer Programs - 104th Edition - Effective July 1, 2016](#) and revised [TD1PE form](#)

Nunavut

The Honourable Keith Peterson, Minister of Finance for Nunavut delivered the Budget for Nunavut on February 25, 2016.

The budget included no changes to provincial tax rates or any other areas that would affect payroll.

More information on the Budget can be obtained from the [Ministry of Finance's website](#).

Yukon

Yukon Premier and Minister of Finance Darrell Pasloski presented the Budget for 2015–16 on April 7, 2016. The Budget included no changes to existing territorial personal income tax rates.

Additional budget information may be obtained from the [Yukon Government website](#)

What's New - 2016 Federal and Provincial budgets

Ontario

On February 25, 2016, Finance Minister Charles Sousa released the 2016 Ontario Budget which confirmed the delayed implementation of the Ontario Retirement Pension Plan (ORPP), Pooled Registered Pension Plan (PRPP) redevelopment, and proposed reduction rates for the Workforce Safety Insurance Board (WSIB).

Ontario Retirement Pension Plan

The ORPP Administration Corporation will launch the employer verification and enrolment process in 2017, with employer and employee contribution collection beginning in 2018.

The next Federal–Provincial–Territorial Finance Ministers meeting will be held in June 2016.

In spring 2016, the government intends to introduce proposed legislation setting out the requirements of ORPP, rules relating to plan funding, and the compliance and enforcement regime. The Province and the ORPP Administration Corporation will work with stakeholders to seek advice through ongoing implementation.

Pooled Registered Pension Plans (PRPPs)

The government is introducing amendments to the *Pooled Registered Pension Plans Act, 2015*, to facilitate harmonization with other jurisdictions and ensure the efficient operation of PRPPs. Regulations to support the implementation of PRPPs in the province is under development. The government will also develop an appropriate test to determine comparability for the purposes of the ORPP.

Workplace Safety Insurance Premiums

The Workplace Safety and Insurance Board (WSIB) is projecting an average premium rate reduction of about 40 per cent, with interim funding targets in 2017 and 2022. The average premium rate would be reduced to \$1.40 - \$1.50 per \$100 of payroll in 2015 dollars from the previous \$2.46 as per the following projected schedule:

Time Period	Average Premium Rate ²	Resulting Annual Savings ³	Sufficiency Ratio
2015–16	\$2.46	0	80.1%
2017–22	\$2.12 by 2022	\$742 million	100.0%
2023–27	\$1.75 by 2027	\$1.6 billion	110.7%
2028–32	\$1.40 to \$1.50	\$2.4 billion	117.4%

¹ Subject to the assumptions underlying the long-term funding targets presented in the WSIB's "2015 Economic Statement."

² In 2015 dollars per hundred dollars of payroll.

³ By the final year in the time period, in 2015 dollars (dollar value of savings will grow with the economy).

Note: The WSIB is an independent trust agency that is responsible for administering compensation and no-fault insurance for Ontario workplaces. The WSIB's Board of Directors has exclusive authority in setting premium rates.

Source: WSIB, "2015 Economic Statement," (November 2015).

What`s New - 2016 Federal and Provincial budgets

Other Initiatives

Other initiatives announced in the Ontario 2016 budget that may have an impact on employers include:

- Examining ways to simplify the personal income tax calculation, including the Ontario surtax and Ontario Tax Reduction, so that Ontarians can better understand their effective tax rates.
- Discontinuing the Ontario tuition and education tax credits beginning in fall 2017, to support the new Ontario Student Grant or other postsecondary education, training and youth jobs programs.
- Amending the *Teachers' Pension Act* to address re-employment rules.
- Adopting a “digital-by-default” approach focused on making online government of Ontario services easier to use.
- Launching the Red Tape Challenge, an online consultation tool designed to identify and eliminate duplication, lessen compliance burdens, shorten response times and make it easier for businesses to interact with the government.
- Improving outcomes for government programs and services to ensure they are effective, efficient and sustainable – including redesigning, modernizing, changing or ending programs that do not meet people’s needs.
- Launching specialized audit teams to focus on sectors that are at high risk of underground economic activity, in partnership with the Canada Revenue Agency.

For more information on the Budget, visit the [Ontario Ministry of Finance](#).

QUEBEC

On March 17, 2016, Quebec Finance Minister Carlos Leitão tabled the 2016-2017 provincial Budget.

The Budget contained the following payroll-impacting measures:

Expedited elimination of the personal health contribution

The Quebec personal health contribution was scheduled to be eliminated from the tax table calculations as of 2019 with a gradual reduction beginning in 2017. This elimination will be expedited by an immediate reduction retroactively effective to January 2016.

The Quebec government has agreed to more effective and efficient implementation using the July 1, 2016 tax tables rather than an off-cycle publication.

What's New - 2016 Federal and Provincial budgets

More specifically, for 2016, the maximum amount of the health contribution has been reduced as follows:

- from \$100 to \$50, for income greater than \$18,570 but not greater than \$41,265; and
- from \$200 to \$175, for income greater than \$41,265 but not greater than \$134,095.

Accordingly, you must take the reduction into account when calculating source deductions as of July 1, 2016. In addition, the amounts used to calculate the health contribution included in calculating source deductions of income tax have been reduced (from \$50 to \$0 and from \$175 to \$150) so that individuals can benefit from the reduction retroactively to January 1, 2016.

The ADP Canada payroll systems have been updated in compliance with these changes, effective with July 2016 tax table changes.

For more details, refer to [Changes to the guide *Formulas to calculate Source Deductions and contributions \(TP-1015.F-V\)*](#)

For 2017, the maximum health contribution will be:

- Reduced to zero for level 1 incomes
- Reduced to \$70 for level 2 incomes
- Reduced to \$800 for level 3 incomes

For 2018, the personal health contribution will be completely eliminated for all income levels.

Reduction to the Quebec Health Services Fund (QHSF)

Effective January 1, 2017, the QHSF contribution rate will be further reduced by 2021 for organizations with a payroll of \$1 million or less:

- 1.45% (from 1.6%) for the primary and manufacturing sectors;
- 2.0% (from 2.7%) for the service and construction sectors.

TABLE B.40

Reduction in the HSF contribution rate for Québec SMBs (per cent)

	Before June 5, 2014	2016	2017	2018	2019	2020	2021
Primary and manufacturing sectors	2.70	1.60	1.55	1.50	1.50	1.50	1.45
Service and construction sectors	2.70	2.70	2.50	2.30	2.15	2.05	2.00

Note: Rate applicable to businesses with a total payroll of \$1 million or less. The rate increases linearly to 4.26% for a total payroll of between \$1 million and \$5 million.

Extension of the eligibility for a tax credit for experienced workers

In an effort to discourage early retirement, Budget 2016-2017 announced that the eligibility age for the tax credit for experienced workers will be lowered to age 62. Effective 2018, this new

What`s New - 2016 Federal and Provincial budgets

category of workers will be eligible for tax relief on earnings in excess of \$4,000 for the year. Eligible employees may claim this credit on the TP-1015.3-V *Source Deductions Return* Form.

TABLE A.5

Adjustment of maximum eligible work income above the first \$5 000 based on age (dollars)

Age of experienced worker	Maximum amount of eligible work income		
	2016	2017	As of 2018
65 years or over	6 000	8 000	10 000
64 years	4 000	6 000	8 000
63 years	—	4 000	6 000
62 years	—	—	4 000

Temporary tax credit increase extended for shares purchased through Fondation

The temporary increase to 20% (from 15%) for the tax credit for shares purchased through Fondation after May 31, 2015 is extended for two additional years, beginning June 1, 2016.

Budget 2016-2017 also includes a \$250 million cap on annual shares issued during this extended period.

Support for electronic services

In his Budget speech, Minister Leitão said: “The use of digital technology by businesses helps increase productivity, foster innovation and create jobs. Québec must position itself to capitalize on opportunities created by these new technologies and continuously adapt to emerging global trends.”

The Minister also discussed initiatives supporting digital infrastructure in rural communities.

New hires in Quebec private sector account for 50% of national total

In 2015, the number of jobs in Quebec’s private sector increased by 28,400, representing 49.7% of private payroll employment created in Canada.

See the [Quebec Budget 2016](#) documents for more details on these and other measures affecting individuals and organizations.