



6200 Dixie Road, Suite 210  
Mississauga ON L5T 2E1  
877-685-2515

25 Irvin Street  
Kitchener ON N2H 3A1  
866-536-0389

[gmsinsurance.com](http://gmsinsurance.com)

# Benefits *Bulletin*

*Benefit News to Keep You in the Know and the Now*

January 2015

## **Reduction in Employment Insurance Premiums Takes Effect**

Starting January 1<sup>st</sup>, the federal government is launching the new Small Business Job Credit. The credit will offset a portion of the premium paid to Employment Insurance by employers. It is estimated that it will affect 90% of all EI premium-paying businesses in Canada and aims to promote job creation and growth.

Both employees and employers contribute to EI with the employer cost being 1.4 times the employee rate. The employer rate is \$1.88 per \$100 of insurable earnings. Employers that pay \$15,000 or less to EI are eligible for the Small Business Job Credit. The credit will reduce the employer paid premiums from \$1.88 to \$1.60.

There is no need to apply for the credit. The Canada Revenue Agency will automatically apply it when processing the business' tax return so long as the filings are received by January 1, 2019 for the 2015 tax year and by January 1, 2020 for the 2016 tax year.

Any credit received must be reported as income for the year in which it was received.

The credit is only available to employers. It does not change the employee premium rate.

EI rates are different in Quebec. As a result, an equivalent credit of \$0.28 will be applied in that province.

The Small Business Tax Credit is available for 2015 and 2016 only. In 2017, the new seven-year break-even EI rate-setting mechanism takes effect which is expected to reduce premiums for both employers and employees.

## **Pension Plan Developments**

In early December, the Ontario government proceeded with a couple of pieces of legislation that paves the way for new retirement savings vehicles.

The first was the Pooled Retirement Pension Plan (PRPP). This plan is an initiative of the federal government. However, because pension plans fall under the purview of the provinces, Ontario has to create legislation to accommodate it. The objective of the PRPP is to make retirement savings easier and more cost effective than other savings vehicles.

PRPPs would be available through employers or directly through a bank or insurance company. Employers would not be obligated to make contributions and employee contributions would be voluntary but would be payroll deducted. This allows savings to flow immediately from one's pay cheque to the PRPP eliminating the phenomenon of "investment inertia" for many people. For employers, the PRPP gives them an avenue to encourage employee retirement savings without all the responsibilities and fiduciary

duties that are often cited as reasons for not offering a pension plan or group RRSP.

Investment options would be limited to help keep fund management fees low but would offer general investment options. The funds would be managed by the investment or insurance company that holds the PRPP. Funds would only be able to be withdrawn at retirement.

Employee contributions to a PRPP are made with pre-tax dollars and tax deductible. Growth of investments within the PRPP is not taxable but income when withdrawn in retirement is. Employer contributions are not considered income. PRPP contributions will count towards the overall RRSP contribution room.

Legislation has not been finalized so details are limited. We will keep you informed as the bill develops and passes into law.

The other pension related legislation that received first reading in Ontario pertains to the Ontario Retirement Pension Plan (ORPP).

Despite pressure from many provincial governments, the federal government has not agreed to make any changes to the Canada Pension Plan (CPP). The Ontario government feels that it's citizens need more financial assistance for retirement than the CPP offers. As a result, they have introduced the ORPP. This pension plan would be in addition to the CPP and would be similar to it in that both employees and employers will be required to make contributions and the fund would be publically administered and managed. The goal is to replace 15% of income in retirement.

Contributions rates are expected to be 1.9% of earnings up to \$90,000 (to be indexed to inflation) for both the employee and employer and are made from pre-tax dollars. Like the CPP, funds will not be accessible until retirement and when they are withdrawn, they will be considered taxable income.

Federally regulated employers will be exempt from participating in the ORPP. It is also expected that employers that currently offer a retirement savings plan for its employees will also be exempt. The details of what plans may qualify for exemption have not been released.

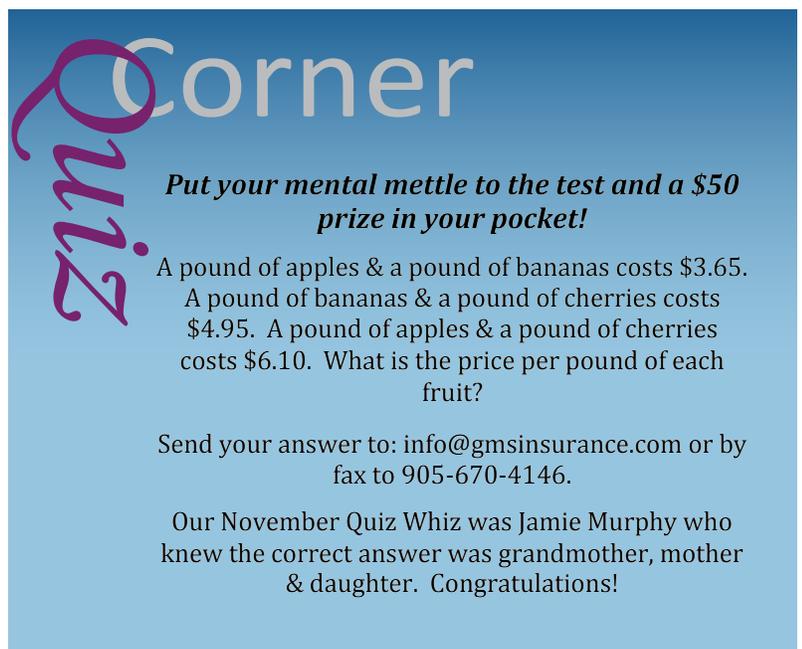
GMS will be monitoring developments on both fronts and advise you of what impact these new bills will have on your business as information becomes available.

### Reporting Earnings

Many plans have salaried based benefits (ex. life 100% of earnings, LTD is 67% of earnings, etc.) Therefore, it is imperative that earnings are kept current. Once you have completed your T4's, remember to also report those earnings to your insurance company.

### Sources:

<http://www/cra-arc.gc.ca/whtsnew/tms/sbjc-eng.html>



**Put your mental mettle to the test and a \$50 prize in your pocket!**

A pound of apples & a pound of bananas costs \$3.65.  
A pound of bananas & a pound of cherries costs \$4.95. A pound of apples & a pound of cherries costs \$6.10. What is the price per pound of each fruit?

Send your answer to: [info@gmsinsurance.com](mailto:info@gmsinsurance.com) or by fax to 905-670-4146.

Our November Quiz Whiz was Jamie Murphy who knew the correct answer was grandmother, mother & daughter. Congratulations!