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Benefits *Bulletin*

Benefit News to Keep You in the Know and the Now

May 2015

Termination Pay

Just as various benefits are treated differently during the termination period mandated by the Employment Standards Act and during the common-law severance period, so too is termination pay. Therefore when an employee is dismissed, it is critical that the payroll department is advised of the termination date.

Employers must provide employees with a minimum amount of notice when ending the employment contract. The amount of notice varies by province and length of employment. For example, in Ontario, an employee with 4 years of service would be entitled to 4 weeks of notice. In lieu of this notice, employers must provide termination pay.

In addition to termination pay, employers often provide severance pay to acknowledge long service, standing in the company, goodwill, etc. Severance pay is not legislated except in Ontario and for Federally regulated companies.

Knowing the date of termination will allow payroll to determine what is termination pay and what is severance pay. This is important because the Canadian Revenue Agency (CRA) treats the two differently.

Termination pay is treated as regular employment income and therefore is subject to CPP, EI, and income tax deductions.

Severance pay is considered a retiring allowance and therefore is not considered pensionable or insurable income. It is however, taxable at federal lump sum tax rates.

Because the severance pay is considered a retiring allowance, employees have the option to transfer some or all of the severance to a Registered Pension Plan (RPP) or Registered Retirement Savings Plan (RRSP) subject to maximum contribution limits. The severance pay transferred is not subject to income tax deductions.

In Quebec, termination and severance pay are both considered retiring allowances and therefore neither is subject to QPP deductions. However, Quebec Parental Insurance Plan and provincial income taxes are to be deducted and employers must contribute to the Commission des normes du travail.

When payroll knows the exact termination date and what additional pay and benefits were offered and for how long, they will be able to accurately prepare ROE's, RL-1's and T4's.

ORPP Update: April 13, 2015

The Ontario Retirement Pension Plan (ORPP) continues to work its way to becoming law. On April 13th the Standing Committee on Social Policy met to review and discuss proposed amendments to the Bill. The only motion supported and carried requires a cost-benefit analysis of the ORPP to be presented to the Legislative Assembly by December 31st. The bill will now proceed to the third reading.

Non-Traditional Benefits

More and more employers are looking for creative (and cost-effective) ways to reward, retain, and attract good employees by looking outside the box of benefits that are traditionally offered – life insurance, drugs, dental, extra vacation, gym memberships, etc.

A growing number of employers are offering discount programs whereby various services (ex. hotels, car rentals, attractions, spa services, etc.) are offered at discounted rates to their employee group. There are a number of companies (ex. Perkopolis, Work Perks, Venngo, etc.) that make this process easier for employers by negotiating and consolidating everything into one program and making access to the program easy and convenient by using technology and mobile apps.

Anyone with a pet will tell you that they are a full member of the family but their medical bills can be expensive. Making pet insurance available can help alleviate the worry of paying for those pricey vet bills.

Other non-traditional options include tuition reimbursement, a collaborative work space re-design that may include standing/walking desks and ergonomic chairs, group home and auto insurance, transit passes, subsidized memberships (ex. Costco), periodic in-house 10 minute mini massages, etc.

Traditional benefits such as health and dental are great because they can be offered as a tax-

free benefit (Quebec excepted) but other non-traditional benefits may not enjoy the same preferred tax treatment. When instituting such benefits, all parties must be made aware that they may be taxed on these benefits.

Also, when providing health-related services such as massages, yoga classes, or fitness breaks, you will want to ensure that you get participants to sign a liability waiver.

Whatever benefits are being offered – traditional or otherwise – communication remains the priority. You cannot have employee appreciation if they don't know about or understand the benefit you are offering to them.

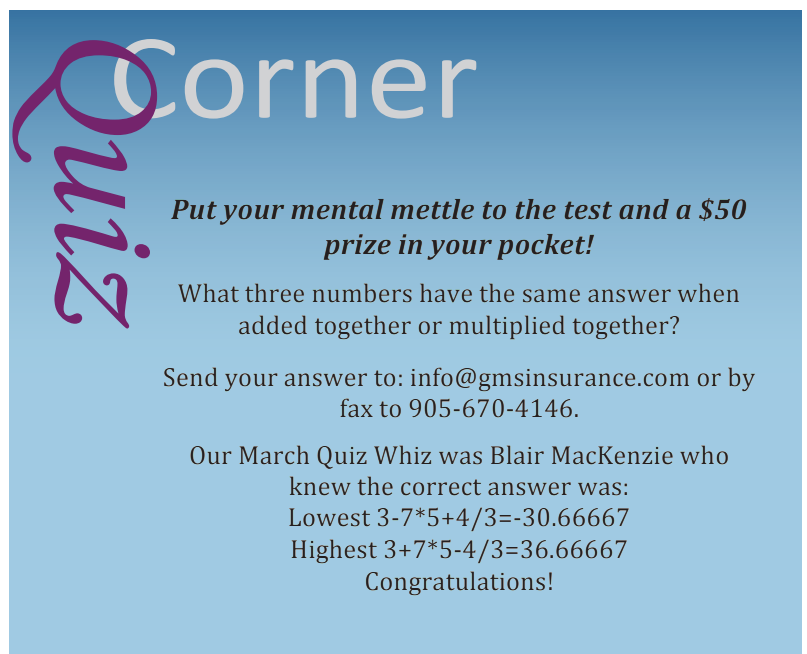
Sources:

Canada Labour Code: <http://laws-lois.justice.gc.ca/eng/acts/l-2/>

Ontario Employment Standards Act: <http://www.labour.gov.on.ca/english/es/>

Canadian HR Reporter – The Dollars and Sense of Severance, Sheila Brawn, pg 16, Dec 1/14

Canadian HR Reporter – Discount Programs a Popular Benefit, Sarah Dobson, pg 16, Dec 15/14



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

What three numbers have the same answer when added together or multiplied together?

Send your answer to: info@gmsinsurance.com or by fax to 905-670-4146.

Our March Quiz Whiz was Blair MacKenzie who knew the correct answer was:
Lowest $3-7*5+4/3=-30.66667$
Highest $3+7*5-4/3=36.66667$
Congratulations!