
CANADA 2005

1. Overview of the system

The system of benefits and incentives in Canada comprises a number of programs, including benefit programs and tax assistance. Some are the responsibility of the federal (national) government, while others are administered by provincial and territorial governments. These programs include unemployment benefits, social assistance (or welfare), and a number of federal and provincial benefits and credits delivered through the personal income tax system (related to children, shelter, supplements for working income, etc). Due to the breadth and variety of programs at the provincial and territorial level, the Province of Ontario has been chosen where examples of provincial/territorial programs are required (Ontario was used as an example in previous editions of this report).

On the benefits side, Employment Insurance (as it is called in Canada) provides temporary income support to unemployed Canadians while they look for work or upgrade their skills, while they are pregnant or caring for a newborn or adopted child, while they are sick or for workers who need to take a short-term absence from work, in order to provide care or support to a gravely ill family member facing a significant risk of death within six months. Benefits are earnings-related and are subject to a maximum amount. Social assistance can be paid as an earnings top-up or as income of last resort; it includes a shelter allowance to cover housing costs (see section 4 for more information). The Canada Child Tax Benefit, which includes the National Child Benefit Supplement, is a federal income-tested benefit for families with children (see section 6). Provinces and territories also provide a range of benefits and services for families with children. Both the federal government (personal income tax system) and the provinces and territories are involved in the provision of child care assistance (direct benefits and subsidies).

With respect to taxation, the federal personal income tax system in Canada is progressive, meaning that tax rates rise as taxable income rises. It also includes many deductions, exemptions, and tax credits (both refundable, i.e., non-wastable and non-refundable i.e., wastable) which serve to reduce taxes payable. See section 10 for further details.

1.1. Average wage (AW)

The 2005 AW earnings level is CAD 39 816¹.

1 AW refers to the Average Wage estimated by the Centre for Tax Policy and Administration (www.oecd.org/ctp). For more information on methodology see Taxing Wages 2004-2005, OECD, 2005, part 5, sections 2 and 3.

2. Unemployment insurance

2.1 Conditions for receipt

All persons in paid employment are potentially eligible (self-employed workers, with the exception of self-employed fishers, are excluded from coverage) to receive benefits.

2.1.1 Employment conditions

As shown in the table below, entrance requirements vary with the local monthly unemployment rate. A minimum of 420 hours of work in the preceding 52-week period (qualifying period) is required in areas of high unemployment (over 13 per cent) and 700 hours in areas of low unemployment (6 per cent or lower).

EI Entrance Requirements

Regional rate of unemployment (%)	Required number of insured hours of employment
6 and under	700
Over 6 to 7	665
Over 7 to 8	630
Over 8 to 9	595
Over 9 to 10	560
Over 10 to 11	525
Over 11 to 12	490
Over 12 to 13	455
Over 13	420

New entrants or re-entrants to the labour market must have worked a minimum of 910 hours in the 52 weeks preceding the job loss.

New entrants and re-entrants to the labour market are those with less than 490 hours of labour force attachment in the 52 week period prior to the qualifying period (pre-qualifying period). Labour force attachment takes account of various forms of attachment to the labour force, such as insured hours of work, time spent on EI, worker's compensation benefits, disability benefits and sick leave benefits. Each week of labour force attachment counts for 35 hours, with the exception of insured hours of work which are considered at face value. . Claimants with at least one week of maternity or parental benefits in the four-year window preceding the pre-qualifying period are not considered new entrant or re-entrants to the labour market.

A flat entrance requirement of 600 hours of insurable employment in the 52-week period preceding the claim applies for all special benefits, which include maternity, parental, sickness and compassionate care benefits. This requirement does not vary according to local unemployment rates. Finally, qualification for EI fishing benefits is based on earnings, as opposed to weeks or hours of work.

2.1.2 Contribution conditions

EI is financed by employer and employee premiums. Contributions to the program begin with the first CAD 1 earned up to a maximum insurable earnings level of CAD 39 000 per year. The employee premium rate for 2004 is CAD 1.98 per CAD 100 of insurable earnings. Employers pay 1.4 times the

employee rate 2.77 per CAD 100. Employees earning less than CAD 2 000 a year receive a premium rebate.

2.2 *Calculation of benefit amount*

2.2.1 *Calculation of gross benefit*

The replacement rate is 55 per cent of average weekly earnings. A claimant's average weekly earnings are calculated by taking the total earnings within the 26-week period preceding the job separation and dividing this amount by the number of weeks worked or the minimum divisor, whichever is higher. The minimum divisor ranges between 14 and 22 weeks depending on the regional unemployment rate. The maximum weekly benefit rate is CAD 413 per week based on the maximum weekly insurable earnings of CAD 750.

EI claimants from low-income families with children are eligible for the Family Supplement. In this context, low-income is defined as net family income under CAD 25 921. Recipients can receive up to an 80 per cent replacement rate depending on their net family income and the number and age(s) of the children (see table below). Claimants with family income below CAD 20 921 receive the full supplement available to them based on the number and age(s) of their children.

Note that the Family Supplement is an add-on to the basic weekly benefit rate. The normal replacement rate is 55 per cent of the average weekly earnings in the six months preceding the job separation. Although Family Supplement recipients can receive up to an 80 per cent replacement rate overall, the maximum weekly EI benefit rate, including the Family Supplement, is subject to a maximum of CAD 413.

Family Supplement - rate increase

(in CAD)

Family income range	Number of children			Top-up for each additional child	Age supplement for each child under 7
	1	2	3		
Below 20 921	31.30	58.70	86.10	27.45	4.15
20 921 - 21 250	31.25	58.60	86.00	27.40	4.10
21 251 - 21 500	28.50	53.60	78.80	25.60	3.85
21 501 - 21 750	26.45	49.90	73.45	24.25	3.65
21 751 - 22 000	24.45	46.25	68.20	22.85	3.45
22 001 - 22 250	22.55	42.70	63.15	21.50	3.25
22 251 - 22 500	20.70	39.30	58.15	20.15	3.05
22 501 - 22 750	18.90	35.95	53.30	18.75	2.80
22 751 - 23 000	17.15	32.70	48.60	17.40	2.60
23 001 - 23 250	15.45	29.55	44.00	16.00	2.40
23 251 - 23 500	13.80	26.50	39.55	14.65	2.20
23 501 - 23 750	12.25	23.55	35.25	13.30	2.00
23 751 - 24 000	10.70	20.70	31.05	11.90	1.80
24 001 - 24 250	9.25	17.95	26.95	10.55	1.60
24 251 - 24 500	7.85	15.30	23.05	9.15	1.40
24 501 - 24 750	6.55	12.75	19.20	7.80	1.20
24 751 - 25 000	5.25	10.25	15.55	6.45	1.00
25 001 - 25 250	4.00	7.90	12.00	5.05	0.75
25 251 - 25 500	2.85	5.65	8.55	3.70	0.55
25 501 - 25 750	1.75	3.45	5.25	2.30	0.35
25 751 - 25 921	0.70	1.40	2.10	0.95	0.15

2.2.2 *Income and earnings disregards*

Claimants receiving regular, parental, or compassionate care benefits can earn up to 25 per cent of their weekly benefits or CAD 50, whichever is higher. Earnings above 25 per cent or CAD 50 are deducted dollar for dollar from weekly benefits.

2.3 *Tax treatment of benefit and interaction with other benefits*

Recipients of EI benefits pay income taxes, but they are not subject to SS contributions. EI claimants whose annual net income (including EI benefits) exceeds CAD 48 750 have to repay part of their benefits. The repayment rate is 30 per cent of total regular or fishing benefits and the maximum repayment is limited to 30 per cent of a person's net income in excess of CAD 48 750. First time claimants, as well as claimants of maternity, parental, sickness or compassionate care benefits, are exempt from this repayment provision.

2.4 *Benefit duration*

Regular benefits are payable for a maximum period of 45 weeks, starting after an unpaid two-week waiting period. The number of weeks of benefits to which a claimant is entitled is a function of the number of hours worked in the qualifying period and the local unemployment rate. Entitlement varies from 14 to 45 weeks.

As shown in the table below, in general, a one-percentage point increase in the local monthly unemployment rate provides an additional entitlement of two weeks. An additional 70 hours of work adds one week of entitlement for a claimant with short employment duration (less than 1 400 hours) in the qualifying period and two weeks of entitlement to claimants with long employment duration (over 1 400 hours).

Weeks of Entitlement to Regular Benefits

Insured Hours of Work	Regional Unemployment Rate (%)											
	6% and under	Over 6% to 7%	Over 7% to 8%	Over 8% to 9%	Over 9% to 10%	Over 10% to 11%	Over 11% to 12%	Over 12% to 13%	Over 13% to 14%	Over 14% to 15%	Over 15% to 16%	Over 16%
420-454	0	0	0	0	0	0	0	0	26	28	30	32
455-489	0	0	0	0	0	0	0	24	26	28	30	32
490-524	0	0	0	0	0	0	23	25	27	29	31	33
525-559	0	0	0	0	0	21	23	25	27	29	31	33
560-594	0	0	0	0	20	22	24	26	28	30	32	34
595-629	0	0	0	18	20	22	24	26	28	30	32	34
630-664	0	0	17	19	21	23	25	27	29	31	33	35
665-669	0	15	17	19	21	23	25	27	29	31	33	35
700-734	14	16	18	20	22	24	26	28	30	32	34	36
735-769	14	16	18	20	22	24	26	28	30	32	34	36
770-804	15	17	19	21	23	25	27	29	31	33	35	37
805-839	15	17	19	21	23	25	27	29	31	33	35	37
840-874	16	18	20	22	24	26	28	30	32	34	36	38
875-909	16	18	20	22	24	26	28	30	32	34	36	38
910-944	17	19	21	23	25	27	29	31	33	35	37	39
945-979	17	19	21	23	25	27	29	31	33	35	37	39
980-1014	18	20	22	24	26	28	30	32	34	36	38	40
1015-1049	18	20	22	24	26	28	30	32	34	36	38	40
1050-1084	19	21	23	25	27	29	31	33	35	37	39	41
1085-1119	19	21	23	25	27	29	31	33	35	37	39	41
1120-1154	20	22	24	26	28	30	32	34	36	38	40	42
1155-1189	20	22	24	26	28	30	32	34	36	38	40	42
1190-1224	21	23	25	27	29	31	33	35	37	39	41	43
1225-1259	21	23	25	27	29	31	33	35	37	39	41	43
1260-1294	22	24	26	28	30	32	34	36	38	40	42	44
1295-1329	22	24	26	28	30	32	34	36	38	40	42	44
1330-1364	23	25	27	29	31	33	35	37	39	41	43	45
1365-1399	23	25	27	29	31	33	35	37	39	41	43	45
1400-1434	24	26	28	30	32	34	36	38	40	42	44	45
1435-1469	25	27	29	31	33	35	37	39	41	43	45	45
1470-1504	26	28	30	32	34	36	38	40	42	44	45	45
1505-1539	27	29	31	33	35	37	39	41	43	45	45	45
1540-1574	28	30	32	34	36	38	40	42	44	45	45	45
1575-1609	29	31	33	35	37	39	41	43	45	45	45	45
1610-1644	30	32	34	36	38	40	42	44	45	45	45	45
1645-1679	31	33	35	37	39	41	43	45	45	45	45	45
1680-1714	32	34	36	38	40	42	44	45	45	45	45	45
1715-1749	33	35	37	39	41	43	45	45	45	45	45	45
1750-1784	34	36	38	40	42	44	45	45	45	45	45	45
1785-1819	35	37	39	41	43	45	45	45	45	45	45	45
1820 and over	36	38	40	42	44	45	45	45	45	45	45	45

Special benefits (maternity, parental, sickness or compassionate care) are payable for varying durations. Maternity and sickness benefits are payable for up to 15 weeks each, parental benefits can be paid for up to 35 weeks, while compassionate care benefits can be paid for up to 6 weeks.

All fishers who qualify for the program are entitled to up to 26 weeks of benefits.

2.5 *Treatment of particular groups*

2.5.1 *Young persons*

None.

2.5.2 *Older workers*

None.

2.5.3 *Others if applicable*

None.

3. Unemployment assistance

Employment Insurance provides a number of Employment Benefits and Support Measures (EBSMs), funded under Part II of the EI Act, which help unemployed workers get back to work as quickly as possible. These include:

- Long-term employment benefits available only to unemployed EI clients such as Skills Development benefits, Self-employment Assistance, Targeted Wage Subsidies and Job Creation Partnerships.
- Short-term interventions such as Employment Assistance Services which includes counselling and group services that are available to all Canadians.

3.1 *Conditions for receipt*

3.1.1 *Employment conditions*

3.1.2 *Contribution conditions*

3.2 *Calculation of benefit amount*

3.2.1 *Calculation of gross benefit*

3.2.2 *Income and earnings disregards*

3.3 *Tax treatment of benefit and interaction with other benefits*

3.4 *Benefit duration*

3.5 *Treatment of particular groups*

3.5.1 *Young persons*

3.5.2 *Older workers*

3.5.3 *Others if applicable*

4. Social Assistance

Social assistance (or welfare) is administered by the provinces and territories, which set their own rules and payment rates. Ontario welfare rates are used in this document. These changes took place in March of 2005.

The Canadian welfare system has undergone some fundamental changes since 1996. In almost every province and territory, more stringent eligibility criteria and administrative controls became the norm, and benefit reductions affecting part or all of the caseload were not uncommon.

Over the course of the past decade, there has also been a growing focus on employment and training activities for social assistance recipients in an effort to improve their skills and employment potential. Several provinces and territories offer ancillary supports, such as child care, community start-up, and transportation allowances, in combination with employment assistance, in order to facilitate social assistance recipients' participation in the labour market.

Further, with the introduction of the federal, provincial, territorial National Child Benefit initiative in 1998, increased federal support for low-income families with children has enabled most provinces and territories to use these increased payments to replace part of their social assistance or child benefit payments to families with children, and reinvest the resulting savings in new or enhanced benefits and services for low-income families with children. In many cases, provinces and territories have invested additional funds beyond their social assistance and child benefit savings. Over time, the coordinated action of federal/provincial/territorial governments on the National Child Benefit initiative is resulting in basic child benefits being removed from social assistance.

In an effort to further lessen the financial impact of the transition from social assistance to employment, several provinces and territories have extended coverage provided by drug cards and supplementary health benefits for a specified period of time after exiting social assistance. Some jurisdictions have also introduced earned income supplements. The purpose of these supplements is to increase the financial benefit associated with employment for persons with low wages. Similarly, recent reforms to asset and earnings exemption levels in some jurisdictions have allowed social assistance recipients to accumulate certain types of assets that have been linked to reduced intergenerational dependence on social assistance.

4.1 *Conditions for receipt*

Social assistance is a "needs-tested" benefit. If the assets of an applicant's household are within allowable limits, non-exempted income is applied to the cost of basic needs. If there is a budgetary deficit, the household qualifies for social assistance. Where there is a budgetary surplus that is insufficient to cover the cost of a special need that is approved by welfare authorities, social assistance may be granted to cover the special need only. Each jurisdiction defines assets, income and needs in its social assistance legislation.

4.2 *Calculation of benefit amount*

4.2.1 *Calculation of gross benefit*

The total payment amount consists of a basic personal allowance, a shelter allowance to assist in the payment of (total actual) housing costs and, in some jurisdictions, allowances for regularly-recurring approved special needs (e.g. diabetic food allowance). Shelter allowances are set by provincial governments to reflect actual costs within their jurisdictions. In New Brunswick and Quebec, social assistance benefits are paid as a "global" benefit, and clients are responsible for apportioning the allowance

to shelter and other needs as they see fit. In Ontario, the social assistance program for people with no disabilities is called Ontario Works.

Monthly Ontario Works rates, in CAD
 Effective March 2005

(basic allowance + maximum shelter allowance)

Family structure	Single	Couple
No children	536 (201+335)	929 (402+527)
One child		
Aged under 13	987 (460+527)	1 062 (491+571)
Aged 13 or over	1028 (501+527)	1 099 (528+571)
Two children		
Both under 13	1 119 (548+571)	1 215 (594+621)
One under 13, one 13 or over	1 161 (590+571)	1 252 (631+621)
Both 13 or over	1 198 (627+571)	1 289 (668+621)

4.2.2 *Income and earnings disregards*

The exempt amounts depend on the family size. The monthly amounts are shown below:

Number of children	Single (CAD)	Couple (CAD)
0	143	249
1	275	295
2	321	346
3	372	397
4	423	442
5	468	480
6+	+38	+38

The above earnings disregard table applies only in Ontario, and does not take effect until a client household has been in receipt of social assistance for three full months. The withdrawal (i.e. reduction or offset) rate that applies to net earned income (net of tax and all other deductions required by law or by the terms of employment) exceeding these amounts is 50 per cent². In its 2004 and 2005 provincial Budgets, the Province of Ontario announced that, effective July 2005, Ontario Works benefits would not be reduced by the amount of the federal government's successive July 1st increases in the National Child Benefit Supplement.

4.3 *Tax treatment of benefit and interaction with other benefits*

The benefit is not taxable, but it must be declared on the taxfiler's income tax return, and it is counted as income in calculating entitlement to federal and provincial child tax benefits and sales tax credits (see sections 6 and 10).

2. Effective August 2005, the rate decreased from 75 per cent to 50 percent.

4.4 *Benefit duration*

Benefits are paid as long as there is a need, i.e. as long as household assets are within allowable limits and non-exempt income is insufficient to cover basic needs or approved special needs, and provided that all other administrative requirements are met (e.g. job search for employable clients). However, the Province of British Columbia has established a limit on the length of time a client may receive benefits. Employable clients are limited to a cumulative 24 months of social assistance out of every 60 months. The time limit may be waived if the client falls within one of the twenty-five exemption categories established by the Ministry of Human Resources. Sanctions for exceeding the time limit vary from reductions in monthly benefits for families with children to ineligibility for benefits for singles and childless couples.

4.5 *Treatment of particular groups*

4.5.1 *Young persons*

As a general rule, anyone who has not reached the age of majority may not receive social assistance in his or her own right except in cases of family breakdown, abuse or parenthood. Young persons receiving assistance in those circumstances are required, as a condition of ongoing eligibility, to participate fully in any academic or training program that could improve their employability. Some provinces (e.g. Quebec, British Columbia) require contributions towards the cost of basic needs of youth applying for social assistance in his/her own right by the parent(s) of that youth, where it is feasible to do so.

4.5.2 *Older workers*

4.5.3 *Others if applicable*

5. Housing benefits

See section 4.2.1

5.1 *Conditions for receipt*

5.2 *Calculation of benefit amount*

5.2.1 *Calculation of gross benefit*

5.2.2 *Income and earnings disregards*

5.3 *Tax treatment of benefit and interaction with other benefits*

5.4 *Treatment of particular groups*

5.4.1 *Young persons*

5.4.2 *Older workers*

5.4.3 *Others if applicable*

6. Family benefits

Federal level

At the federal level, child-related family benefits are paid through the monthly Canada Child Tax Benefit (CCTB). In addition to the base benefit of the CCTB, which is targeted to both low- and middle-income families, the NCB Supplement provides additional income support to low-income families with children. The NCB Supplement is one element of the broader NCB initiative, which is a partnership among federal, provincial, and territorial governments, with a First Nations component.

In 2003, the federal government announced a five-year investment plan that provides for a \$965 million-per-year increase in the NCB Supplement by 2007-2008. This means that total annual federal support delivered through the CCTB system is projected to reach \$10 billion by 2007-2008.

Provincial/territorial level

The NCB is designed so that provinces and territories have the flexibility to develop and deliver programs and services that best meet the needs and priorities of their communities. As part of this flexibility, provinces and territories may adjust social assistance or child benefit payments by the full or partial amount of the NCB Supplement. As the NCB initiative has matured, the majority of provinces and territories no longer recover federal increases to the NCB Supplement. This means that the vast majority of children living in low-income families, including those on social assistance, are currently receiving some or all of the NCB Supplement. Provincial/territorial NCB reinvestments and investments are made in earnings supplements and child benefits, childcare, early childhood services, and supplementary health benefits. In its 2004 and 2005 provincial Budgets, the Province of Ontario announced that provincial social assistance benefits would not be reduced by the amount of federal increases to the NCB Supplement (increase due to indexation).

First Nations

Through the NCB, the federal government works in partnership with First Nations to achieve the shared goal of improving the quality of life for Aboriginal peoples. First Nations' NCB reinvestments provide First Nations with the opportunity to develop projects that will address child poverty and ensure Aboriginal children receive the best possible opportunities to develop their potential as healthy, active and contributing members of their communities. First Nations' reinvestments tend to cover a wider range of program areas than those of the provinces and territories, allowing communities to decide which priority they would like to see addressed during the course of a given year. First Nations reinvestments are categorized in five key areas: child/day care; child nutrition; early child development; employment opportunities / training programs; and community enrichment.

6.1 Conditions for receipt

The federal government provides monthly payments to all low- and middle-income families with children through the Canada Child Tax Benefit, and an additional amount to low-income families with children through the NCB Supplement. (See Section 6.2.1 for details on specific program parameters that determine eligibility and level of benefits.)

6.2 Calculation of benefit amount

6.2.1 Calculation of gross benefit

Federal level

Benefit entitlements are calculated for the period July to June on the basis of the combined net income amounts reported by both spouses on the previous year's tax return (i.e., family net income).² January to June 2005 benefits were calculated on incomes reported for the 2003 tax year; July to December 2005 benefits were calculated on incomes reported for the 2004 tax year.

The Canada Child Tax Benefit provides a standard base benefit of CAD 1208 (1228)⁴ per child under 18 plus CAD 239 (243) supplement for each of the first two children under 7 where no child care expenses are deducted and a CAD 84 (86) supplement for the 3rd and each additional child. The supplement of CAD 239 (243) is reduced by 25 per cent of child care expenses claimed. The base benefit is reduced by 4 (4) per cent of family net income in excess of CAD 35 000 (35 595) for families with two or more children and 2 (2) per cent for families with one child. In addition, a National Child Benefit (NCB) Supplement is provided to low-income families with children. The maximum NCB Supplement is CAD 1511 (1 722) for one child, plus CAD 1 295 (1 502) for a second child, plus CAD 1 215 (1 420) for the third and each additional child. The NCB Supplement begins to be phased out based on family net income in excess of CAD 22 615 (21 480). The reduction rates are 12.2 (12.2) per cent for families with one child, 22.7 (22.8) per cent for families with two children and 32.5 (32.9) per cent for larger families.

6.2.2 Income and earnings disregards

6.3 Tax treatment of benefit and interaction with other benefits

See above.

6.4 Treatment of particular groups

6.4.1 Young persons

6.4.2 Older workers

6.4.3 Others if applicable

2. Due to modelling constraints, benefit entitlement within the model is calculated from current, rather than previous, income.

4. The first numbers show the rates in effect during the period January to June 2005 (also in effect for July to December 2004). Amounts in parentheses are those in effect over the period July to December 2005 (and also January to June 2006).

7. Childcare for pre-school children

In 2000-2001, 53.2% of children aged six months to five years were in some form of non-parental child care, broken down by age and setting as follows³:

Age of child

- 25.6%, age 6 months to one year
- 48.3%, age 1 year
- 51.5%, age 2 years
- 56%, age 3 years
- 57%, age 4 years
- 55.2%, age 5 years

Type of Setting

- 33.9% cared for by non-relative in someone else's home
- 17.1% cared for by relative in someone else's home
- 9.5% cared for by non-relative at home
- 14.4% cared for by relative at home
- 25% cared for in child care centre

However, in 2001, less than 20% of children aged 0-6 had access to regulated early childhood education and care (this includes child care centres, preschools or family care).

Compulsory schooling begins at age 6.

7.1 *Out-of-pocket childcare fees paid by parents*

In Canada, parent fees cover approximately 50% of the costs of child care. In 1998, the average monthly fees paid by parents for full-time centre-based care was CAD 531 for infants (0-17 months), CAD 477 for toddlers (18 months-3 yrs) and CAD 455 for preschoolers (3-5 years). While more current national data is not available, results of recent surveys released by selected provinces show that median monthly parent fees for centre-based care have increased:

- In British Columbia in 2001, close to CAD 662 for toddlers and CAD 500 for preschoolers;
- In Manitoba in 2003-04, CAD 560 for toddlers and CAD 376 for preschoolers; and,
- In Nova Scotia in 2003-2004, CAD 456 for toddlers and CAD 451 for preschoolers.

Parent fees depend on the number and age of the children in care, the type of care institution (centre-based, family care, preschool) and the duration of care (full/part time). For some parents, their annual income will impact the subsidy amount for which they are eligible, which could reduce their monthly fees.

3 Source: Data on child care participation taken from the National Longitudinal Survey of Children and Youth, 2000-01. The NLSCY is a long-term study of children in Canada that collects information on a wide range of factors influencing the social, emotional, and behavioural development of children from birth to early adulthood. The survey, which began in 1994, is jointly conducted by Statistics Canada and Social Development Canada.

Parent fees are not legislated – care providers have the flexibility to individually determine parent fees. Individual jurisdictions legislate maximum subsidy amounts, based on age of child, type of care setting, and duration of care (full/part time).

The federal personal income tax system provides a child-care expense deduction for families with children. The child-care expenses deduction is calculated on the basis of earned income. Child-care expenses claimed as a deduction cannot exceed two thirds (2/3) of the earnings of the spouse with the lower earned income (see section 10.1.1 for more information). The deduction reduces taxes paid to both levels of government (federal and provincial/territorial).

As well, the Canada Child Tax Benefit includes a supplement of CAD 239 (243) per child under age seven that is provided to families not claiming child-care expenses as a tax deduction. For families claiming the child-care expenses deduction, the above supplement is reduced by 25 per cent of the child-care expenses claimed as a deduction in the related tax year (see section 6).

Individual provincial/territorial policies on fees for parents who are on social assistance vary considerably across the country.

In Ontario, the provincial government provides funding for child care services for persons receiving Ontario Works benefits (social assistance). This funding supports fee subsidies which provide financial assistance towards the cost of licensed child care for parents who are "persons in need" (as determined by a needs test).

7.2 Child-care benefits

At the provincial level, Ontario provides the Ontario Child Care Supplement for Working Families (OCCS), which is based on earnings in excess of CAD 5 000. The program benefits low-to-middle income single or two-parent families, families with one stay-at-home parent, or families with one or both parents studying or in training.

7.2.1 Conditions for receipt

To be eligible to receive the Supplement, a parent in Ontario has to:

- be a resident of Ontario;
- receive the (federal) Canada Child Tax Benefit;
- have a child under age seven; and
- have the appropriate income level, or qualifying child care expenses.

Families are eligible for the Supplement if they had work earnings⁴ exceeding CAD 5 000. For families with incomes above CAD 20 000, the supplement is reduced. OCCS benefits are calculated on the same income basis as the CCTB described above.

7.2.2 Calculation of benefit amount

In 2004, the OCCS program provided a maximum annual benefit of CAD 1 100 for each child under age 7 in a two-parent family, and a maximum annual benefit of CAD 1 310 per child under age 7 in a lone-parent family.

4. Includes families with one or both parents studying or in training.

Ontario Child Care Supplement for Working Families (OCCS)

	2005 (annual basis)
The benefit is calculated as the greater of:	
a) Per cent of earnings ⁵ in excess of CAD 5 000	
- when 1 child <7 is present	21%
- when 2 children <7 are present	42%
- when 3 or more children <7 are present	63%
And	
b) 50 per cent of the qualifying child-care expenses*	
Maximum per child <7 in a two-parent family	CAD 1 100
Maximum per child <7 in a lone-parent family	CAD 1 310
Level of family net income ⁶ (for tax purposes) where benefit starts to be reduced	CAD 20 000
Reduction rate	8%

* For families with earnings up to CAD 5 000, the annual supplement is equal to 50 per cent of qualifying child-care expenses claimed on the previous year's income tax return.

7.2.2.1 Calculation of gross benefit

See table above.

7.2.2.2 Income and earnings disregards

See table above.

7.2.3 Tax treatment of benefit and interaction with other benefits

7.2.4 Treatment of particular groups

N/A

5 Family earned income includes income from employment, self-employment, training allowances, the taxable portion of scholarships, net research grants and disability payments received under the Canada and Quebec Pension Plans. Family earned income is used to calculate the amount of the Supplement.

6 Family net income is used to ensure that benefits go to low and middle income families by reducing the amount of the Supplement for families with incomes above CAD 20 000. Family net income is usually the total net income of each spouse or common-law partner in a two-parent family, or of a single-parent family.

8. Employment-conditional benefits

A number of provinces and territories have programs which provide earned-income supplements. These include: The Quebec Work Premium; the Manitoba Child Related Income Support Program; the Saskatchewan Employment Supplement; the British Columbia Earned Income Benefit; the Northwest Territorial Workers' Supplement and the Nunavut Territorial Workers' Supplement. In addition, all Canadian provinces offer special work-related supports to social assistance clients who are joining or rejoining the labour force. These range from coverage for special work-related expenses such as clothing, transportation and, in some jurisdictions, day care, to an actual bonus for participation in work activities. In Ontario, for example, an Employment/Participation Start-up Benefit of up to CAD 253 once in every 12-month period for actual reasonable expenses are available for a social assistance beneficiary (and a spouse or same-sex partner) who begins employment or a training program, changes employment or begins an employment assistance activity.

8.1 *Conditions for receipt*

8.2 *Calculation of benefit amount*

8.2.1 *Calculation of gross benefit*

8.3 *Tax treatment of benefit and interaction with other benefits*

8.4 *Benefit duration*

8.5 *Treatment of particular group*

8.5.1 *Young persons*

8.5.2 *Older workers*

8.5.3 *Others if applicable*

9. Lone-parent benefits

The personal income tax system provides an eligible dependant amount for single, divorced, separated, or widowed taxfilers who support a dependant. Lone parents, therefore, can reduce their tax liabilities when claiming this amount for a dependent child (see section 10).

The refundable Goods and Services Tax (GST) Credit (see section 10 for details) also contains specific provisions for lone parents. In addition to an adult credit of up to CAD 224 (227)⁷ that lone parents can claim for themselves, they can also claim this amount for the dependent child claimed as an eligible dependant. There is also a GST credit supplement of up to CAD 118 (120) for low-income single parents (as well as single individuals).

9.1 Conditions for receipt

9.2 Calculation of benefit amount

9.2.1 Calculation of gross benefit

9.2.2 Income and earnings disregards

9.3 Tax treatment of benefit and interaction with other benefits

9.4 Benefit duration

9.5 Treatment of particular group

9.5.1 Young persons

9.5.2 Older workers

9.5.3 Others if applicable

7. The first numbers show the rates in effect during the period January to June 2005 (also in effect for July to December 2004). Amounts in parentheses are those in effect over the period July to December 2005 (and also January to June 2006).

10. Tax system

The federal personal income tax system considers personal income in two ways: it taxes personal income on an individual basis (i.e. individuals pay income tax on their own income), whereas it pays benefits to people based on family income (i.e. family benefits are calculated based on the income of both spouses).

10.1 Income tax rate schedule

The following sections follow the 2005 federal income tax form logic and refer to families reporting earnings and claiming basic deductions and regular refundable and non-refundable credits.

10.1.1 Definition of income and allowances

Total income includes earnings, pensions, investment income, rental income, self-employment income, Employment Insurance benefits, social assistance, as well as other types of income. Social assistance payments must be reported for the calculation of net income but are deducted afterwards to obtain taxable income (i.e. social assistance payments are not taxed).

Deductions consist mainly of work-related amounts that are subtracted from total income to arrive at **net income**:

- A child-care expenses deduction is available to families. The deduction is limited to the least of child-care expenses, two-thirds of the taxpayer's earned income,⁸ and CAD 7 000 per child under 7 years of age, plus CAD 4 000 for each child aged 7 to 16.⁹

Taxable income is calculated by excluding social assistance, worker's compensation and federal supplements for senior citizens from **net income**. **Tax on taxable income** is calculated by applying the basic federal tax schedule on taxable income (see section 10.1.3).

Basic federal tax is equal to tax (calculated according to the table in section 10.1.3.1 below) on taxable income, less the non-refundable credits (section 10.1.2), or zero if this result is negative.

10.1.2 Non-refundable tax credits

Basic relief: All taxpayers qualify for a personal tax credit of CAD 1 297.20.

Marital status relief: A taxpayer supporting a spouse receives a tax credit of CAD 1 101.6, which is reduced by 15 cents for each dollar of income accruing to the spouse in excess of CAD 735. The same amount is available to heads of single-parent families with respect to one child.

Social Security contributions credit: 15 per cent of total SS contributions.

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8. For couples, the 2/3 limit is applied to the taxpayer with the lower earnings. The deduction is claimed by the spouse with the lower net income (i.e. before subtracting the child-care expenses deduction). The taxfiler has to provide child-care receipts, if these are requested by the Canada Revenue Agency.
 9. The Canada Child Tax Benefit Supplement available for children under age 7 is reduced by 25 per cent of child-care expenses claimed for all children (see section 6).

 10.1.3 Tax schedule and surtax

10.1.3.1 Federal income tax rates

Federal income tax payable is equal to Basic Federal Tax.

2005 Federal Income Tax Rates Basic Federal Tax

Taxable Income (CAD)	Marginal Tax Rate (%)
0 to 35 595	15
35 595 to 71 190	22
71 190 to 115 739	26
115 739 and over	29

10.1.3.2 Provincial income tax rates

In 2000, the calculation of provincial/territorial tax rates (except Quebec, which has its own system) became independent of the federal government's income tax system. Therefore, the provincial tax rate is no longer a percentage of the federal income tax, but it is calculated directly on taxable income using provincial/territorial tax rates.

In 2001, the calculation of provincial/territorial non-refundable tax credits (except Quebec, which already had its own income tax system) became separate from the federal non-refundable tax credits.

Basic Ontario income tax rates

Taxable income (CAD)	Marginal tax rate (%)
0 – 34 010	6.05
34 010 – 68 020	9.15
68 020 and over	11.16

In 2001, Ontario implemented its own provincial non-refundable tax credits. The rules for claiming them are the same as the rules for the federal non-refundable tax credits.

Basic Relief: All taxpayers qualify for a personal provincial tax credit of CAD 495.86.

Marital Status: A taxpayer supporting a spouse receives a tax credit of CAD 421.08, which is reduced by 6.05 cents for each dollar of income accruing to the spouse in excess of CAD 696. The same amount is available to heads of single-parent families with respect to one child.

Social Security contributions credit: 6.05 per cent of total SS contributions.

There was also a surtax equal to 20 per cent of provincial tax in excess of CAD 3 929 plus an additional 36 per cent on provincial tax in excess of CAD 4 957.

In 2005, Ontario also provided a *basic tax reduction* of CAD 190. As well, the spouse with the higher net income could claim a reduction of CAD 350 for each dependent child under age 19. The total of

the basic tax reduction and the tax reduction for any dependent children was then doubled and then decreased by the amount of adjusted Ontario tax to arrive at the actual tax reduction.

10.1.4 Refundable credits

10.1.4.1 Federal level

Refundable credits available to families were calculated on family net income for tax purposes (head and spouse) (see section 10.1.1):

- The Canada Child Tax Benefit (CCTB, see section 6); paid out on a monthly basis.
- The Goods and Services Tax Credit provides a refundable tax credit of CAD 224 (227)¹⁰ for each individual plus CAD 224 (227) for a spouse, plus CAD 118 (120) for each dependent child under the age of 19 not claimed as an equivalent to spouse. The total of these credits is reduced at a rate of 5 per cent of net family income over CAD 29 123 (29 618). Similar to CCTB, January to June 2005 credits were calculated on incomes reported for the 2003 tax year, while July to December 2005 credits were calculated on incomes reported for the 2004 tax year.¹¹ There are special provisions which provide a supplement of up to CAD 118 (120) for single individuals, which is withdrawn at a rate of 2% of income over CAD 7 253 (7 377). Single parents receive the full value of the supplement. The credit is paid out in instalments every three months.

10.1.4.2 Ontario refundable credits

Ontario also offers its own refundable income-tested property and sales tax credits. The property credit is based on the rent or the property tax paid. The Property tax credit includes 20% of rent paid during the year with a maximum of CAD 250, to which 10% of the occupancy cost is added. The sales tax credit maximum includes a basic and a spousal amount of CAD 100 each plus CAD 50 per child. The combined property and sales tax credit is then reduced by 2 per cent on the family net income in excess of CAD 4 000.

10.2 Treatment of family income

All family members are taxed on an individual basis. Refundable credits are calculated on combined net income for head (of the household) and spouse.

10.3 Social security contributions schedule

10.3.1 Pensions

Generally, all employees are eligible for coverage under the Canada Pension Plan (Québec Pension Plan in the province of Québec). For 2005, all employees are required to contribute to the Canada Pension Plan at a rate of 4.95 per cent of income up to a maximum contribution of CAD 1 861.20. Income subject to contributions is earnings (wages and salaries) less a CAD 3 500 basic exemption. The maximum contribution of CAD 1 861.20 is reached at an earnings level of CAD 41 100 i.e. $(CAD\ 41\ 100 - CAD\ 3\ 500) \times 0.0495 = CAD\ 1\ 861.20$. For employees, each contribution to the CPP or QPP gives

10. The first numbers show the rates in effect during the period January to June 2004 (also in effect for July to December 2003). Amounts in parentheses are those in effect over the period July to December 2004 (and also January to June 2005).

11. Due to modelling constraints, GSTC is calculated from current, rather than previous, income.

rise to a tax credit (see sections 10.1.2 and 10.1.3.2 for details). Employers are also required to contribute to the Canada (Quebec) Pension Plan on behalf of their employees at the same rate of 4.95 per cent.

Self-employed persons must also contribute to the Canada Pension Plan (Québec Pension Plan in the province of Québec) on their own behalf. However, the self-employed are required to contribute at the combined employer/employee rate of 9.9 per cent of earnings up to a maximum of CAD 3 722.40. For the 2001 tax year onwards, the self-employed can deduct the employer portion of their contribution from income, equal to 50 per cent of the total contribution or CAD 1 861.20. The remaining 50 per cent, representing the employee portion, is then claimed as a tax credit..

10.3.2 *Sickness*

There is no national sickness benefit plan administered by the federal government. However, all provinces have provincially-administered health care insurance plans.

In the case of Ontario, the premium is determined based on taxable income. Individuals who earn up to CAD 20 000 are exempt. The premium is phased in with a number of different rates to a maximum of CAD 900 for taxable income levels greater than CAD 200 600. The following Table provides further details on the structure that is applicable in 2005.

The Ontario Health Premium		
Taxable Income	Fixed Component (CAD)	Variable Component
0 to CAD 20 000	0	
CAD 20 000 to CAD 25 000	0	6% of the taxable income in excess of CAD 20 000
CAD 25 000 to CAD 36 000	300	
CAD 36 000 to CAD 38 500	300	6% of the taxable income in excess of CAD 36 000
CAD 38 500 to CAD 48 000	450	
CAD 48 000 to CAD 48 600	450	25% of the taxable income in excess of CAD 48 000
CAD 48 600 to CAD 72 000	600	
CAD 72 000 to CAD 72 600	600	25% of the amount of taxable income in excess of CAD 72 600
CAD 72 600 to CAD 200 000	750	
CAD 200 000 to CAD 200 600	750	25% of the amount of taxable income in excess of CAD 200 000
Over CAD 200 600	900	

10.3.3 *Unemployment*

In general, all employees are eligible for employment insurance. For 2005, employees are required to contribute at the rate of 1.95 per cent of insurable earnings. Insurable earnings are earnings (wages and salaries) up to a maximum of CAD 750 per week. The maximum employee contribution is CAD 760.50 per year. Employment insurance contributions give rise to a tax credit (see sections 10.1.2 and 10.1.3.2 for details). Employers are also required to contribute to the plan.

11. **Part-time work**

No special provisions.

12. Policy developments

12.1 Policy changes introduced in the last year

12.1.1 Federal Level

In addition to normal indexation, the Basic Personal Amount for personal income tax was increased by \$500. The lowest personal income tax rate was reduced from 16.0 per cent to 15.0 per cent for 2005 only.

12.1.2 Provincial level

Newfoundland and Labrador's 2005 Budget announced: an increase in income support rates of 1% effective July 1, 2005 and 1% effective January 1, 2006 for singles and couples without children; an improved earnings exemption for all income support clients; an increase in the first child benefit rate of the Newfoundland Child Benefit; and the creation of a High School Completion Incentive. Newfoundland and Labrador's 2005 Speech from the Throne announced the development and implementation of a comprehensive, government-wide poverty reduction strategy. Work on this strategy began in April 2005.

Prince Edward Island's Employment Enhancement and Job Creation Programs were eliminated in the 2005 Budget.

Nova Scotia implemented a rate increase for the adult personal allowance in October 2005. The shelter allowance for single persons who rent/own or who board also increased at that time.

New Brunswick implemented a 2% social assistance rate increase in 2005, with the first 1% increase taking effect in May 2005 and the second 1% increase taking effect in October 2005. Effective September 2005, the wage exemption for one person households in the Extended Benefits Program increased to \$250 per month. Similar clients in Interim Assistance are entitled to retain \$300 per month. For households with more than one person in the same programs, the monthly exemptions are now \$300 and \$350, respectively. Effective September 2005, Extended Health Card benefits are available for up to one year for those clients who make the transition from social assistance to employment. Clients will also be entitled to receive a one-time Transitional Benefit up to a maximum of \$300 when they exit social assistance for employment.

In June 2005, Quebec's National Assembly adopted the *Individual and Family Assistance Act*. This *Act* created the new Social Assistance Program for people who are capable of employment and the new Social Solidarity Program for people with severely limited capacities for employment.

Effective August 2005, Ontario Works clients who exit social assistance for employment are eligible for extended health benefits for up to six months, a flat-rate 50% earnings exemption, and an employment benefit of up to \$500 to help pay for job-related expenses.

In March 2005 in the Province of Manitoba, residential school compensation payments were exempted in policy from the calculation of income for the purposes of determining eligibility for social assistance. In August 2005, Registered Education Savings Plans, Canada Learning Bonds, and Individual Development Accounts were exempted from the calculation of income for the purposes of determining eligibility for social assistance.

In Saskatchewan, the Basic and Shelter Allowances were increased. The Rental Housing Supplement, part of the HomeFirst initiative announced in the 2004-2005 Budget, was introduced. This

Supplement provides up to \$113 per month for low-income families and \$151 per month for individuals and families living with a disability. The amount of the Supplement is linked to the quality of housing.

Effective April 2005, parents receiving Income Support through Alberta Works have one year instead of 6 months to stay home with their child before being required to seek or accept employment. Effective April 2005, Income Support provides a \$1,000 Escaping Violence Benefit to cover the cost of establishing a residence in the community for an applicant or recipient who leaves an abusive spouse or cohabitating partner. Effective April 2005, the financial benefit rate for all Assured Income for the Severely Handicapped clients increased to \$950 per month. Effective October 2005, the earnings exemption for AISH clients increased to \$400 per month for singles and \$975 per month for couples.

In British Columbia, the earnings exemption for persons receiving Disability Assistance increased to \$500 per month. The earnings exemption for Persons with Multiple Barriers to Employment increased to \$500 per month.

The Yukon Territorial Supplemental Allowance for persons with disabilities (and seniors) increased to \$250 per month in July 2005.

In Nunavut, effective April 2005, the food allowance table increased by 5%.

12.2 Policy changes announced

12.2.1 Federal Level

Effective January 1st, 2006, the federal government will no longer deliver Employment Insurance maternity and parental benefits to the residents of the province of Quebec. The province will establish its own maternity and parental leave scheme, following the signature of a federal / provincial agreement. The agreement also stipulates that the federal government will stop collecting the portion of EI premiums related to EI maternity and parental benefits in Quebec and that the province will implement its own funding mechanism for its new regime.

After 2005, the lowest personal income tax rate will be 15.5 per cent.

The 2006 federal Budget introduced a tax credit on employment income of up to CAD500 effective July 2006.

As of July 2006, a new Universal Child Care Benefit (UCCB) provides families CAD 100 per month for each child less than 6 years of age. The CCTB supplement for children aged 0 to 6 years is eliminated. However, a grandfather clause ensures that families with a child who is age 6 do not lose for one year.

12.2.2 Provincial level

In Quebec, in January 2006, benefits for persons with a severely limited capacity for employment will increase by 2.43%. Benefits for persons with no limitations to their capacity for employment or with temporarily limited capacities for employment will increase by 1.21%.

Effective April 2006, the financial benefit rate in Alberta for all Assured Income for the Severely Handicapped clients will increase to \$1,000 per month.
