
CANADA 2003

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 level, the Province of Ontario has been chosen where examples of provincial 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 financial help to unemployed Canadians while they look for work or upgrade their skills, while they are pregnant or caring for a new-born or adopted child, or while they are sick. 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 is a federal income-tested benefit for families with children (see section 6). The Ontario Child Care Supplement for Working Families provides an income-tested supplement for families with earned income (see section 6).

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 and non-refundable) which serve to reduce taxes payable. See section 10 for further details. The 2003 AW earnings level is CAD 38 220.

2. Employment insurance (EI)

2.1 *Conditions for receipt*

All persons in “insurable 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*

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). New entrants or re-entrants to the labour force must have worked a minimum of 910 hours in the 52 weeks preceding 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 weeks prior to the qualifying period. Labour force attachment takes account of various

forms of attachment to the labour force: for example, 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. A flat entrance requirement of 600 hours of insurable employment in the preceding 52-week period applies for all special benefits, which include maternity, parental and sickness benefits. This requirement does not vary according to local unemployment rates.

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 2003 is CAD 2.10 per CAD 100 of insurable earnings. Employers pay 1.4 times the employee rate, or CAD 2.94 in 2003. 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 a lay off 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 ages 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 start of a claim. 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		
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 benefits or parental 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*

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 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 or sickness benefits, are exempt from this repayment provision.

2.4 *Benefit duration*

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.

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) of work in the qualifying period and two weeks of entitlement to claimants with long employment duration (over 1 400 hours).

For example, the unemployment rate in the region of Windsor (Ontario) was 7.4% in July 2003¹. Such a rate would entitle claimants with 1 820 hours of work or more to 40 weeks of benefits. With 630 hours of work, these claimants would be entitled to 17 weeks of benefits.

Another example, in the region of Northern Ontario, the unemployment rate was 12.6% in July 2003. This rate would entitle claimants with 1 820 hours of work or more to 45 weeks of benefits. With 630 hours of work, these claimants would be entitled to 27 weeks of benefits.

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

2.5 Treatment of particular groups

2.5.1 Young persons

None.

2.5.2 Older workers

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.

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. Current rates were set in 1995 at 10 per cent above² the average of the maximum amounts payable in other Canadian provinces.

1 Note that the regional unemployment rates of July 2003 were the ones applicable to claims that started between August 10 and September 6, 2003.

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

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
 In effect since fall 1995³
 (basic allowance + maximum shelter allowance)

Family structure	Single	Couple
No children	520 (195+325)	901 (390+511)
One child		
Aged under 13	957 (446+511)	1 030 (476+554)
Aged 13 or over	997 (486+511)	1 066 (512+554)
Two children		
Both under 13	1 086 (532+554)	1 178 (576+602)
One under 13, one 13 or over	1 126 (572+554)	1 214 (612+602)
Both 13 or over	1 162 (608+554)	1 250 (648+602)

2. The analysis that resulted in this 10 per cent figure did not include the territories because of their high social assistance rates.

3. No change since previous report.

4.2.2 *Income and earnings disregards*

The exempt amounts depend on the family size. The monthly amounts⁴ 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 75 per cent. The 75 per cent offset increases with each consecutive year on assistance until it reaches 100 per cent for recipients with 24 or more months on social assistance.

4.3 *Tax treatment of benefit*

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).

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.

5. Housing benefits

See section 4.

6. Family benefits

6.1 Federal level

At the federal level, child-related family benefits are paid through a refundable child tax credit known as the Canada Child Tax Benefit (CCTB) that includes a base benefit and the National Child Benefit Supplement (NCBS). Benefits are paid monthly.

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.⁴ January to June 2003 benefits were calculated on incomes reported for the 2001 tax year; July to December 2003 benefits were calculated on incomes reported for the 2002 tax year.

The Canada Child Tax Benefit provides a standard base benefit of CAD 1 151⁵ (1 169)⁶ per child under 18 plus CAD 228 (232) supplement for each of the first two children under 7 where no child care expenses are deducted and a CAD 80 (82) supplement for the 3rd and each additional child. The supplement of CAD 228 (232) is reduced by 25 per cent of child care expenses claimed. The base benefit is reduced by 5 per cent of net incomes in excess of CAD 32 960 (33 487) for families with two or more children and 2.5 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 1 293 (1 463) for one child, plus CAD 1 087 (1 254) for a second child, plus CAD 1 009 (1 176) for the third and each additional child. The NCB Supplement begins to be phased out based on family net income in excess of CAD 22 397 (21 529). Complete phase out occurs at CAD 32 960 (33 487). The reduction rates are 12.2 (12.2) per cent for families with one child, 22.5 (22.7) per cent for families with two children and 32.1 (32.6) per cent for larger families.

The National Child Benefit, a joint initiative of the federal, provincial, and territorial governments, provides children's income support payments outside the social assistance system. The NCBS is the federal contribution to the NCB initiative. As the federal benefit increases, most provinces and territories have adjusted the income support they provide to children through social assistance programs while making sure total benefits to those families remain at least as high as they were before the NCB was introduced. In Ontario, social assistance rates *per se* are not reduced, but the NCBS is considered as unearned income when benefits are calculated. The Province of Ontario recently announced that for the July 2004 increase in the NCB Supplement (increase due to indexation), social assistance benefits would not be reduced.

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4. Due to modelling constraints, benefit entitlement within the model is calculated from current, rather than previous, income.
 5. All rates are those in effect during the period January to June 2003 (also in effect for July to December 2002).
 6. Amounts that are in parentheses are those that were in effect over the period July to December 2003.

6.2 *Provincial/territorial level*

When the National Child Benefit initiative was launched in the summer of 1998, the federal government enhanced the Canada Child Tax Benefit, and provinces and territories started introducing new or enhanced measures to help low-income working families. The new measures were funded by: adjustments to the social assistance entitlements of families with children; new provincial/territorial investments; or a combination of both. Provincial/territorial initiatives to date include additional child-related benefits, earned income supplements, child day care, early childhood services and children-at-risk services and supplementary health benefits.

Ontario's largest NCB initiative for 2003 continued to be the Ontario Child Care Supplement for Working Families (OCCS). See section 7, below.

7. **Child-care benefits**⁷

7.1 *Federal level*

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 228 (232) 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).

7.2 *Provincial level*

At the provincial level, and as mentioned in section 6, Ontario provides the Ontario Child Care Supplement for Working Families (OCCS), which is based on earnings in excess of CAD 5 000.

In 2003, 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. Families were eligible for the supplement if they had work earnings⁸ exceeding CAD 5 000. For families with incomes above CAD 20 000, the supplement was reduced. OCCS benefits are calculated on the same income basis as the CCTB described above.

7. It is assumed that the children in child care are age four or under.

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

Ontario Child Care Supplement for Working Families (OCCS)

	2003 (annual basis)
The benefit is calculated as the greater of:	
a) Per cent of earnings 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 (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.

Households receiving social assistance benefits in Ontario that have children may also claim child-care expenses as an earnings deduction up to limits specified in the regulations (CAD 390 per month for children under age 6 or children above this age with disabilities; CAD 346 per month for other children aged 6 to 12 years inclusive). Nevertheless, payments received from OCCSWF are subtracted from child care expenses to calculate the child care expense deduction.

In addition, where child-care spaces are available, provincial governments may cover all or part of the cost of child day care for social assistance clients who are involved in training, upgrading or employability programs.

8. Employment-conditional benefits

A number of provinces and territories have introduced programs which provide earned-income supplements. These include: The Quebec Parental Wage Assistance program (APPORT), the Ontario Child Care Supplement for Working Families; 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.

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 213 (216) 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 112 (114) for low-income single parents (as well as single individuals).

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). If one spouse in a couple earns less than CAD 7 245 per year, that person does not need to file a tax return and both incomes can be reported on the return of the main earner. The latter then receives a tax credit in respect of the dependent spouse.

10.1 Income tax rate schedule

The following sections follow the 2003 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,⁹ and CAD 7 000 per child under 7 years of age, plus CAD 4 000 for each child aged 7 to 16.¹⁰

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).

9. 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.

10. 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).

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 1 240.96.

Marital status relief: A taxpayer supporting a spouse receives a tax credit of CAD 1 053.76, which is reduced by 16 cents for each dollar of income accruing to the spouse in excess of CAD 659. The same amount is available to heads of single-parent families with respect to one child.

Social Security contributions credit: 16 per cent of total SS contributions.

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.

2003 Federal Income Tax Rates Basic Federal Tax

Taxable Income (CAD)	Marginal Tax Rate (%)
0 to 32 183	16
32 183 to 64 368	22
64 368 to 104 648	26
104 648 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 – 32 435	6.05
32 435 - 64 871	9.15
64 871 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 472.93.

Marital Status: A taxpayer supporting a spouse receives a tax credit of CAD 401.54, which is reduced by 6.05 cents for each dollar of income accruing to the spouse in excess of CAD 664. 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 3 747 plus an additional 36 per cent on provincial tax in excess of CAD 4 727.

In 2003, Ontario also provided a *basic tax reduction* of CAD 181. As well, the spouse with the higher net income could claim a reduction of CAD 334 for each dependent child born in 1984 or later (i.e. 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 213 (216) for each individual plus CAD 213 (216) for a spouse, plus CAD 112 (114) 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 27 749 (28 193). There are special provisions which provide a supplement of up to CAD 112 (114) for single individuals. 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 (except those earning below CAD 3 500) are eligible for coverage under the Canada Pension Plan (Québec Pension Plan in the province of Québec). For 2003, 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 1 801.80. Income subject to contributions is earnings (wages and salaries) less a CAD 3 500 basic exemption. The maximum contribution of CAD 1 801.80 is reached at an earnings level of CAD 39 900; i.e. $(CAD\ 39\ 900 - CAD\ 3\ 500) \times 0.0495 = CAD\ 1\ 801.80$. For employees, each contribution to the Canada (Quebec) pension plan gives rise to a tax credit equal to (at the federal level) 16 per cent of the contributed amount, and at the provincial (Ontario) level, 6.05 per cent of the contributed amount. 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 are also required to contribute to the Canada (Quebec) Pension Plan 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 3 603.60. 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 1 801.80. The remaining 50 per cent, representing the employee portion, is then claimed as a tax credit at 16 per cent.

10.3.2 Sickness

While there is no universal sickness benefit plan administered by the federal government, the federal government pays up to 15 weeks of Employment Insurance sickness benefits to eligible workers. These benefits are financed through the same premium which pays for the other Employment Insurance benefits. In addition, all provinces have provincially-administered health care insurance plans. Two provinces, Alberta and British Columbia, levy health insurance premiums separately from the personal income tax to help finance their health programmes.

10.3.3 Unemployment

In general, provided they meet eligibility and qualifying requirements, all employees are potentially eligible for unemployment insurance. In 2003, employees were required to contribute at the rate of 2.10 per cent of insurable earnings. The corresponding rate for employers was 2.94 per cent of insurable earnings, or 1.4 times the employee rate. Insurable earnings are earnings (wages and salaries) up to a maximum of CAD 750 per week.

11. Part-time work

No special provisions.

12. Policy developments

12.1 Policy changes introduced in the last year

12.1.1 Federal Level

As part of the federal government's five-year investment plan (see details in section 12.2.1), the following changes were introduced:

- In July 2003, the CCTB was increased. The base benefit of the CCTB increased from CAD \$1 151 (July 2002) to CAD \$1 169 (July 2003).
- In July 2003, an additional investment in the NCB Supplement of \$150 per child was introduced.
- In July 2004, the phase-out rate of the base benefit of the CCTB was reduced from 5 to 4 percent (from 2.5 to 2 percent for families with one child).

12.1.2 Provincial level

No changes of significance.

12.2 Policy changes announced

12.2.1 Federal Level

In 2003, the federal government announced a five-year investment plan. By 2007-2008, there will be a CAD \$965-million-per-year increase in the National Child Benefit (NCB) Supplement of the Canada Child Tax Benefit (CCTB) for low-income families (i.e., between 2003 and 2007, the NCB Supplement will be increased until it reaches a total increase of \$965 million). Building on changes introduced in 2003 and 2004, (section 12.1.1), this investment plan is projected to:

- Bring maximum benefit levels of the CCTB and the NCB Supplement for a two-child family from CAD \$5 055 as of July 2003 to CAD \$6 259 by July 2007.
- Increase the NCB by an additional CAD \$185 per child in July 2005, and CAD \$185 in July 2006.
- By July 2007, raise the family net income at which the NCB Supplement is fully phased out and the point at which the CCTB base benefit begins to phase-out to at least CAD \$37 179.

12.2.2 Provincial level

The Ontario government has announced that it will be creating 4,000 new subsidized child care spaces across the province. The government is investing CAD \$58.2 million this year in federal child care transfer funds to support existing child care spaces and to create new subsidized child care spaces. The province will work with municipalities to create new spaces for infants and children up to age five. A portion of the new funding will be specially targeted to create new subsidized spaces for pre-school-age children in child care centres in and around schools. As well, in its 2004 Budget, the Province of Ontario announced that it would be increasing the Ontario Works basic needs and maximum shelter allowances by 3 percent in the Fall of 2004.

ANNEX: ESTIMATION OF CHILDCARE COSTS AND CHILDCARE BENEFITS

Childcare costs

The following table outlines the median monthly parent fees for full-time child care, per child, by age group (for pre-school children only), in a regulated centre-based child care facility, in the Province of Ontario, as of 1998.

Age of child	Median monthly parent fee (in CAD)
Infants (age 0-17 months)	783
Toddler (age 18 months – 3 years)	603
Pre-school (age 3 – 5.11 years)	541

Source: Doherty, G., Lero, D., Goelman, H., LaGrange, A. & Tougas, J. (2000), *You bet I care! A Canada-wide study on: Wages, working conditions, and practices in child-care centres*. Guelph, ON: Centre for Families, Work and Well-being, University of Guelph.

Childcare benefits

For details on: initiatives to help Ontario families on social assistance meet their childcare costs while in training, or participating in employability programs; and other child care benefits available in Ontario as well as nationally across Canada, please see section 7, *Child care benefits*.