Reference date for all information is **July 1st 2008**
Country chapter for OECD series *Benefits and Wages* (www.oecd.org/els/social/workincentives)

CANADA
2008

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Introduction

Tax-benefit policy "country chapters" are made available as part of the OECD series *Benefits and Wages*. They provide detailed descriptions of tax and benefit rules in a consistent format across countries and summarize recent policy changes.

Country chapters for other countries and years are available on the Internet at www.oecd.org/els/social/workincentives.

1. Overview of the tax-benefit 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 has also been used as an example in previous editions of this report).

With respect to benefits, Employment Insurance (as it is called in Canada) provides temporary income support to Canadians workers while they are temporarily unemployed and looking for work or upgrading 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 (see section 2). Social assistance provides financial assistance to cover the cost of basic living requirements, and in-kind goods and services, for an individual or family when all other financial resources have been exhausted (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 and the provinces and territories are involved in the provision of child care assistance through direct benefits, the personal income tax system 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. Provinces and territories also set their own tax on personal income. See section 10 for further details.

1.1. Average Worker wage (AW)

The 2008 AW earnings level is CAD 42 950[1]

[1] AW refers to the Average Wage estimated by the Centre for Tax Policy and Administration (www.oecd.org/ctp). For more information, see Taxing Wages 2007-2008, OECD, 2009, part 5, sections 2 and 3.

2. Unemployment insurance

2.1 Conditions for receipt

All persons in paid employment contribute to the Employment Insurance program by paying premiums and 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
0over 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 for 2008 of CAD 41 100 per year. The employee

premium rate for 2008 is CAD 1.73 per CAD 100 of insurable earnings. Employers pay 1.4 times the employee rate (2. 42 per CAD 100). Employees earning less than CAD 2 000 a year can 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 435 per week based on the maximum weekly insurable earnings of CAD 790 for 2008.

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 the maximum of CAD 435 for 2008..

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 for benefit recipients and those starting a new job

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. If benefits are reduced to zero for a week, that week of entitlement is kept by the claimant for use in the benefit period.

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 Beneficiaries whose net income exceeded CAD 51 375 have to repay the lesser of 30% of the total regular or fishing benefits received in that taxation year or 30% of the income above that threshold. This provision does not apply to those who have not received EI regular or fishing benefits in the ten years prior to the taxation year in question. 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 and waiting periods

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.

Under the EI program, self-employed fishing is separated into two distinct qualifying periods: summer and winter fishing. Fishers who are active in both seasons can establish two claims for EI fishing

benefits in a single year. All fishers who qualify for the program are entitled to up to 26 weeks of benefits per benefits period.

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), 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 unemployed 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

3.2.1.1 Irregular additional payments **[NEW ITEM]**

3.2.1.2 Obligations of family members **[NEW ITEM]**

3.2.2 Income and earnings disregards for benefit recipients and those starting a new job

3.3 Tax treatment of benefit and interaction with other benefits

3.4 Benefit duration and waiting periods

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. The Province of Ontario's system for providing social assistance is used in this report.. The announcement of the new Ontario Child Benefit in the 2007 Ontario Budget lead to a restructuring of social assistance rates in August 2008 (see Section 6).

The Canadian welfare system has undergone some fundamental changes over the last decade. In almost every province and territory, more stringent eligibility criteria and administrative controls have become the norm, and benefit reductions affecting part or all of the caseload have been common. 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.

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.

Eligible employable persons are actively encouraged to pursue, accept, and retain any reasonable offer of employment or retraining as an initial and continuing condition of eligibility for social assistance. Thus, many jurisdictions offer employment services and training opportunities in combination with financial assistance. Should a recipient choose not to pursue employment or retraining, he/she may be subject to penalties ranging from a specified reduction in benefits over a prescribed period of time to the full cancellation of benefits.

To ensure that those who successfully leave social assistance for employment are better off working, a number of provinces and territories have introduced earned income or working income supplements.

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. However, 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, there are two major social assistance programs: Ontario Works, which provides income and employment assistance for people who are in temporary financial need; and the Ontario Disability Support program, designed to meet the unique needs of people with disabilities who are in financial need, or who want and are able to work and need support. This section is based on the Ontario Works program.

Monthly Ontario Works rates, in CAD*

Effective December 2007
(basic allowance + maximum shelter allowance)

Family structure	Single	Couple
No children	560 (211+349)	969 (420+549)
One child		
Aged under 13	1 029 (480+549)	1 107 (512+595)
Aged 13 or over	1 072 (523+549)	1 145 (550+595)
Two children		
Both under 13	1 166 (571+595)	1 266 (619+647)
One under 13, one 13 or over	1 210 (615+595)	1 304 (657+647)
Both 13 or over	1 248 (653+595)	1 343 (696+647)

* Social Assistance was restructured in August 2008 due to the phase-in (year 2) of the Ontario Child Benefit (OCB). OCB consolidated social assistance benefits for children and the OCCS into one benefit paid to all low-income families with children.

Monthly Ontario Works rates, in CAD

Effective August 2008*
(basic allowance + maximum shelter allowance)

Family structure	Single	Couple
No children	560 (211 + 349)	969 (420 + 549)
One child		
Aged under 13	904 (355 + 549)	1015 (420 + 595)
Aged 13 or over	921 (372 + 549)	1032 (437 + 595)
Two children		

Both under 13	950 (355 + 595)	1067 (420 + 647)
One under 13, one 13 or over	967 (372 + 595)	1084 (437 + 647)
Both 13 or over	984 (389 + 595)	1101 (454 + 647)

* Social Assistance was restructured in August 2008 due to the phase-in (year 2) of the Ontario Child Benefit (OCB). OCB consolidated social assistance benefits for children and the OCCS into one benefit paid to all low-income families with children.

The maximum basic needs allowance rates are based on the presence of a spouse, the number of members in the household and the ages of the children in the household.

4.2.1.1 Irregular additional payments **[NEW ITEM]**

Generally, Special Needs Assistance provides items, services, or allowances related to age, disability, employment, education, training, and other special circumstances. It varies widely between jurisdictions but examples include transportation allowances, employment-related allowances, child-care subsidies, drug and medical services, as well as furniture replacement, minor home repair allowances, special diet allowances, school supply allowances, and funeral services. The provision of items of special need is on a case-by-case basis in accordance with the applicable policies and guidelines.

4.2.1.2 Obligations of family members **[NEW ITEM]**

As a condition of continuing eligibility for assistance, beneficiaries must report immediately any change in the circumstances of their household that would affect their entitlement to assistance. In addition, some jurisdictions require that long-term social assistance clients be reviewed every year, and more frequently for short-term clients.

4.2.2 Income and earnings disregards for benefit recipients and those starting a new job

Effective August 1, 2005, a flat exemption rate of 50% has been applied to earnings of social assistance recipients in Ontario. This earnings disregard does not take effect until a client household has been in receipt of social assistance for a three full months. In its 2004, 2005, 2006 and 2007 provincial Budgets, the Province of Ontario announced that, effective July of each of those years, 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. With the implementation of the OCB and the restructuration of SA in August 2008, the whole NCB payment was not reducing social assistance benefits anymore.

4.3 Tax treatment of benefit and interaction with other benefits

Social assistance benefits are not taxable, but must be declared on a tax filer's income tax return. Benefits are 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 and waiting periods

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). There are no time limits on benefit duration in Ontario. (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 twenty-five exemption categories established by the Ministry of Employment and Income Assistance. 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 group

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 these circumstances are required, as a condition of ongoing eligibility, to participate fully in any academic or training program that could improve their employability.

4.5.2 Older workers

4.5.3 Others if applicable

5. Housing benefits for rented accommodation

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

5.2.3 Costs eligible for housing benefits

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 National Child Benefit[2] 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 CAD 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 CAD 9.5 billion by 2007-2008, including approximately CAD 3.7 billion through the NCB Supplement.

Provincial/territorial level

The NCB initiative is intended to help facilitate the transition from welfare to work by ensuring that families leaving social assistance are financially better off as a result of working. The initiative is designed so that provinces and territories have the flexibility to adjust social assistance or child benefit payments by an amount equivalent to the NCB Supplement, and re-invest these funds into new or enhanced programs benefiting low-income families with children. Provincial/territorial NCB reinvestments and investments are made in a number of areas, including: childcare, earnings supplements and child benefits, early childhood services, and supplementary health benefits. Ontario has reinvested and invested in the Ontario Child Care Supplement for Working Families (see section 7) as well as in early childhood and children at risk services and municipal reinvestment strategies.

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. In Ontario, NCB Supplement ceased to be recovered from social assistance payments as of August 2008.

In its 2007 Budget, the Government of Ontario announced the creation of the Ontario Child Benefit (OCB) for low-income families. In July 2007, the program delivered a non-taxable, one-time payment for 2007 of up to CAD 250 per dependent child under age 18. Monthly payments began to flow in July 2008- up to CAD 600 per year per child. The 2009 Ontario budget proposed to accelerate the phase-in of the OCB by two years. The payment will increase to a maximum of CAD 1 100 a year per child in 2009. The benefit reduction threshold is the adjusted family net income of CAD 20 000 with an 8 percent reduction rate.

The OCB downpayment in July 2007 did not affect social assistance benefits or the Ontario Child Care Supplement for Working Families. When monthly OCB payments began in July 2008, the Ontario Child Care Supplement for Working Families, basic social assistance benefits for children, and the Back-to-School and Winter Clothing Allowances were consolidated within the OCB leading to the restructuring of social assistance in August 2008.

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[2] The National Child Benefit (NCB) is a joint initiative of Canada's federal, provincial and territorial governments, which includes a First Nations component. The National Child Benefit aims to prevent and reduce the depth of child poverty in Canada, promote labour market attachment by ensuring that families will always be better off as a result of working, and reduce overlap and duplication by harmonizing program objectives and benefits across jurisdictions. The NCB Supplement (to the CCTB) is the federal government's contribution to the NCB initiative.

On December 4, 2008 the government of Ontario released its poverty reduction strategy Breaking the Cycle. As part of the strategy the Ontario government has committed to increasing the OCB to $1,310 a year per child, when the plan is fully implemented in 2012.

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 under the age of 18 through the base benefit of the CCTB, 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).[3] January to June 2008 benefits were calculated on incomes reported for the 2006 tax year; July to December 2008 benefits were calculated on incomes reported for the 2007 tax year.

The Canada Child Tax Benefit provides a standard base benefit of CAD 1 283 (1 307)[4] per child under 18 plus a CAD 90 (91) supplement for the 3rd and each additional child. The base benefit is reduced by 4 (4) per cent of family net income in excess of CAD 37 178 (37 885) 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 1 988 (2 025) for one child, plus CAD 1 758 (1 792) for a second child, plus CAD 1 673 (1 704) for the third and each additional child. The NCB Supplement begins to be phased out based on family net income in excess of CAD 20 883 (21 287). The reduction rates are 12.2 (12.2) per cent for families with one child, 23.0 (23.0) per cent for families with two children and 33.3 (33.3) per cent for larger families.

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[3]. Due to modelling constraints, benefit entitlement within the Benefits and Wages model is calculated from current, rather than previous year's income.

[4] The first numbers show the rates in effect during the period January to June 2008 (also in effect from July to December 2007). Amounts in parentheses are those in effect during the period July to December 2008.

6.2.1.1 *Irregular additional payments* **[NEW ITEM]**

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*

7. Childcare for pre-school children

In 2004-2005, 51.3 per cent of children aged six months to five years were in some form of non-parental child care, broken down by age and setting as follows[5]:

Proportion of children by age in non-parental child care

Age of Child	2004-2005
6 months to under 1 year	20.5%
1 year	53.9%
2 years	57.0%
3 years	59.4%
4 years	51.7%
5 years	52.9%

Distribution of children by type of main non-parental child care arrangement

Type of Setting	2004-2005
Cared for in someone else's home	45.2%
Cared for in child's home	18.5%
Cared for in child care centre	30.5%
Other	5.8%

In 2007, there were regulated child care spaces for about 19.7 per cent of children aged 0-6 (this includes child care centres, preschools and licensed family care). While compulsory schooling begins at age six, the majority of five-year-old children attend kindergarten as part of the formal education system.

7.1 Out-of-pocket childcare fees paid by parents

Parent fees for regulated care vary within and across provinces and depend on the age of the child in care, the type of care arrangement (centre-based, family care, preschool) and the hours of care (full/part time).

[5] Source: Data on child care participation is taken from the National Longitudinal Survey of Children and Youth, 2004-05. 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 Human Resources and Social Development Canada.

Monthly Parent Fees (in CAD) by Province/Territory and Age of Child[6]

Province/Territory	**Centre-Based**[7] **(F/T)**		
	Infant (1-17 mos)	Toddler (18 mos-2 yrs and 11 mos)	Preschool (3-5 yrs and 11 mos)
Newfoundland and Labrador* (2003/2004)	975	455	455
Prince Edward Island*	642	470	428
Nova Scotia*	584	526	516
New Brunswick**	547	540	467
Quebec (CAD 7/day)	151	151	151
Ontario*(1998)	783	603	541
Manitoba***	560	376	376
Saskatchewan**	497	455	420
Alberta** (2004)	600	532	532
British Columbia*	750	680	550
Yukon*	620	550	520
Northwest Territories* (2001)	600	600	600
Nunavut*	580	566	566

* Median fees
** Mean fees
*** Maximum fees

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). For some parents, their annual income will impact the subsidy amount for which they are eligible.

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 full cost of licensed child care for parents.

7.2 Child care benefits

Federal Level

In July 2006, the federal government introduced the Universal Child Care Benefit, a direct payment of CAD 100 per month to all Canadian families regardless of income for each child under the age of six, to help offset the cost of whatever child care arrangement they choose. The benefit is payable to the child's primary caregiver and is taxable in the hands of the spouse with the lower income. It is not considered income for the purposes of calculating federal income-tested benefits such as the Canada Child Tax Benefit and the Goods and Services Tax Credit.

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6 Source: Jane Beach and Martha Friendly, *Early Childhood Education and Care in Canada 2006*, Childcare Resource and Research Unit, University of Toronto.

7 Data represent 2005/2006, except where noted.

In addition, the federal personal income tax system provides a child care expenses 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).

Provincial Level

At the provincial/territorial level, child care benefits vary across jurisdictions. In Ontario, the province provides the Ontario Child Care Supplement for Working Families (OCCS)[8], a tax-free monthly payment to help with the costs of raising children under the age of seven. 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 Ontario Child Care Supplement for Working Families, 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 earnings 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 2008, 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. Starting in 2008, the monthly payment was reduced or, depending on family income, eliminated by the amount of Ontario Child Benefit received. The program will be eliminated when OCB will be completely phased-in.

[8] Starting July 2008, the OCCS is being integrated into the OCB.

Ontario Child Care Supplement for Working Families (OCCS)

	2008 (annual basis)
The benefit is calculated as the greater of:	
a) Per cent of earnings[9] 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[10] 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

9 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.

10 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 a single-parent family or of each spouse or common-law partner in a two-parent family.

8. Employment-conditional benefits

In 2008 the Government of Canada introduced an earned-income supplement, the Working Income Tax Benefit (WITB), to help make work pay for low- and modest-income Canadians. The WITB is a refundable tax credit, which provides up to CAD 510 for single individuals and CAD 1 019 for families, and includes a supplement of up to CAD 255 for persons with disabilities.

As well, a number of provinces and territories have programs which provide earned-income supplements. These include: The New Brunswick Working Income Supplement, the Quebec Work Premium, the Manitoba Child Related Income Support Program, the Saskatchewan Employment Supplement, the Alberta Family Employment Tax Credit, 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 is 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 237 (242)[11] 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 125 (127) for low-income single parents (as well as single individuals).

The Canadian federal and provincial/territorial governments do not provide support to lone parents in cases where the absent parents do not pay any child support/alimonies.

In Canada, jurisdictions have flexibility regarding their treatment of support payments for social assistance benefits. Consequently, there are slight variations across jurisdictions, and for the purpose of this exercise, Ontario is used as a provincial/territorial example for social assistance.

According to Ontario legislation, income child support and alimony payments from the absent parent are fully taken into account in the calculation of the lone parent's entitlement to social assistance. In other words, social assistance benefits are reduced dollar-for-dollar with the receipt of child support/alimony payments. This has not changed since 2001.

In addition, it should be noted that Child support payments may or may not be deductible from federal income tax. As of May 1, 1997, the federal government changed the income tax rules which apply to child support agreements. Hence, there are two general rules:

i) Child support paid under a child support agreement dated before May 1, 1997 is tax deductible, so the parent who pays child support will be able to continue to deduct those payments for income tax purposes, and the parent who receives the child support will continue to pay income tax on child support payments.
ii) Child support paid under a child support agreement dated on or after May 1, 1997 is not deductible nor is it considered as income for tax purposes if you receive it.

While this change to the federal tax treatment of child support payments did not have any impact related to means-tested benefits such as social assistance, it did have a direct effect on the amount of federal income-tested benefits received, such as CCTB and GST credit.

9.1 Conditions for receipt

9.2 Calculation of benefit amount

[11] The first numbers show the rates in effect during the period January to June 2008 (also in effect from July to December 2007). Amounts in parentheses are those in effect during the period July to December 2008.

9.2.1 Calculation of gross benefit

9.2.1.1 Irregular additional payments **[NEW ITEM]**

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

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

[Please **only** provide information about any special tax rules, such as deductions or tax credits, that are relevant for **benefit recipients** or **part-time workers** (if different from full-time employees).]

[It is **not** necessary to provide standard tax schedules and other tax rules that are applicable to full-time employees as this information will be made available to the Secretariat by country delegates to the OECD Working Party on Tax Policy and Statistics. Section 10.1 can therefore be left **blank** if tax rules for benefit recipients and part-time employees are the same as for full-time employees.]

10.1.1 Tax allowances and credits

10.1.1.1 Standard allowances

10.1.1.2 Standard tax credits

- *Basic personal amount:* As of January 1, 2008 all taxpayers qualify for a basic personal tax credit of CAD 1 440.00.
- *Credit for Spouse or Eligible Dependant*: A taxpayer supporting a spouse or other eligible dependant receives a tax credit of CAD 1 440.00 which is reduced by 15 cents for each dollar of the dependant's income.
- *Child Tax Credit:* A tax credit that provides up to CAD 305.70 of tax relief for each dependent child under the age of 18. The credit can be claimed by either parent.
- *The Goods and Services Tax Credit* provides a refundable tax credit of CAD 237 (242)[12] for each individual plus CAD 237 (242) for a spouse, plus CAD 125 (127) 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 30 936 (31 524). Similar to CCTB, January to June 2008 credits were calculated on incomes reported for the 2006 tax year, while July to December 2008 credits were calculated on incomes reported for the 2007 tax year[13]. There are special provisions which provide a supplement of up to CAD 125 (127) for single individuals, which is paid at a rate of 2% of income over CAD 7 705 (7 851), up to the CAD 125(127) maximum. Single parents receive the full value of the supplement. The credit is paid out in instalments every three months.

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12 The first numbers show the rates in effect during the period January to June 2008 (also in effect from July to December 2007). Amounts in parentheses are those in effect during the period July to December 2008 (and also January to June 2009).

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

- *Social security contributions:* taxpayers are entitled to claim 15 per cent of their contributions to the Canada or Quebec Pension Plans (to a maximum of CAD 2 049.30) and their Employment Insurance premiums (to a maximum of CAD 711.03).
- *Working Income Tax Benefit (WITB*) The WITB provides a refundable tax credit equal to 20 percent of each dollar of earned income in excess of CAD 3 000 to a maximum credit of CAD 510 for single individuals without dependents and CAD 1 019 for families (couples and single parents). The credit will be reduced by 15 percent of net family income in excess of CAD 9 681 for single individuals and CAD 14 776 for families. This amount is considered as a cash transfer for the purposes of this report.
- *Canada Employment Tax Credit:* A tax credit on employment income of up to CAD 152.85 is provided, effective January 1, 2008.
- *Child care expenses:* A portion of child care expenses is deductible if incurred for the purpose of earning business or employment income, studying or taking an occupational training course or carrying on research for which a grant is received. The lower-income spouse must generally claim the deduction. The amount of the deduction is limited to the least of:
  1) the expenses incurred for the care of a child;
  2) two-thirds of the taxpayer's earned income; and

CAD 7 000 for each child who is under age seven, and CAD 4 000 per child between seven and sixteen years of age. The amount for a disabled child under seventeen is CAD 10 000.

10.1.2 Income tax schedule (central government income tax)

2008 Federal Income Tax Rates
Basic Federal Tax

Taxable Income (CAD)	Rate (%)
0 – 37 885	15
37 885 – 75 769	22
75 769 – 123 184	26
123 184 and over	29

10.1.3 State and local income taxes

General description

All provinces and territories levy their own personal income taxes. All, with the exception of Quebec, have a tax collection agreement with the federal government, and thus use the federal definition of taxable income. They are free to determine their own tax brackets, rates and credits. Quebec collects its own personal income tax and is free to determine all of the tax parameters, including taxable income. In practice, its definition of taxable income is similar to the federal definition.

Tax regime selected for this study

The calculation of provincial tax for the average worker study assumes the worker lives in Ontario, the most populous of the 10 provinces and 3 territories. The main features of the Ontario tax system relevant to this report are summarised below:

Tax Schedule

Income Bracket	Rate (%)
CAD 0 to CAD 36 020	6.05
CAD 36 020 to CAD 72 041	9.15
Over CAD 72 041	11.16

Surtax

Provincial tax after accounting for wastable credits	Surtax Rate
Amounts Exceeding CAD 4 162	20% of the excess amount
Amounts Exceeding CAD 5 249	36% of the excess amount

Wastable tax credits

- A basic tax credit of CAD 525.20
- A maximum credit of CAD 445.95 for a dependant spouse that is withdrawn as the income of the spouse exceeds CAD 737 and is completely withdrawn when the income of the spouse is at least CAD 8 108.
- 6.05 per cent of contributions made to the Canada Pension Plan and of Employment Insurance premiums.

Non-wastable tax credits

- A Sales tax credit equal to CAD 100 for the principal wage earner, CAD 100 for the spouse and CAD 50 for each dependent child under the age of 19 and property tax credit based on the shelter costs, to a maximum credit entitlement of CAD 1 000 and CAD 1 125 for seniors. The credit is reduced by 2 per cent of the total net income of the family exceeding CAD 4 000. For individuals age 65 and older, the credit is reduced by 4 per cent of family net income exceeding CAD 24 300 when a spouse is present and in excess of CAD 22 000 for singles.

Tax Reduction

An earner is entitled to claim a tax reduction where the initial entitlement is equal to CAD 201 plus CAD 370 for each dependent child under the age of 19. Where someone has a spouse, only the spouse with the higher net income can claim the dependent child tax reduction. If this amount is greater or equal to the liable provincial tax, then no tax is due. If the amount is less than the liable tax, then the actual tax reduction is equal to twice the initial entitlement amount less the liable tax (if this calculation is zero, the reduction is equal to zero).

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 and payroll taxes

10.3.1 Contributions payable by employees and benefit recipients

Pensions

Generally, all employees are eligible for coverage under the Canada Pension Plan (Québec Pension Plan in the province of Québec). For 2008, 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 2 049.30. Income subject to contributions is earnings (wages and salaries) less a CAD 3 500 basic exemption. The maximum contribution of CAD 2 049.30 is reached at an earnings level of CAD 44 900 i.e. (CAD 44 900 - CAD 3 500) x 0.0495 = CAD 2 049.30. For employees, each contribution to the CPP or QPP gives rise to a tax credit equal to 15 per cent of the contributed amount. Employers are also required to contribute to the Canada Pension Plan on behalf of their employees at the same rate (refer § 2.21).

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 4 098.60. 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 2 049.30. The remaining 50 per cent, representing the employee portion, is then claimed as a tax credit at 15 per cent.

Sickness

There is no national sickness benefit plan administered by the federal government. However, all provinces have provincially-administered health care insurance plans. Four provinces, Quebec, Ontario, Alberta and British Columbia, levy health insurance premiums separately from the personal income tax to help finance their health programmes.

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 2008.

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	

Unemployment

In general, all employees are eligible for employment insurance. Eligibility to receive benefits is determined by insurable hours worked (with a minimum entry threshold of 420 hours). For 2008,

employees are required to contribute at the rate of 1.73 per cent of insurable earnings. Insurable earnings are earnings (wages and salaries) up to a maximum of CAD 41 100 per year. The maximum employee contribution is therefore CAD 711.03 per year. Employment insurance contributions give rise to a tax credit equal to 15 per cent of the amount contributed. Employers are also required to contribute to the plan. (See Section 2.23)

Work injury

There is no national work injury benefit plan administered by the federal government. Each province, however, has a provincial workers' compensation plan which pays benefits to workers (or their families in case of death) for work-related illness or injury. These plans are funded entirely by employer contributions. Benefits from workers' compensation are not subject to federal or provincial income tax.

10.3.2 Contributions payable by employers

Pensions

Employers are required to contribute to the Canada Pension Plan on behalf of their employees an amount equal to their employees' contributions. Thus, employers also contribute at the rate of 4.95 per cent of earnings (less the CAD 3 500 earnings exemption) to a maximum of CAD 2 049.30.

Sickness

There is no national sickness benefit plan administered by the federal government. However, all provinces have provincially-administered health care insurance plans. Three provinces levy a special tax on employer payrolls to finance health services (Québec and Ontario) or health services and education (Manitoba). These payroll taxes are deductible from the employer's income subject to tax. In the case of the province of Ontario, employers pay a 1.95 per cent Employer Health Tax on the value of their payroll that exceeds CAD 400 000.

Unemployment

Employers are required to contribute to the employment insurance scheme. The general employer contribution is 1.4 times the employee contribution, that is, 2.42 per cent of insurable earnings. Premiums are adjusted for employers who provide sick pay superior to payments provided under the employment insurance regime. All employment insurance contributions are deductible from the employer's income subject to tax.

Work injury

There is no national work injury benefit plan administered by the federal government. However, employers are required to contribute to a provincial workers' compensation plan which pays benefits to workers (or their families in case of death) for work-related illness or injury. The employer contribution rates, which vary by industry and province, are related to industry experience of work-related illness and injury. Premiums are deductible from the employer's income subject to tax. In the case of Ontario, employers in the C to K industry sector pay, on average, 2.72 per cent of the wages paid to each employee to a maximum of CAD 73 300.

10.3.3 Payroll taxes

10.4 Treatment of particular group

10.4.1 Young persons

10.4.2 Older workers

10.4.3 Others if applicable

11. Part-time work

No special provisions.

11.1 Special benefit rules for part-time work

11.2 Special tax and social security contribution rules for part-time work

12. Policy developments

12.1 Policy changes introduced during 2008

In 2007 the Government of Canada announced a Working Income Tax Benefit (WITB) to help make work pay for low- and modest-income Canadians. For the 2008 tax the WITB provides an income- and earnings-tested benefit of up to $510 per year for single individuals without dependants and $1,019 per year for families (including couples and lone parents). It phases in at 20 percent on earned income over $3,000, with a benefit reduction rate of 15% on family net income of $9,681 for singles and $14,776 for families. The WITB has an additional disability supplement of $255 per year.

In 2008, the Government of Canada increased the Guaranteed Income Supplement (GIS) exemption to $3,500 from $500. The GIS is a monthly benefit provided to low-income seniors who receive the Old Age Security benefit, which is provided to all Canadians aged 65 and over who meet residence requirements. To ensure that the GIS is targeted to seniors most in need, it is income-tested and reduced by 50 cents for every dollar of other income individuals receive. There is an exemption for employment earnings to encourage labour market participation.

Several EI pilot projects that were renewed in September 2008, were designed to conduct a test for a defined period, and to allow the Government to assess the labour market impacts and effectiveness of new approaches that are designed to assist the unemployed.

- The Best 14 Weeks pilot project is testing a method to make EI benefit levels more reflective of full-time work earnings for those with sporadic work patterns and to encourage claimants to accept all available work by calculating EI benefits based on the "best 14 weeks" of earnings over the 52 weeks preceding a claim (until October 23, 2010).

- The New Entrant / Re-entrant EI pilot project tests whether it is appropriate to give individuals who are new to the labour market or returning after an extended absence access to EI benefits after 840 hours of work rather than the standard 910 hours and helps to inform them of EI employment programs (until December 4, 2010).

- The Working While on Claim EI pilot project was expanded nationally to all EI regions and will continue to test whether an increased earnings threshold will provide a greater incentive for individuals to accept all available work while receiving EI benefits (until December 4, 2010).

12.2 Future policy changes announced in 2008

ANNEX
DEFINITION OF SOCIAL SECURITY CONTRIBUTIONS AND PAYROLL TAXES.

The following text has been adapted from Annex A of the OECD *Revenue Statistics*.

Social security contributions to general government

Classified here are all compulsory payments that confer an entitlement to receive a (contingent) future social benefit. Such payments are usually earmarked to finance social benefits and are often paid to institutions of general government that provide such benefits. However, such earmarking is not part of the definition of social security contributions and is not required for a tax to be classified here. However, conferment of an entitlement is required for a tax to be classified under this heading. So, levies on income or payroll that are earmarked for social security funds but do not confer an entitlement to benefit are excluded from this heading and shown under personal income taxes or taxes on payroll and workforce. Taxes on other bases, such as goods and services, which are earmarked for social security benefits are not shown here […] because they generally confer no entitlement to social security benefits.

Contributions for the following types of social security benefits would, *inter alia*, be included: unemployment insurance benefits and supplements, accident, injury and sickness benefits, old-age, disability and survivors' pensions, family allowances, reimbursements for medical and hospital expenses or provision of hospital or medical services. Contributions may be levied on both employees and employers.

Social security contributions paid to institutions outside general government

Contributions to social insurance schemes which are not institutions of general government and to other types of insurance schemes, provident funds, pension funds, friendly societies or other saving schemes [are included here if they are compulsory or quasicompulsory (e.g., by virtue of agreement with professional and union organisations)]. Provident funds are arrangements under which the contributions of each employee and of the corresponding employer on his/her behalf are kept in a separate account earning interest and withdrawable under specific circumstances. Pension funds are separately organised schemes negotiated between employees and employers and carry provisions for different contributions and benefits, sometimes more directly tied to salary levels and length of service than under social security schemes.

Payroll taxes

This heading covers taxes paid by employers or employees either as a proportion of payroll or as a fixed amount per person, and which do not confer entitlement to social benefits. Examples of taxes classified here are the United Kingdom national insurance surcharge (introduced in 1977), the Swedish payroll tax (1969-1979), and the Austrian Contribution to the Family Burden Equalisation Fund and Community Tax.