

# WMKL NEWSLETTER

Wormald Masse Keen Lopinski LLP

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ISSUE 35

## Firm Announcements

What's new with WMKL Partners and staff

### *I Want Candy*

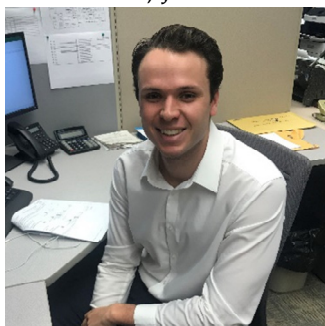
WMKL's Tax Manager, Christy Holland, and her volleyball team entered the 2<sup>nd</sup> Annual Candy Bowl Beach Volleyball Tournament for Charity – and won!



The event is hosted by Cotton Candy Inc. and benefits two important causes. The first is Canfund, an organization that provides financial support for Canada's national team athletes (summer, winter, able-bodied and Paralympic). The second is Jumpstart, which supports over 70 different children's sports activities.

### *Welcome to the Team*

Meet our newest Staff Accountant, Josh Iannantuono!



We are pleased to welcome Josh to the WMKL team.

### *Fall/Winter Office Closures*

The office will be closed for the Christmas holidays from Monday, December 24<sup>th</sup> to Wednesday, December 26<sup>th</sup>, as well as December 31<sup>st</sup> to January 1<sup>st</sup>.



### *Pay Your Invoice Online*

We are pleased to offer our clients the convenient and secure option to pay their WMKL invoices online. You can find WMKL as a payee through your regular online banking with most major financial institutions.



*In our ever-changing business environment, our goal is to be the one constant that our clients can trust and rely upon to provide the business, financial and advisory services they need at an outstanding value to them.*

## In This Edition



**Impending Changes to CPP:** owner-managers may want to start projecting budgets for 2019 and beyond. (See page 2)

**The High Cost of Stress:** how to reduce stress in the workplace and positively enhance the bottom line. (See page 4)

**The Last Page:** quick tips, news & advice. (See page 6)

## Office Hours



Mon: 8:30am – 5:00pm  
Tues: 8:30am – 5:00pm  
Wed: 8:30am – 5:00pm  
Thurs: 8:30am – 5:00pm  
Fri: 8:30am – 5:00pm

*The following article is reprinted from the newsletter Business Matters with the permission of the Chartered Professional Accountants of Canada:*

## **Impending Changes to CPP**

In 2018, many owner-managers across Canada chose to adjust staff levels, wages and prices when minimum wage was increased. For many, it is still too early to determine the final impact on the corporate bottom line as a full fiscal year has not been completed.

With the adjustments of 2018, owner-managers may not have looked at budgets for 2019, but considering changes in the Canada Pension Plan (CPP), it may be time to start projecting 2019 and beyond.



### **Bill C-26**

On October 6, 2016, Bill C-26 was passed with the object of enhancing the CPP to increase the amount working Canadians receive from CPP when they retire. The amount is set to increase from one quarter of their eligible earnings to one third. The increase to an individual's pension will depend on how long and how much they have contributed to the enhanced CPP structure.

An individual will receive the full increase if they have contributed to the enhanced CPP for 40 years. Further, the federal working income tax benefit (WITB) will increase to offset the increase in CPP contributions from low-income earners.

This is a polite way of saying that starting January 1, 2019, higher contributions will be required from both employees and employers. Higher contributions will be phased in over seven years.

The new structure requires that employees and employers contribute more on earnings up to the maximum amount of eligible earnings as indicated under the CPP contribution tables. By 2023, the employee and employer CPP contribution rate will have risen from 4.95 per cent to 5.95 per cent of eligible earnings. This increase will be phased in gradually from 2019 to 2023.

Those who are self-employed pay both sides of the equation, so contributions will have risen by 2% of eligible earnings by 2023.

### **Maximum Pensionable Earnings Increasing**

Under the current system, CPP contributions are capped at 4.95% of the maximum annual pensionable earnings of \$55,000. Once the \$3,500 basic exemption is applied, the maximum contribution by both employee and employer is \$2,593.80 for a total contribution of \$5,187.60.

Down the road the Yearly Maximum Pensionable Earnings (YMPE) figures are going to change starting from the 2018 YMPE maximum to a projected YMPE of \$72,500 by 2025. This

amounts to an increase in the YMPE approximating 30%.

In addition to establishing a graduated YMPE rate for contributions there will be a new upper earnings limit starting in 2024 called the Year's Additional Maximum Pensionable Earnings (YAMPE) that will effectively require both the employee and the employer to pay an additional amount into CPP when they exceed the YMPE. It appears that an additional 4% contribution will be required by both the employee and the employer on any amounts that exceed the \$72,500 YMPE amount up to the YAMPE of \$82,700.

### **Tax Deduction for Enhanced CPP Contribution**

For the employed and self-employed that exceed the \$72,500 YMPE and are required to pay in an additional amount to CPP, the employed will be entitled to a tax deduction on the excess amount, while the self-employed will be able to deduct both the employee and employer share of enhanced contributions.

### **Manage the Future**

Even though these increases will be phased in over time, astute owner-managers must consider:

- the future cost of payroll and the impact on profits
- the impact that these changes may have on the company retirement and savings plans already in place for employees
- whether future hires will be entitled to the same benefit package as existing employees
- ensuring that those preparing payroll are aware of the impending changes
- preparing your employees for the additional deductions by communicating to

employees the projected additional CPP source deductions from their pay

- communicating to the employee the additional benefit cost for contributions the company makes to their CPP
- communicating to employees the impact that additional contributions may or may not have on the company retirement and savings plan
- the impact that this may have on future payroll costs as employees request raises to offset the additional deductions from payroll and an increase in the cost of living
- the timing of bonuses and other discretionary income

Employers and those who are involved in payroll may be interested in reviewing the [CRA website](#) that offers a chart showing the timing of the changes, the increased YMPE, the additional contribution amounts that will be required up to the YMPE and the contributions required on amounts over the YMPE. Those who are involved in payroll will certainly want to keep abreast of the changes and ensure that their accounting packages can be modified for the changes that are coming.

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## The High Cost of Stress

According to Psychology Today:

*“Stress generally refers to two things: the psychological perception of pressure, on the one hand, and the body’s response to it, on the other, which involves multiple systems, from metabolism to muscles to memory. Through hormonal signaling, the perception of danger sets off an automatic response system, known as the fight-or-flight response, that prepares all animals to meet a challenge or flee from it.”*

Stress response was meant to be a temporary reaction to a life-threatening situation, but unfortunately more and more employees are finding that the stress of everyday living combined with on-the-job stress is having an impact on their lives.

Owner-managers may not be able to control an employee’s personal life stress. However they must be sensitive to stress points that trigger employees’ unhappiness, both within and outside the workplace environment, and work towards assuaging the stress points.

Stress within the workplace is an expensive hidden cost to the employer:

- Absenteeism increases create higher payroll cost.
- Productivity is reduced when employees are absent.
- Illness, both physical and mental in nature, drive up the cost of health premiums.
- Employee turnover results in higher training cost and lost productivity.
- Costly litigation may result if employees challenge dismissal.

- Individuals under stress may have reduced ability to make critical decisions, as their thought process is clouded with personal issues that lead to errors.
- Interpersonal skills may deteriorate, as individuals under stress may not filter comments, thereby offending co-workers or clients.
- Other workers are negatively impacted thereby reducing effectiveness and creating job dissatisfaction.



### Reducing Employee On-The-Job Stress

Identifying and counteracting on-the-job stress is not an easy task for the owner-manager. Perhaps the best approach is for the owner-manager to put themselves in the worker’s position to try to understand the stress points of the job. It is not suggested that management needs to become an “Undercover Boss” as depicted on the television series, but adopting the concept certainly would help management identify stress points within a job classification and better enable them to address the areas that require attention.

Consider these practices to help your employees reduce their stress on the job:

- Have an open-door policy with the assurance of confidentiality that allows employees to discuss workplace-related issues as well as personal issues that are

causing anxiety. (Only 23% of Canadian workers had enough confidence to approach management and seek help with stress issues.)

- Address job-related problems and or employee concerns (bereavement, divorce, illness, moving home and financial) in a timely fashion. An individual's stress is an overlay of personal and work-related problems and not understanding and working with the employee to address issues amplifies their stress level.
- Ensure that managers know how to reprimand and provide constructive criticism without humiliating or degrading employees.
- Never tolerate aggressive physical, emotional or vocal bullying tactics.
- Institute empathy and interpersonal skills training for all employees.
- Prepare employees for changes in work environment or upcoming projects through dialogue. Management receives feedback and thus a means of judging the demands that will be placed upon employees, available employee skills, project hours and timeline required. This in turn will assist in normalizing the project into a manageable process and thereby reduce stress.
- Owner-managers want employees that work as hard for the company as they do. Ensure that employees do not take on more than they can handle. Encourage employees to take coffee breaks, lunch breaks, full vacation and statutory holidays to allow time to let go of workplace responsibilities.
- Provide training in time management that educates employees not only to manage their time, but also to recognize that taking on multiple projects that cannot be completed within given time frames leads to poor job performance, anxiety and stress.
- Monitor employees and management to make more effective use of time. Spending time on non-essential tasks when a major

project is underway creates anxiety and stress. Focusing on what is important directs employees to what is priority.

- Ensure that upper management and team leaders can vent their concerns by having regular meetings to discuss concerns about projects, employees or management issues. Second-in-command individuals are unable to discuss issues with employees and thus need a means to express frustration and anxiety that they may be feeling about the job.
- Reward employees by letting them know their work is valued and appreciated. Regular reviews, and not just for raises, are required to let employees know when they are doing well and when there is need to modify their approach, or to gain more experience, additional training or education.
- Involve employees' spouses and children so they have an appreciation of job functions, environment and co-workers and thereby have a better understanding of what goes on during the work day. Consider family days, bring your child to work days or company events to create a family environment.

Canadian statistics indicate that 500,000 Canadians miss work each week from stress-related issues. Forty-seven per cent of individuals indicate that work is the most stressful part of their life.

Consider that work-related stress costs the Canadian workplace approximately \$20 billion per year – isn't it time that your business made every effort to reduce stress within the workplace and positively enhance the bottom line?

## The Last Page

Quick Tips, News & Advice

### Important Notice for Registered Charities

Please note that official donation receipts must include the name and website address of the Canada Revenue Agency. The website address has changed to [canada.ca/charities-giving](http://canada.ca/charities-giving). Charities and qualified donees have until March 31, 2019 to update their receipts.

If you require additional information on issuing receipts, please click [here](#) for the Government of Canada website.



### Employment Insurance: Working While on Claim

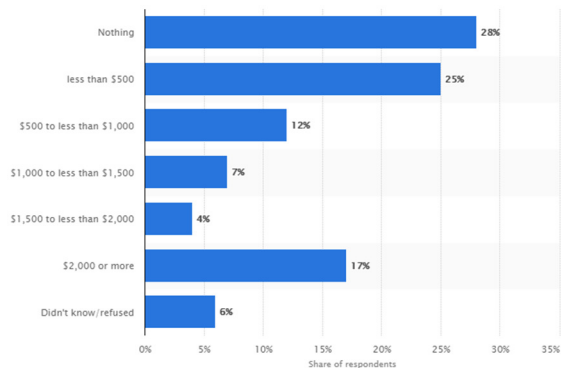
As of August 2018, the “Working While on Claim” program became a permanent part of the EI system. If you earn money while receiving EI benefits, you can keep 50 cents of your benefits for every dollar you earn, up to 90 percent of your previous weekly earnings.

For additional information, please click [here](#) for the Government of Canada website.



### How Much Do Canadians Spend Online in An Average Year?

According to online shoppers in Canada as of February 2018, 17% of adult respondents said they spent on average \$2,000 or more per year buying online.



Data visualized by +ableau

© Statista 2018

Source: [www.statista.com](http://www.statista.com)



### Reminder

Don't forget to check out the WMKL website under our Taxation News Quick Links. Each month we post articles involving tax updates and tips, as well as a Quarterly Newsletter for Personal and Corporate Tax.

### Feedback

We encourage your feedback! Please send your comments or suggestions for future issues to: Michelle de Prinse at [deprinsem@wmklca.com](mailto:deprinsem@wmklca.com)

### Follow Us on Social Media

We invite you to follow us on Twitter (@WMKL\_LLP), Instagram (@wmkl\_llp) and LinkedIn.

