

Short of Qualified Labour? New Federal Measures to Help

DIN0629-0806

CFIB member surveys show the shortage of qualified labour has become one of the top issues affecting small- and medium-sized businesses in Canada. While there is no single solution, CFIB has lobbied the federal and provincial governments to help our members address this important challenge. The 2006 Federal Budget introduced a number of measures, most in the form of tax credits, to help employers hire new employees and also encourage more workers into the trades. CFIB has worked with the Department of Finance and the Canada Revenue Agency in developing this handout, which will help you understand and take advantage of these new measures.

MEASURES FOR EMPLOYERS

In order to help employers address skills and labour shortages, the Federal Government introduced the following measures to reduce the amount of income taxes your business owes and reduce some of the training costs incurred when hiring new employees.

1) Apprenticeship Job Creation Tax Credit

To encourage employers to take on an apprentice, the government will provide employers with a non-refundable tax credit equal to 10 per cent of salaries and wages payable for employment of eligible apprentices after May 2, 2006, up to a maximum credit of \$2,000 per year per apprentice.

Eligible Firms: Those who operate a business that employs one or more eligible apprentices in the 49 Red Seal* trades (for more info on Red Seal trades consult www.red-seal.ca/Site/index_e.htm).

Eligible apprentices: Apprentices in their first 24 months of a provincially registered apprenticeship contract, in a program designed to certify or license the apprentice in a Red Seal trade.

Other Rules:

- The tax credit will be claimed by the employer on their tax return in which business income is reported (e.g., corporate or personal income tax return). There is no special form to complete, as this will be part of the future income tax returns where you report your business income.
- An employer can have multiple apprentices.
- “Salaries and wages” does not include “non-salary remuneration” (e.g., commissions, bonuses, stock options and other employee benefits or unpaid wages). Non-salary remuneration is not eligible in the calculation of the credit.

*Other economically strategic apprenticeship programs may be deemed eligible by the Minister of Finance after consultation with the provinces and territories.

- If an employer earns an apprenticeship tax credit in a year that they report no business income, the unused tax credit can be carried over to a taxable year. The credit can be carried back up to 3 years and forward up to 20 years.
- Special rules apply if an apprentice works for two or more employers that are related for income tax purposes. Contact CRA for more information.

List of Red Seal Trades

Agricultural Equipment Technician	Ironworker (Structural/Ornamental)
Appliance Service Technician	Lather (Interior Systems Mechanic)
Automotive Painter	Machinist
Automotive Service Technician	Metal Fabricator (Fitter)
Baker	Mobile Crane Operator
Boilermaker	Motor Vehicle Body Repairer (Metal and Paint)
Bricklayer	Motorcycle Mechanic
Cabinetmaker	Oil Burner Mechanic
Carpenter	Painter and Decorator
Concrete Finisher	Partsperson
Construction Craft Worker	Plumber
Construction Electrician	Powerline Technician
Cook	Recreation Vehicle Service Technician
Electric Motor System Technician	Refrigeration and Air Con. Mechanic
Electronics Technician (Consumer Products)	Rig Technician
Floorcovering Installer	Roofer
Glazier	Sheet Metal Worker
Hairstylist	Sprinkler System Installer
Heavy Duty Equipment Technician	Steamfitter/Pipefitter
Industrial Electrician	Tilesetter
Industrial Mechanic (Millwright)	Tool and Die Maker
Instrumentation and Control Technician	Transport Trailer Technician
Insulator (Heat and Frost)	Truck and Transport Mechanic
Ironworker (Generalist)	Welder
Ironworker (Reinforcing)	

2) Increased Capital Cost Allowance for Tools

Recognizing that many in the trades are self-employed, the government broadened a measure to help alleviate some of the financial burden for those who purchase their own tools by increasing the limit for Capital Cost Allowance (CCA) for Tools, effective May 2, 2006.

Prior to May 2, 2006 tools used to earn business income that cost less than \$200 are eligible for a 100 per cent CCA rate (class 12 property), but tools that cost \$200 or more are generally eligible for a 20 per cent CCA (class 8 property). The cost cap for access to the 100 per cent CCA for tools is increased from “less than \$200” to “less than \$500” for tools acquired on or after May 2, 2006. The cost cap for kitchen utensils and medical or dental instruments is also increased from “less than \$200” to “less than \$500” for goods acquired on or after May 2, 2006.

Electronic communications devices and electronic data processing equipment are excluded.

MEASURES FOR EMPLOYEES

There are also a few new measures to encourage employment, especially in the trades. Making new employees/apprentices aware of these employee measures may help make employment more attractive at your firm. They are the following:

1) Tradesperson's Tool Expense Deduction

To help offset the cost of tools employees may need for employment, the government introduced the Tradesperson's Tool Expense Deduction, effective May 2, 2006. If an employed tradesperson spends more than \$1,000 on eligible new tools in a taxation year, they will be deductible up to a maximum of \$500 for that year.

Eligibility: The employer has to certify that the employee is required to acquire those tools as a condition of, and for use in, the employment as a tradesperson. There is a form to be filled out by the employer for this purpose (form T2200), for more info: www.cra-arc.gc.ca/E/pbg/tf/t2200/

Other Rules:

- This measure is to be claimed on a tradesperson's personal income tax return.
- Receipts have to be provided to qualify.
- Only new tools bought within the taxation year are eligible.
- Applicable to all trades, not just 49 "Red Seal" trades.

2) Canada Employment Credit

To recognize work-related expenses incurred by employees, the government introduced the Canada Employment Credit, effective July 1, 2006.

This is a non-refundable tax credit applied to employee income. The maximum amount on which the credit is calculated is \$250 for the 2006 taxation year, which will add up to \$38 to an employee's basic personal exemption (BPE). For 2007 and subsequent taxation years the maximum amount on which the credit is calculated will be increased to \$1,000, which will add up to \$155 to an employee's BPE for the 2007 taxation year. After 2007 the amount on which the credit is calculated will be indexed to inflation.

Eligibility: The credit is available to any individual who has employment income in the year.

Other Rules:

- This measure is claimed on the employee's personal income tax return. The CRA will be revising its forms to accommodate this new credit.
- Credit is NOT dependent upon receipts.
- If employment income is less than \$1,000 (before claiming eligible employment expense deductions), the tax credit is calculated on that lower income amount.

3) \$1,000 Apprenticeship Incentive Grant

To provide direct support to apprentices in the first two years of a Red Seal trade or other approved apprenticeship training program, the government introduced the \$1,000 Apprenticeship Incentive Grant, effective January 1, 2007.

HRSDC will be consulting widely to best determine how the grant will be delivered. Information on how to apply for the grant and conditions of eligibility will be available in fall 2006.

For more information, visit www.hrsdc.gc.ca/en/workplaceskills/trades_apprenticeship/aig/index.shtml

FOR MORE INFORMATION

If you have any questions or need some assistance, contact:

The CRA Business Window help-line

at 1 800 959-5525 or consult <http://www.cra-arc.gc.ca/contact/phone-e.html>

CFIB Member Services Counsellor nearest you:

British Columbia

Vancouver: 604 684-5325

Toll free: 1 866 684-5325

Alberta

Calgary: 403 444-9290

Edmonton: 780 421-4253

Toll free: 1 866 444-9290

Saskatchewan

Regina: 306 757-0000

Toll free: 1 800 992-2342

Manitoba

Winnipeg: 204 982-0817

Toll free: 1 800 809-9318

Ontario

Toronto: 416 222-8022

Ottawa: 613 235-2373

Toll free: 1 800 667-3436

Quebec

Montreal: 514 861-3234

Toll free: 1 888 726-3234

Nova Scotia

Halifax: 902 420-1997

Toll free: 1 877 210-4527

New Brunswick

Moncton: 506 855-2526

Toll free: 1 877 210-4526

Prince Edward Island

Toll free: 1 877 210-4526

Newfoundland & Labrador

St. John's: 709 753-7745

Toll free: 1 866 286-7745

www.cfib.ca

Legal Notice: This publication and its contents are for the members of the Canadian Federation of Independent Business ("CFIB") only, and are not intended for any other recipient. The contents of this publication are for informational purposes and the CFIB does not warrant the accuracy, currency or suitability of any of the information provided herein. Before acting on the basis of any information contained in this publication, please seek the advice of your professional advisors.