THE OECD TAX-BENEFIT DATABASE

Description of policy rules for Canada 2023

BETTER POLICIES FOR BETTER LIVES

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Description of policy rules for 2023

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Preface

This report provides a detailed description of the tax and benefit rules in Canada as they apply to working-age individuals and their dependent children. It also includes output from the OECD Tax-Benefit model (**TaxBEN**), which puts all these complex legal rules into a unified methodological framework that enables international comparisons of how tax liabilities and benefit entitlements affect the net disposable income of families in different labour market circumstances, .e.g. in employment versus unemployment.

The **main body** of the report describes the rules that are relevant for the family and labour market characteristics that are within the scope of the **TaxBEN** model (see below for the methodology and user guide). The **annex** provides information on other cash benefits and taxes on employment income that are relevant for other groups of the working-age population, but are outside the scope of the **TaxBEN** model.

TaxBEN is essentially a large cross-country calculator of tax liabilities and benefit entitlements for a broad set of *hypothetical* families ("vignettes"), e.g. a married couple of 40-years-old adults with two children aged 4 and 6 (click here for a quick overview of the **TaxBEN** model). **TaxBEN** incorporates rules on the main taxes on employment income, social contributions paid by employees and employers, as well as the main cash and near-cash benefit programmes, including unemployment benefits, family and childcare benefits, guaranteed minimum-income benefits, cash housing benefits, and employment-conditional benefits. Disability benefits, maternity and parental leaves benefits are included in the model for a sub-set of countries and years. The main policy instruments that are currently not included in the **TaxBEN** model are taxes on wealth (e.g. taxes on immovable and unmovable properties), indirect taxes (e.g. VAT), early-retirement benefits, short-time work compensation schemes, sickness benefits, and in-kind benefits (e.g. subsidised transport and free health care).

Useful online resources for the OECD tax-benefit model (TaxBEN)

- **TaxBEN web calculator**
- **Methodology and user guide**
- **OECD tax-benefit data portal**
- **Network of national experts**

Guidelines for updating this report (for national experts)

General guidelines

Detailed **guidelines for updating Section 5** "Net costs for Early Childhood Education and Care"

Reading notes and further details on the content of this report

- **Reference date** for the policy rules described in this report: **January 1, 2023**.
- The TaxBEN models all policies in effect on the reference date. This includes temporary policies implemented in response to the **Covid-19 pandemic**.
- The symbol (i) in the text provides a link to the glossary of technical terms.
- Section titles provide the names of taxes and benefits as they are known in the country: first, direct translation into English, then (in brackets) the name in the national language.
- **TaxBEN** variables are indicated in the text using the format `[variable name]`.

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The OECD tax-benefit model for Canada: Policy rules in 2023

1. Reference wages

Average wage **[AW]**: The OECD tax-benefit model uses Secretariat estimates of the average full-time wage (available here).[1] If Secretariat estimates are not available yet, the model uses wage projections obtained by applying forecasted wage growth[2] to the latest available wage estimate.

The minimum wage **[MIN]**: On 29 December 2021, a federal minimum wage was introduced in Canada, applying to workers in the federally regulated private sector[3]. As at 1 January 2023, the federal minimum wage in Canada is CAD 15.55 per hour, increasing to CAD 16.65 per hour on April 2023. Only a small share of Canadian workers are covered by the federal minimum wage (those who work in federally regulated industries), with the provinces setting the minimum wage applying to most workers. The minimum wage used by the TaxBEN model is an average of the provinces' minimum wages weighted by employment shares, as reported in the OECD minimum wages database. At 1 January 2023, the minimum wage is CAD 14.93 * 40 * 52 = CAD 31 054.40 per year.

2. Unemployment benefits

2.1. Unemployment insurance (Employment Insurance)

Variable names:[4] **[UB; UI_p; UI_s; FSUP]**

It is contributory, not means-tested and taxable.

The Employment Insurance (EI) program[5] provides temporary income support(s) to replace lost employment income to individuals who become unemployed involuntarily (i.e., regular or fishing benefits), or need to temporarily take time away from work because of sickness, pregnancy, or taking leave from work to provide care for a newborn

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[1] Average Wages are estimated by the Centre for Tax Policy and Administration at the OECD. For more information on methodology see the latest Taxing Wages publication.

[2] Wage growth projections are based on OECD Economic Outlook and EU economic forecasts (for non-OECD countries).

[3] https://www.canada.ca/en/employment-social-development/news/2021/12/federal-minimum-wage-to-rise-to-15-per-hour-on-december-29.html

[4] The variable names ending with "_p" refer to the first adult (so-called "principal" adult) whereas those ending with "_s" are related to the spouse.

[5] The EI program is designed to support labour market transitions by acting as an economic stabilizer over the economic cycle and assisting people by providing income support through Part I of the *Employment Insurance Act*. Furthermore, the EI program provides active measures to return to employment including training, through Part II of the *Act*. Benefits are earnings-related and are subject to a maximum amount.

or newly adopted child, or a critically or gravely ill family member (special benefits). The TaxBEN model only considers paid employment, and unemployment benefits. Thus only regular benefits are modelled.

2.1.1. *Eligibility conditions*

All persons in paid employment and self-employed fishers, who contribute to the Employment Insurance (EI) program by paying premiums, are potentially eligible to receive EI regular and special benefits. All workers who have paid premiums in the past year and meet the qualifying and entitlement conditions can apply to receive EI benefits, regardless of age.[6]

Contribution/employment history: entrance requirements for EI regular benefits vary with the local monthly EI unemployment rate. A minimum of 420 hours of work in their qualifying period (the 52 weeks preceding the start of a claim or the period since the beginning of an individual's last claim, whichever is shorter) is required in areas of relatively high unemployment (over 13%) and 700 hours in areas of relatively low unemployment (6% or lower).

EI Entrance Requirements

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

The EI program uses regional unemployment rates to calculate EI entrance requirements, as reported at https://srv129.services.gc.ca/eiregions/eng/rates_cur.aspx

TaxBEN uses the average Canada unemployment rate as reported by Statistics Canada[7] to determine the entrance requirements. In January 2023 this was 5.0%.

Access to all EI special benefits is a flat entrance requirement of 600 hours of insurable employment in the 52-week period immediately preceding the claim or the period since the start of the previous claim. This requirement does not vary according to regional

[6] Self-employed Canadians (other than self-employed fishers) are able to opt in to the EI program on a voluntary basis to access EI special benefits (e.g., maternity, parental, sickness, compassionate care and family caregiver for children or adults).

[7] Source: CANSIM - Tableau: 14-10-0287-01 (formerly CANSIM 282-0087) available at Statistics Canada - https://www.statcan.gc.ca/en/start

unemployment rates. Qualification for EI fishing benefits is based on insurable earnings from fishing, as opposed to weeks or hours of work.

Behavioural requirements and related eligibility conditions: TaxBEN assumes that the following compulsory conditions are satisfied when simulating unemployment benefits.[8]

- The claimant is involuntarily unemployed (that is, they did not lose employment due to their misconduct and did not leave their job without just cause)
- The claimant performs job search measures during their benefit period

Additional requirements apply to self-employed Canadians in order to qualify for special benefits.[9]

2.1.2. Benefit amount

Calculation base: The calculation of benefit is based on average weekly insurable earnings. Since April 7, 2013, average weekly insurable earnings are calculated from the best weeks of earnings in the qualifying period). The number of best weeks ranges between 14 and 22 depending on the monthly regional EI unemployment rate.

Benefit amount:

The replacement rate is 55% of average weekly insurable earnings. As of January 1, 2023, the maximum weekly EI benefit rate is CAD 650 per week based on the maximum yearly insurable earnings of CAD 61 500.

EI claimants from low-earning families with children are eligible for the EI Family Supplement, which increases the replacement rate of their earnings. In this context, low-earning is defined as net family income under CAD 25 921. Recipients can receive up to an 80% 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.

Although Family Supplement recipients can receive up to an 80% replacement rate overall, the maximum weekly EI benefit rate, including the Family Supplement, is subject to the maximum weekly benefit rate of CAD 650 for 2023.

Family Supplement - rate increase

[8] Details on behavioural requirements and sanction provisions for unemployment benefits are reported at https://www.oecd.org/social/strictness-benefit-eligibility.htm

[9] In order to qualify to claim special benefits, self-employed Canadians and permanent residents must have:

- Entered into a benefit agreement with Service Canada at least 12 months prior;
- Paid annual premiums during that 12-month (or more) timeframe;
- Reduced the amount of time devoted to their business by at least 40%; and
- Earned a minimum amount of self-employment earnings in the preceding calendar year (CAD 8 092 in 2021). For claims made in 2022, a special COVID measure was introduced that reduced the eligibility threshold to CAD 5 289 until September 24, 2022. Prior to the special COVID measure, the eligibility threshold was CAD 7 555.

(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

2.1.3. Benefit duration

EI regular benefits are payable for a maximum period of 45 weeks, starting after a claim has been made. 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 and an unpaid one-week waiting period must be served (not modelled in TaxBEN). EI Benefits are paid on a bi-weekly basis.

As shown in the table below, in general, a one-percentage point increase in the regional monthly unemployment rate provides an additional entitlement of two weeks of benefits. 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).

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

The EI program uses regional unemployment rates to calculate EI benefit entitlement, as reported at https://srv129.services.gc.ca/eiregions/eng/rates_cur.aspx

TaxBEN uses the average Canada unemployment rate as reported by Statistics Canada[10] to determine the maximum duration. In January 2023 this was 5.0%.

Each EI special benefit is payable for a specified maximum duration[11].

Under the EI program, self-employed fishers (not modelled in TaxBEN) are 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

[10] Source: CANSIM - Tableau: 14-10-0287-01 (formerly CANSIM 282-0087) available at Statistics Canada - https://www.statcan.gc.ca/en/start

[11] Sickness benefits are payable for up to 15 weeks, family caregiver benefit for children can be paid for up to 35 weeks, family caregiver benefit for adults can be paid for up to 15 week, and compassionate care benefits can be paid for up to 26 weeks. EI maternity and parental benefits are available to across Canada except in the province of Quebec, which has its own maternity and parental benefits plan. EI maternity benefits can be paid for up to 15 weeks.

EI standard parental benefits can be paid for up to 40 weeks when parents share benefits (no parent can access more than 35 weeks). EI extended parental benefits can be paid for up to 69 weeks when parents share benefits (at a lower rate). No parent can access more than 61 weeks.

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

Temporarily, EI benefits for seasonal workers in targeted regions[12] are extended by up to five additional weeks (not modelled in TaxBEN). This measure has been extended until 28 October 2023.

2.1.4. Means test

The benefit is not means-tested.

2.1.5. Tax treatment

Recipients of EI benefits pay income taxes on benefits received, but they are not subject to SS contributions.

EI Beneficiaries whose net income exceeded CAD 75 375 in 2023 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 special benefits claimants, are exempt from this repayment provision.[13]

2.1.6. Interactions with other components of the tax-benefit system

No information.

2.1.7. Combining benefit receipt and employment/starting a new job

On August 8, 2018, the previously temporary Working While on Claim (WWC) became permanent. The WWC reduces EI benefits by 50 cents for every dollar earned, up to a threshold of 90% of the weekly insurable earnings used to calculate the EI benefit amount. Earnings above this threshold are deducted dollar for dollar from EI 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.

A regular benefit period is usually 52 weeks and unused weeks are not saved past this time. Insurable hours "reset" at the end of a claim, and an individual must accumulate enough insurable hours in a new job to qualify for another EI claim.

2.1.8. Indexation

All workers in insurable employment pay EI premiums up to an annual maximum insurable earnings (MIE) threshold. The MIE also determines the maximum rate of weekly benefits that may be paid for all benefit types in the EI program.

The MIE threshold is indexed to the annual percentage increase in the Average Weekly Earnings (AWE) of the Industrial Aggregate in Canada, as published by Statistics Canada. Indexing ensures that the level of insured income maintains its relative value. The EI Senior Actuary is required by law to determine the MIE each year. This is part

[12] The measure applies to eligible workers in regions with highly seasonal economies. The thirteen specific regions are within Atlantic Canada, Quebec, and Yukon. The additional weeks are available during the off season.

[13] TaxBEN does not model unemployment benefit histories, and so this repayment provision is not included in the model.

of the calculations performed for the annual Actuarial Report on the EI Premium Rate. The MIE is effective as of January 1st of each year.

Section 4 of the *Employment Insurance Act* prescribes the calculation of the MIE. It is determined by multiplying the unrounded MIE in 2007 by the ratio of the average of the AWE for each month in the twelve-month period ending April 30 of the preceding year and the average of the AWE for each month during the twelve-month period ending April 30, 2006. This unrounded MIE is then rounded down to the nearest multiple of CAD 100.

The family supplement is not indexed.

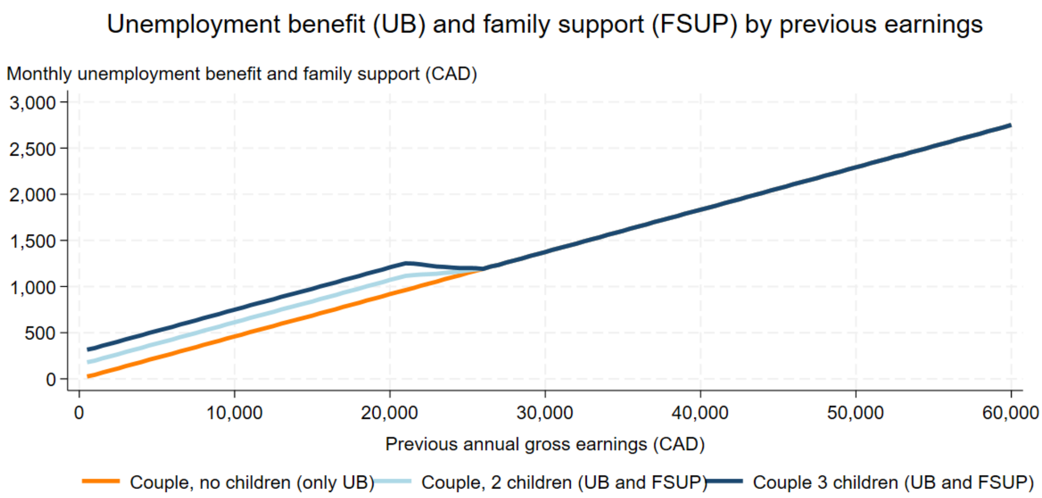
2.2. Unemployment assistance

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.

These benefits are not modelled in TaxBEN.

Figure 1 – Unemployment Benefits by previous gross earnings



Note: All adults are 40 years old. Children, if present are 4 and 6. Spouse does not work. Previous long and continuous employment record assumed.

3. Social assistance and housing benefits

3.1. Social Assistance *(Ontario Works)*

Variable names: **`[SA]`**

This is a non-contributory, means-tested and non-taxable benefit.

Social assistance provides financial assistance to help 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.

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.

3.1.1. Eligibility conditions

Social assistance is a "needs-tested" benefit. If the assets of an applicant's household are within allowable limits and their non-exempt income is lower than the financial assistance that would be provided under social assistance, the household qualifies. 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 exemptions or working income supplements and provide Extended Health Benefits (EHB) for recipients who cease to be eligible for income assistance (e.g. prescription drug coverage).

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.

3.1.2. Benefit amount

The total payment amount consists of a basic personal allowance, a shelter allowance to assist in the payment of (total actual) housing costs up to a maximum in Ontario and, in some jurisdictions, allowances for regularly-recurring approved special needs (e.g., special diet food allowance).

Shelter allowances are set by provincial governments to reflect actual costs within their jurisdictions and are provided up to a maximum amount in Ontario. 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 (not modelled). This section is based on the Ontario Works program.

Monthly Ontario Works rates, in CAD

Effective October 2018 (still valid 1 January 2023) (basic allowance + maximum shelter allowance)

Family structure	Single	Couple
No children	733 (343+390)	1136 (494+642)
One child aged 0 - 17	1002 (360+642)	1191 (494+697)
Two children aged 0 - 17	1057 (360+697)	1250 (494+756)

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

In Ontario, when childcare is used, a deduction can be made on earned income (e.g., income from employment or training) for the calculation of social assistance. In 2023, this deduction is set at the actual cost of licensed childcare per child and a maximum of CAD 600 per month, per child if unlicensed child care is used.

3.1.3. Benefit duration

Benefits are paid on a monthly basis in Ontario as long as there is a need, i.e., as long as household assets are within allowable limits and non-exempt income is less than the amount of social assistance the person is eligible to receive, 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.

3.1.4. Means test

Income test

Under Ontario Works all income is deducted unless fully or partially exempt in regulation.

The benefit is reduced by the following income:

- Income replacement payments (e.g., Employment Insurance, Canada Pension Plan) are deducted dollar for dollar.
- Earnings. For each working adult, the first CAD 200 of earnings per month is exempt, plus 50% of income above CAD 200. The earnings of members of the benefit unit that are under 18 years of age or that are over 18 years of age but attend secondary or post-secondary full-time are fully exempt.[14]
- Income taxes and employee social security contributions are subtracted from the reference income

Asset test

For Ontario Works the maximum allowable asset limit is CAD 10,000 for a single person, CAD 15,000 for a couple plus CAD 500 for each child in the benefit unit. If a

[14] The earnings disregard does not take effect until a client household has been in receipt of social assistance for three full months. In Ontario, there are some exceptions to this 3-month rule for members of the benefit unit that are under 18 years of age or that are over 18 years of age but attend secondary school on a full-time basis (for Ontario Works). For these groups, the earnings disregard takes effect once eligibility for social assistance is granted.

person has non-exempt assets above this amount then they are ineligible for Ontario Works until such time as their assets fall within the allowable asset limit.

All assets count toward the asset limit unless they are made exempt in regulation. The following are examples of assets that do NOT count against the allowable asset limit:

- Principle residence of any value, including land (cultivated or uncultivated) if it forms part of the property. If the person is operating a farm, the land may be exempt as part of the farming business.
- One motor vehicle of any value, plus a second vehicle worth up to CAD 15,000 if it is needed to participate in employment participation activities or to maintain employment.
- Normal household appliances/personal belongings.
- Funds locked in Registered Retirement Savings Plans or Registered Disability Savings Plans.

All other assets not made exempt through regulation count towards the asset test, including real estate that is not the main residence and most liquid assets including funds in bank accounts, stocks, bonds, investments and unlocked Registered Retirement Savings Plans.

More information can be found in Ontario Regulation 134/98 ; General : Part V - Assets

3.1.5. Tax treatment

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

3.1.6. Interaction with other components of the tax-benefit system

Social Assistance benefits are included in Adjusted Family Net Income (AFNI), which is used when calculating the phase out of federal and provincial child benefits and sales tax credits, as well as the Canada Workers Benefit

3.1.7. Combining benefit receipt and employment/starting a new job

Individuals may receive money to help with costs when participating in employment or activities to help with finding and keeping a job.

Since 2005, the Other Employment and Employment Assistance Activities Benefit (OEEAAB) provides up to CAD 253 per year to Ontario Works participants to assist with the costs associated with starting or changing an employment assistance activity (including part time work). This is modelled as an into-work benefit in TaxBEN.

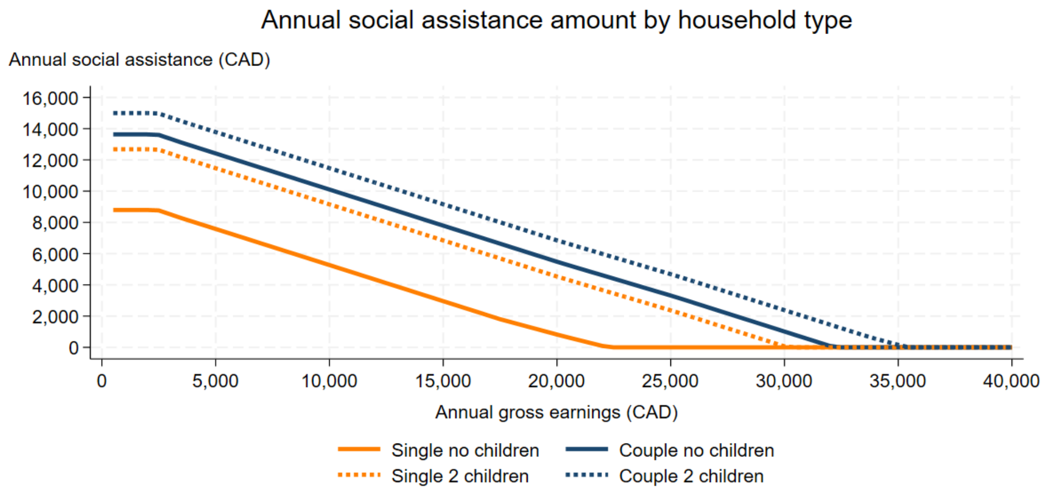
Also since 2005, the Full-Time Employment Benefit (FTEB) provides up to CAD 500 per year to assist with the costs of beginning full time employment. This is modelled as an into-work benefit in TaxBEN.

Through the Extended Health Benefit or the Extended Employment Health Benefit, current Ontario Works health benefits may be provided to participants who exit Ontario Works to employment. The health benefits may include items such as prescription drugs, dental services and vision items. These measures are not included in the TaxBEN model.

3.1.8. *Indexation*

There is no automatic indexation of Ontario Works benefit amounts.

Figure 2 – Social Assistance by gross earnings



Note: All adults are 40 years old. In case of couples, spouse does not work. Children, if present, are 4 and 6 years old.

3.2. Housing benefit

Canada and the representative region considered in this report (Ontario) offer a variety of housing benefits that can be received by both social assistance recipients and non-social assistance recipients, such as the Canada-Ontario Housing Benefit (COHB)[15]. As these benefits have limited scope (e.g. closed application process), they are not included in the TaxBEN model.

Social Assistance (section 3.1) includes a shelter allowance.

4. Family benefits

Variable names: **[FB]**

The Canada Child Benefit (CCB) is a federal means-tested benefit for families with children under 18 years of age (Section 4.1). As such, the CCB provides more support to families who need help the most.

Provinces and territories also provide a range of benefits and services for families with children. In Ontario, the Ontario Child Benefit is paid to low and moderate income families (Section 4.2).

4.1. Family benefit on the federal level (Canada Child Benefit (CCB))

Variable names: **[CCB]**

This is a non-contributory benefit, means-tested and not taxable.

[15] Canada-Ontario Housing Benefit (COHB) – City of Toronto

In July 2016, the Government of Canada replaced the Canada Child Tax Benefit (CCTB), National Child Benefit Supplement (NCBS) and the Universal Child Care Benefit (UCCB) with the new CCB.

The CCB application is used to determine eligibility for a number of related provincial and territorial child benefit and credit programs. Provincial/territorial investments are made in a number of areas, including: childcare, earnings supplements and child benefits, early childhood services, and supplementary health benefits.

4.1.1. Eligibility conditions

To be eligible for the CCB, an individual must be either a Canadian citizen, a permanent resident, or a protected person (temporary residents may also be eligible provided they meet certain criteria), and must reside with the child and be the person who primarily fulfils the responsibility for the care and upbringing of the child or be a shared-custody parent.[16]

4.1.2. Benefit amount

The CCB is calculated as follows:

For the 2022-2023 benefit year, a maximum benefit of CAD 6,997 per year (CAD 583.08 per month) for each eligible child under the age of 6 and CAD 5,903 per year (CAD 491.92 per month) for each eligible child aged 6 to 17.[17]

The maximum benefit amount is reduced based on adjusted family net income (AFNI, see Section 4.1.4). When AFNI is over CAD 32,797, the maximum benefit is reduced at the following rates:

For families with one eligible child:

- the reduction is 7% of the amount of AFNI greater than CAD 32,797 up to CAD 71,060;
- for income greater than CAD 71,060, the reduction is CAD 2,678 plus 3.2% of AFNI greater than CAD 71,060.

For families with two eligible children:

- the reduction is 13.5% of the amount of AFNI greater than CAD 32,797 up to CAD 71,060;
- for income greater than CAD 71,060, the reduction is CAD 5,166 plus 5.7% of AFNI greater than CAD 71,060.

For families with three eligible children:

- the reduction is 19% of the amount of AFNI greater than CAD 32,797 up to CAD 71,060;
- for income greater than CAD 71,060, the reduction is CAD 7,270 plus 8% of AFNI greater than CAD 71,060.

[16] With respect to shared custody, each parent with shared custody receives 50% of what they would have received if they had full custody of the child, calculated based on their own adjusted family net income. Shared custody is not modelled in TaxBEN.

[17] More information is available at: https://www.canada.ca/en/revenue-agency/services/child-family-benefits/canada-child-benefit-overview/canada-child-benefit-we-calculate-your-ccb.html

For families with four or more eligible children:

- the reduction is 23% of the amount of AFNI greater than CAD 32,797 up to CAD 71,060;
- for income greater than CAD 71,060, the reduction is CAD 8,801 plus 9.5% of AFNI greater than CAD 71,060.

4.1.3. Benefit duration

Benefits are paid monthly over a 12-month period from July 1 to June 30.

4.1.4. Means test

The combined AFNI reported by both spouses for the previous year is used to calculate benefit entitlements.[18] AFNI includes:

- Earnings
- Unemployment insurance benefits (Section 2.1)
- Social assistance benefits (Section 3.1)
- Other income components not included in TaxBEN (including income from the registered disability savings plan (RDSP))
- Certain childcare costs (Section 5.5) are subtracted
- Canada Pension Plan contributions (Section 7.1) are subtracted
- Employment Insurance contributions and Ontario Health Plan Premiums (Section 7.1) are NOT subtracted
- Income tax is NOT subtracted

There is no asset test for CCB.

4.1.5. Tax treatment

CCB payments are not taxable.

4.1.6. Interaction with other components of the tax-benefit system

Amounts received under the CCB are not taxable and are not included in the income test for the Goods and Services Tax Credit, the Canada Workers Benefit or the Ontario Child Benefit. The CCB is also not included in income for the purposes of federal income-tested programs delivered outside of the income tax system or provincial social assistance programs.

However, social assistance and Employment Insurance benefits are included in AFNI and are thus taken into account in the phase-out of the CCB.

4.1.7. Combining benefit receipt and employment/starting a new job

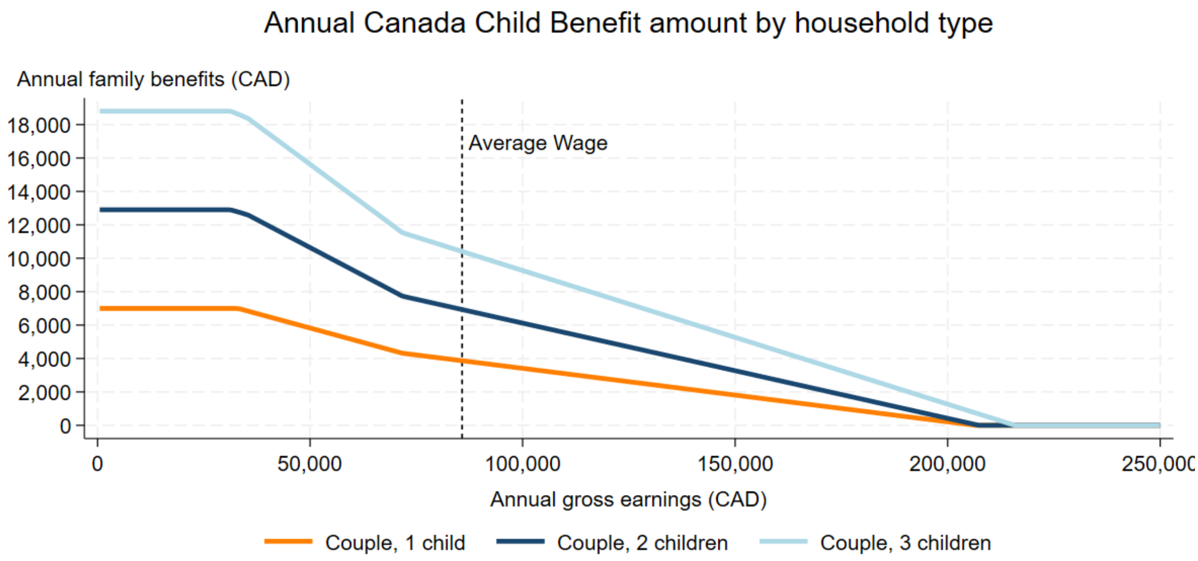
No information.

[18] For example, the 2022-23 benefit year (July 1st, 2022 to June 30th, 2023) is based on AFNI from 2021.

4.1.8. Indexation

Benefits delivered through the tax system, which includes the CCB, are indexed annually in July based on the Consumer Price Index (CPI) increases observed over the 12-month period ending in September of the prior year.[19]

Figure 3 – Canada Child Benefit by gross earnings



Note: Figures for 40-year old one-earner couple. The child is aged 4 in the one-child family. In the two-child family children are aged 4 and 6, and in the three-child family they are aged 4, 6 and 8. The spouse receives SA if eligible. The CCB is phased out on the basis of adjusted family net income (AFNI), which in addition to gross earnings includes SA and Canada Pension Plan contribution deductions.

*4.2. **Family benefit on the regional level** (Ontario Child Benefit (OCB))*

Variable names: **[OCB]**

This is a non-contributory benefit, means-tested and not taxable.

In its 2007 Budget, the Government of Ontario announced the creation of the Ontario Child Benefit (OCB) to help low- to moderate-income families provide for their children.

4.2.1. Eligibility conditions

A person may qualify for the OCB, if they:

- are the primary caregiver of a child under 18;
- are a resident of Ontario;

[19] The CCB was indexed for the first time in July 2018, two years ahead of schedule. Indexing means that the maximum benefit amounts and income thresholds at which benefits begin to be reduced are adjusted annually.

To calculate year-over-year CCB indexation, the Consumer Price Index (CPI) is used. The CPI is a widely used and reliable measure of inflation calculated by Statistics Canada. It represents changes in prices as experienced by Canadian consumers and measures price changes by comparing, through time, the cost of a fixed basket of goods and services.

- have filed the previous year's income tax return, and so has their spouse or common-law partner; and
- have registered their child for the federal CCB.

The Canada Revenue Agency will automatically determine entitlement once the applicant's spouse/common law partner's income tax returns from the previous year are assessed and they have registered their child for the CCB.

If eligible, the OCB is included with CCB monthly payments. The OCB program is funded entirely by the Province of Ontario. The CRA administers this program on behalf of Ontario.

4.2.2. Benefit amount

For the 2022-2023 benefit year, eligible families receive up to CAD 125.75 per month or CAD 1,509 per year for each child under 18 years of age. Families with an AFNI (see Section 4.1.4) above the income threshold may receive a partial benefit (see Section 4.2.4).

4.2.3. Benefit duration

Benefits are paid monthly over a 12-month period from 1 July to 30 June. OCB payments are delivered with the CCB in a single monthly payment.

4.2.4. Means test

The benefit is reduced by 8% for each dollar of net income (AFNI) above CAD 23 044.

The AFNI definition is as for the CCB (see section 4.1.4).

4.2.5. Tax treatment

The benefit is not taxable.

4.2.6. Interaction with other components of the tax-benefit system

Amounts received under the OCB are not taxable and are not included in the income test for the Goods and Services Tax Credit, the Canada Workers Benefit or the CCB. The OCB is also not included in income for the purposes of federal income-tested programs delivered outside of the income tax system or provincial social assistance programs.

However, social assistance and Employment Insurance benefits are included in AFNI and are thus taken into account in the phase-out of the OCB.

4.2.7. Combining benefit receipt and employment/starting a new job

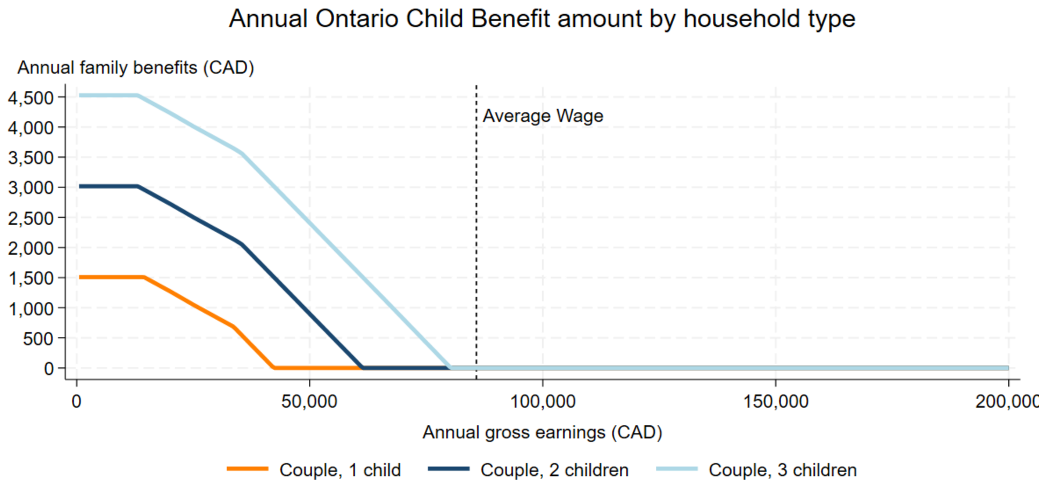
No information.

4.2.8. Indexation

The maximum amount per child and the income level at which the OCB begins to be reduced are automatically adjusted for each benefit year, based on the change in the CPI for Ontario (which is published by Statistics Canada). The maximum amount and income level remain constant during each benefit year (July to the following June) and are only adjusted from one benefit year to the next.

The average CPI for the 12-month period ending on September 30 before the beginning of the OCB benefit period is compared to the average CPI for the preceding 12-month period. The difference between these two averages is used to arrive at the new OCB maximum amount and income level.

Figure 4 – Ontario Child Benefit by gross earnings



Note: Figures for 40-year old one-earner couple. The child is aged 4 in the one-child family. In the two-child family children are aged 4 and 6, and in the three-child family they are aged 4, 6 and 8. The spouse receives SA if eligible. The OCB is phased out on the basis of adjusted family net income (AFNI), which in addition to gross earnings includes SA and Canada Pension Plan contribution deductions.

5. Net costs of Early Childhood Education and Care

The **reference date** for the policy rules described in this section is **January 1, 2023.**

Legislative and regulatory responsibility for the design and delivery of education and early learning and child care fall primarily within provincial and territorial jurisdiction. This includes legislation and policy in areas such as the compulsory school age and internal funding arrangements.

The compulsory school age for most of Canada begins at six years old, with kindergarten provision beginning either at age five or four depending on the jurisdiction. While kindergarten is publicly funded across Canada, provinces and territories differ by providing either full-day or half-day kindergarten at certain ages.

The type of child care provided in Canada varies across the provinces and territories. Guided by the federal-provincial-territorial Multilateral Early Learning and Child Care Framework, the federal government provides funding to provinces and territories through negotiated bilateral agreements to address the unique child care needs of each jurisdiction.

Given that education is a matter of provincial/territorial jurisdiction in Canada, each province and territory has different legislative and regulatory approaches.

The TaxBEN model considers the province of Ontario. In Ontario, children start compulsory school in September of the calendar year they turn six. From September in the calendar year that they turn four, a child may attend publicly funded kindergarten.[20]

5.1. Gross childcare fees

Variable names: **[CAcc_cost]**

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

As laid out in Budget 2021, the Government of Canada is working with provincial, territorial, and Indigenous partners to build a Canada-wide system of early learning and child care, so all families in Canada have access to high-quality, affordable, flexible and inclusive early learning and child care no matter where they live. Under this system, the goal is that all families have access to regulated early learning and child care at an average cost of CAD 10-a-day for children under six by March 2026. As of mid-2023, five provinces and territories (not including Ontario) are providing regulated early learning and child care for an average of CAD 10 a day or less; all others have reduced fees by an average of 50% or more.

In the context of Indigenous early learning and child care, the Government of Canada is working in collaboration with Indigenous peoples to advance a co-developed Indigenous Early Learning and Child Care Framework which guides the design, delivery and governance of early learning and child care programs and services. Funding for Indigenous ELCC is not intended to establish a parallel ELCC system, but rather, complement investments provided to provinces and territories for accessible and affordable child care programs and services.

Ontario has taken a graduated approach to fee reductions that began in spring 2022. Families of eligible children in licensed child care programs enrolled in the Canada-wide Early Learning and Child Care System will see reduced fees over time:

- a fee reduction of up to 25% (to a minimum of CAD 12 per day) for children aged 0 to 5 retroactive to April 1, 2022
- a 50% fee reduction from 2020 fee rates (to a minimum of CAD 12 per day) for children aged 0 to 5 by the end of calendar year 2022
- further reductions to achieve the CAD10 per day on average child care fees for children aged 0 to 5 by March 2026.

The average gross childcare fees in Ontario for centre-based child care are as follows (CAD per day)

[20] In the TaxBEN model, children aged 5 and 6 are assumed to attend kindergarten. Their costs are not considered in the model.

Centre-based child care by age of child[1]	2021	2022[2]	2023[3]
Infant Less than 18 months	73.20	75.01	35.44
Toddler 18 to less than 30 months	60.86	62.67	29.65
Preschool 30 months to less than 6 years	53.27	55.46	26.20
Kindergarten 44 months to less than 7 years	47.64	49.29	23.29

Note: 1 In TaxBEN, the Infant rate applies to 1-year-olds, the Toddler rate applies to 2-year-olds, and the Preschool rate applies to 3- and 4-year-olds. Costs of Kindergarten are not considered in TaxBEN.
2 2022 average fee is as of March 31, 2022 and is the latest data available (https://www.ontario.ca/page/ontarios-early-years-and-child-care-annual-report-2022). The TaxBEN model aims to show representative fees at 1 January of the given year (that is, the 2022 figure is before the 1 April 2022 reduction described in the text)..
3 Between 1 April 2022 and 31 December 2022, parents paid regular fees but got reimbursed up to 25% (to a minimum of CAD 12 per day) retroactive to 1 April 2022. The 2023 average fee is estimated based on a 52.75% fee reduction (25% as of 1 April 2022 and then an additional 37% as of 31 December 2022) relative to March 2022 levels, which is equivalent to a 50% fee reduction of 2020 fees.

5.1.1. Discounts for part-time usage

Part-time childcare for children under six is possible with the fee reduction amounts and types of arrangements varying across the provinces and territories. In Ontario, the TaxBEN model assumes that parents purchase child care per day or part thereof in accordance with the daily rates outlined in the table above.

5.2. Fee discounts and free provision

Variable names: **`[cc_subsidy]`**

5.2.1. Eligibility

Families in Ontario can benefit from the Child Care Fee Subsidy for children under 12 years old (or up to 18 years old if the child has special needs) attending a licensed child care program or a school-aged child enrolled in an approved recreation program or a before- and after-school program operated directly by a school board.

Financial eligibility for the subsidy is determined by an income test and social assistance status; parents must demonstrate a recognised need (for example, be working, in training, or participating in employment assistance activities, or if the child has special needs). This is assumed in the TaxBEN model.

Families receiving social assistance are deemed automatically eligible for fee subsidy and are not required to be assessed under the income test.

The subsidy for eligible families in Ontario is subject to the availability of subsidy funds within the budget of the local service system manager and space availability within a child care program. When the demand for subsidies is greater than the available funds, local service system managers may establish wait lists.

5.2.2. Amount of discount or free provision

In Ontario, the required parental contribution to child care fees is contingent on the income test, which is administered by municipalities, and depends on adjusted family net income (AFNI, see Section 4.1.4).

Families earning between CAD 20,000 and CAD 40,000 will pay 10% of income above CAD 20,000. Families earning over CAD 40,000 will pay 10% of income that is between CAD 20,000 and CAD 40,000, plus 30% of their income that is over CAD 40,000. These income thresholds are not automatically indexed.

5.3. Child-care benefits for formal centre-based care

Variable names: `[cc_benefit]`

In July 2016, the federal government introduced the Canada Child Benefit (CCB). The CCB replaced the Canada Child Tax Benefit (CCTB), the National Child Benefit Supplement, and the Universal Child Care Benefit with one tax-free and targeted benefit (see Section 4.1).

In Ontario, when childcare is used, a deduction can be made on the reference income for the calculation of Social Assistance. In 2023, this deduction is set at the actual cost of licensed childcare and a maximum of CAD 600 per month, per child if unlicensed child care is used (see Section 3.1.2).

5.4. Child care allowance for children not using child care centers

None.

5.5. Tax concessions for childcare expenditures

The Child Care Expense Deduction is a deduction in the federal tax system that could be claimed by the person supporting the eligible child under 16 years of age (**or** the person with the lower net income if more than one person is supporting the eligible child).

5.5.1. Eligibility

Child care expenses are amounts paid to have someone look after an eligible child so that person or people supporting the eligible child could:

- earn income from employment;
- carry on a business either alone or as an active partner;
- attend school under the conditions identified under Educational program; or
- carry on research or similar work, for which they or the other person received a grant.

Child care expenses could be claimed for services paid to:

- caregivers providing child care services;
- day nursery schools and daycare centres;
- educational institutions, for the part of the fees that relate to child care services;
- day camps and day sports schools where the primary goal of the camp is to care for children (an institution offering a sports study program is not a sports school); or
- boarding schools, overnight sports schools, or camps where lodging is involved.

5.5.2. Maximum amount

Maximum annual childcare expense amount[21] that could be claimed is:

- CAD 8,000 for each child under seven years of age at the end of the year;
- CAD 5,000 for each child over six years of age at the end of the year and under 16 years of age at any time during the year;
- CAD 5,000 for each child over 15 years of age throughout the year who has a physical or mental infirmity and is dependent on the taxpayer, or the taxpayer's spouse or common-law partner; or
- CAD 11,000 at any age, for each child eligible for the Disability Tax Credit (Not modelled in TaxBEN)
- These amounts are not indexed to inflation.

5.5.3. Variation by income

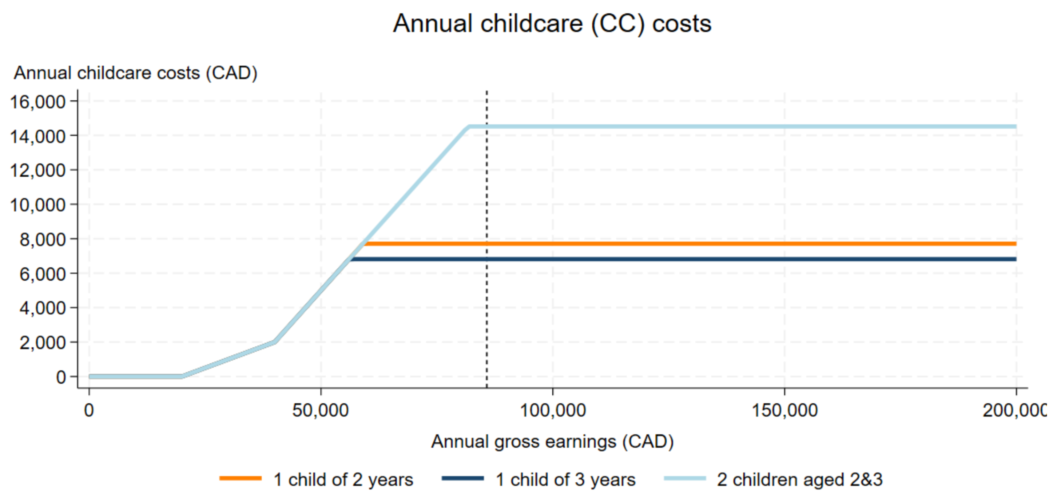
The annual child care expense amount for each child is determined with reference to the child's age, physical and mental condition.

A taxpayer's claim for child care expenses for a year cannot exceed two-thirds of the lower-income spouse's earned income for that year.

5.5.4. Impact on overall income tax calculation

The annual child care expense amounts are deducted as indicated in the maximum eligible amounts indicated in section 5.5.2.

Figure 5 – Childcare Cost by gross earnings



Note: For 40-year old single parent. Children attend childcare full-time (5 days per week, for 52 weeks per year). Childcare costs refer to gross costs, or the subsidised cost under the Ontario Child Care Fee Subsidy.

[21] These amounts are not indexed to inflation.

6. In-work benefits

Variable names: **[IW]**

In 2007, the Government of Canada introduced an earned-income supplement, the Working Income Tax Benefit (WITB), to make work more rewarding and attractive for low-income Canadians. Budget 2018 introduced the Canada Workers Benefit a more generous and more accessible benefit that replaced the Working Income Tax Benefit starting in 2019. Budget 2021 further enhanced the CWB, extending the benefit to full-time, low-wage workers.

A number of provinces and territories have also implemented programs, which provide earned-income supplements. In addition, all Canadian provinces offer special work-related supports to social assistance clients who are joining or re-joining 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. The TaxBEN model includes two such benefits available to Ontario Works recipients, the Other Employment and Employment Assistance Activities Benefit and the Full-Time Employment Benefit (see section 3.1.7).[22]

6.1. *Canada Workers Benefit (CWB)*

The CWB is a refundable tax credit that supplements the earnings of low and modest-income workers.

This is a non-wastable, non-contributory benefit, means-tested and not taxable.

6.1.1. *Eligibility conditions*

The CWB is targeted to low- and modest-income workers. An individual is eligible for the CWB if they:

- earn working income;
- are a resident of Canada for income tax purposes throughout the year; and,
- are 19 years of age or older on December 31; the cohabiting spouse or common-law partner of another individual; or the parent of a child with whom they reside,

An individual is *not* eligible for the CWB if:

- They are enrolled as a full-time student at a designated educational institution for more than 13 weeks in the year (exception if the student has an eligible dependent),
- They are confined to a prison or similar institution for a period of 90 days or more in the year; or
- They do not have to pay tax in Canada, because they are an officer or servant of another country, such as a diplomat, or are a family member or employee of such person.

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[22] https://www.ontario.ca/document/ontario-works-policy-directives/74-employment-and-participation-benefits

To ensure that everyone entitled to the CWB receives it, in the 2019 tax year, the CRA began automatically determining if a tax filer is eligible for the Benefit, regardless of whether they applied for it. Eligible recipients are now automatically enrolled to receive the Benefit.

6.1.2. Benefit amount

The CWB has two parts: a basic amount and a disability supplement.

In 2023, the basic amount provides up to CAD 1,428 for single individuals without children and CAD 2,461 for couples and single parents (based on income for the 2023 tax year). The benefit is phased in at a rate of 27% on working income (for both employment and self-employment) greater than CAD 3,000.[23]

For single individuals without children, the maximum benefit is paid if working income is at least CAD 8,289 and adjusted net income is not more than CAD 23,495. For single individuals, the CWB is reduced at 15% on adjusted net income (see Section 4.1.4) greater than CAD 23,495. No CWB is paid when net income exceeds CAD 33,015.

For families, the maximum benefit is paid if working income (minus the secondary earner exemption) is at least CAD 12,115 and adjusted net income is not more than CAD 26,805. For families, the CWB is reduced at 15% on adjusted family net income (AFNI, see Section 4.1.4) greater than CAD 26,805. No CWB is paid when AFNI exceeds CAD 43,212.

A secondary earners exemption[24] allows the lower earning spouse in a couple to earn up to CAD 14,336 before that income counts towards reducing the couple's benefit. The secondary earner's net income is reduced by the lesser of their earnings, their individual adjusted net income, or the maximum exemption amount.

When calculating individual adjusted net income for members of a couple, social assistance benefits are reported by the individual with the highest net income, while the Child Care Expense Deduction is applied to the individual with the lower net income.

For those eligible for the Disability Tax Credit, the CWB also provides disability supplement of up to CAD 737 (not modelled in TaxBEN).

The basic CWB may differ for residents of provinces or territories that sign reconfiguration agreements with the federal government to make specific changes to the design of the benefit. As of January 2023, Alberta, Quebec and Nunavut have agreements that reconfigure the CWB for their residents.

6.1.3. Benefit duration

The CWB is a refundable tax credit and individuals must submit an income tax return to receive the benefit. As a result, the CWB is paid once a year as part of the annual tax refund. The 2022 Fall Economic Statement proposed to automatically provide automatic advance payments of the CWB to those who received the benefit in the prior year. Any CWB that they are entitled to and do not receive as advance payments would be paid when the income tax return is assessed.

6.1.4. Means test

The CWB is means tested as described in section 6.1.2 above.

[23] More information is available here: https://www.canada.ca/en/revenue-agency/services/child-family-benefits/witb-amount.html

[24] Introduced for the 2021 and subsequent tax years.

6.1.5. *Tax treatment*

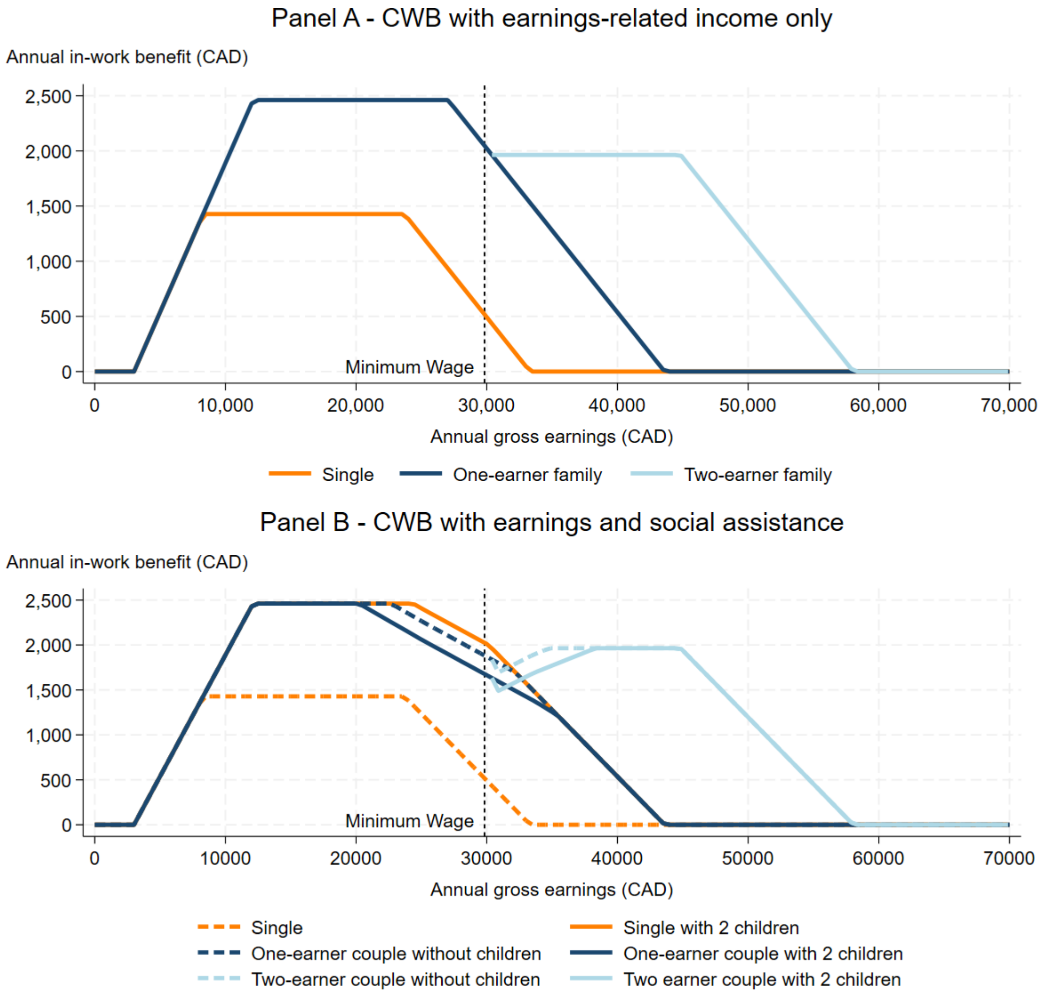
The benefit is not taxable.

6.1.6. *Interaction with other components of the tax-benefit system*

The combined adjusted net income reported by both spouses, if applicable (that is, AFNI, as described in section 4.1.4 above), is used to phase out benefit entitlements. Since the 2021 tax year, a secondary earner exemption (currently CAD 14,336) is applied to family earnings when calculating CWB amounts.

Social assistance and Employment Insurance benefits are included in AFNI, thus contributing to the CWB phase-out. CWB payments are excluded from the income test conducted by provincial social assistance programs as well as other federal and provincial programs including child benefits and sales tax credits.

Figure 6 – Canada Workers Benefit by gross household earnings in different family types



Note: Children where present are aged 4 and 6 and do not use childcare. In two-earner households one spouse has fixed earnings at the minimum wage while the other spouse earns the remainder of the household's gross earnings. The CWB phases in with earnings and phases out with adjusted family net income (AFNI).

Panel A illustrates the payment design by excluding non-earnings-related components of AFNI. In this panel, the household's only income is from earnings, and the only difference between earnings and AFNI is the deduction of Canada Pension Plan additional contributions.

Panel B illustrates how receipt of social assistance benefits, which are included in AFNI, may affect the calculation of the CWB. In this panel, AFNI is the sum of earnings and Ontario Works benefits (attributed to the higher income earner), less deductible Canada Pension Plan contributions. Other components of AFNI (including childcare cost deductions and unemployment benefits) are NOT included in this chart.

7. Social security contributions and payroll taxes

7.1. Social security contributions

7.1.1. Contributions payable by employees and benefit recipients

Pensions

All employees are eligible for coverage under the Canada Pension Plan (Québec Pension Plan in the province of Québec)[25]. For 2023, all employees are required to contribute to the Canada Pension Plan (CPP) at a rate of 5.95% of income up to a maximum contribution of CAD 3,754.45 (the contribution rate is 6.40% of income for the Québec Pension Plan (QPP) up to a maximum contribution of CAD 4,038.40). Income subject to contributions is earnings (wages and salaries) less a CAD 3,500 basic exemption. The maximum contribution of CAD 3,754.45 is reached at an earnings level of CAD 66,600 i.e. (CAD 66,600-CAD 3 500) x 0.0595 = CAD 3,754.45. For employees, contributions to the base component of the CPP or QPP (contribution rates of 4.95% and 5.40%, respectively) give rise to a tax credit equal to 15% of the contributed amount. The additional contributions toward the CPP and QPP enhancements (1,00 in 2023) are deductions from taxable income. Employers are also required to contribute to the CPP on behalf of their employees at the same rate and can deduct their contributions from taxable income.

The Ontario Health Premium

All provinces have provincially-administered health care insurance plans.

Ontario has an Ontario Health Premium, which is paid by individuals resident in Ontario on the last day of the taxation year. It 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 2023.

[25] Self-employed persons are not modelled in TaxBEN. They must also contribute to the CPP (QPP in the province of Québec) on their own behalf. However, the self-employed are required to contribute at the combined employer/employee rate of 11.9% of earnings up to a maximum of CAD 7,508.90 (12.80% of earnings up to a maximum of CAD 8,076.80 in Québec). The self-employed can deduct the employer portion of their contribution from income, equal to 50% of the total contribution or CAD 3,754.45 (4,038.40 in Québec), as well as the enhancement component of the employee portion. The remaining amount, representing the base component of the employee portion, is then claimed as a tax credit at 15%.

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

All workers in insurable employment are required to contribute Employment Insurance premiums on earnings up to the maximum insurable earnings threshold[26]. This threshold is indexed to the annual percentage increase in the average weekly earnings[27] of in Canada.

In 2023, employees outside Quebec are required to contribute at the rate of 1.63% of insurable earnings. The earnings threshold is set at CAD 61,500.00 The maximum employee contribution of workers is therefore CAD 1,002.45. Employment insurance contributions give rise to a tax credit equal to 15% of the amount contributed. Employers are also required to contribute to the plan.

In 2023, Quebec workers are required to contribute to Employment Insurance at a rate of 1.27%; the same earnings threshold applies. Therefore, the maximum employee contribution of workers in Quebec is CAD 781.05. Quebec workers also contribute to the Quebec Parental Insurance Plan (QPIP). In Quebec, the QPIP premium rate is set at 0.494% of insurable earnings; maximum insurable earnings for 2023 are CAD 91,000. For a Quebec resident, the maximum employee contribution (Employment Insurance plus Quebec Parental Insurance Plan) is CAD 1,230.59.

[26] This is called the Maximum Insurable Earnings (MIE).

[27] Industrial aggregate covers all industrial sectors except those primarily involved in agriculture, fishing and trapping, private household services, religious organisations and the military personnel of the defence services.

7.1.2. 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 5.95% of earnings (less the CAD 3,500 earnings exemption) to a maximum of CAD 3,754.45. For the Québec Pension Plan, the contribution rate is 6.40% of earnings, to a maximum of CAD 4,038.40. These amounts can be deducted from their net income when determining their taxes.

Sickness Benefit

The Government of Canada’s Employment Insurance (EI) program offers a sickness benefit that provides up to 26 weeks of short-term income replacement. Legislation extending the maximum number of weeks available under EI sickness benefits from 15 weeks to 26 weeks came into effect on December 18, 2022. The EI program also encourages the delivery of sickness benefits by private sector employers. Employers who provide short-term disability plan coverage to their employees may be eligible to receive a reduction in their EI premiums through the EI Premium Reduction Program (PRP). The objective of the PRP is to encourage employers to continue to offer their short-term disability plan and assume the risk of the first-payer position when employees became sick. The PRP provides participating employers a premium reduction which recognizes the savings to the EI program resulting from workers using employer benefits for short-term sickness leave prior to accessing EI sickness benefits.

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 an Employer Health Tax on the value of their payroll, tax rates varying from 0.98% on Ontario payroll less than CAD 200 000, up to 1.95% for payroll that exceeds CAD 400 000. Certain employers are eligible for a higher exemption of CAD 1 000 000.

Unemployment

Employers are also required to contribute premiums to the employment insurance program. The employer contribution is 1.4 times the employee contribution.

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.

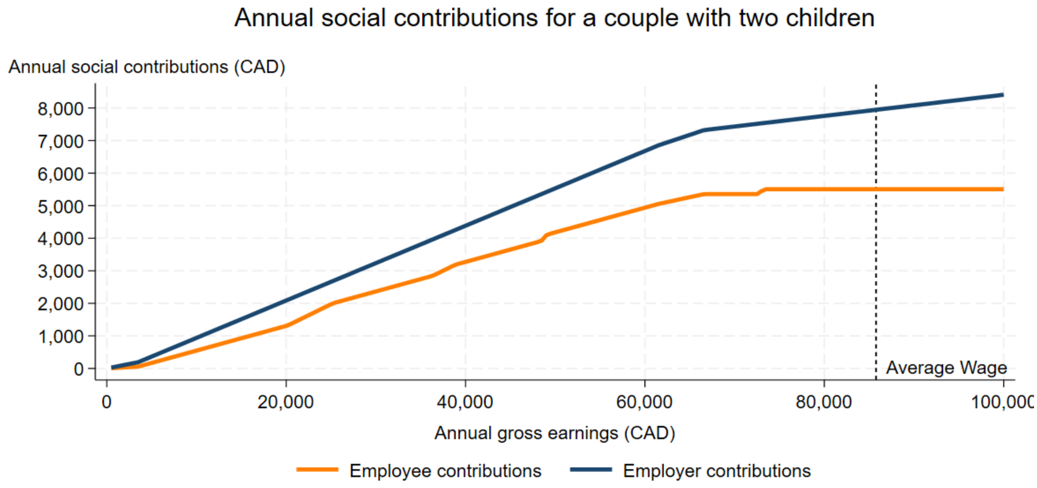
Work injury

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 broadly corresponding to industry Sectors B-N inclusive pay, on average, 1.30% of the wages paid to each employee to a maximum of CAD 100 422 in 2023.

7.2. Payroll taxes

None.

Figure 7 – Social Security Contributions by gross earnings



Note: 40-year old one-earner couple with 2 children (ages 4 and 6).

8. Taxes

Variable names: **[IT]**

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.

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

8.1. Federal personal income tax

8.1.1. Tax allowances

-

8.1.2. Tax base

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8.1.3. Income tax schedule (central government income tax)

Variable names: **[F_INCTAX_s; F_INCTAX_p]**

2023 Federal Income Tax Rates:

Taxable Income (CAD)	Rate (%)
0 – 53 359	15
53 360 – 106 717	20.5
106 718 – 165 430	26
165 431 – 235 675	29
235 676 and over	33

Federal income tax brackets are indexed each year on 1 January based on the change in annual CPI inflation measured from October to September as reported by Statistics Canada.

8.1.4. Tax credits

Variable names: [...]

- *Basic personal amount:* All taxpayers qualify for a basic personal tax credit of CAD 2 250.00 (15% of CAD 15 000) in 2023 if their annual gross income is less than the income threshold corresponding to the 29% income tax rate (CAD 165,430). Individuals with incomes above this threshold receive a declining basic personal amount, and they receive a minimum amount of CAD 2,028.00 (15% of CAD 13,520) if their earnings equal or surpass the highest income tax threshold (CAD 235,675).
- *Credit for Spouse or Eligible Dependant*: A taxpayer supporting a spouse or other eligible dependant receives a tax credit of CAD 2,250.00 (15% of CAD 15,000) which is reduced by 15 cents for each dollar of the dependant's income. Similar to the basic personal amount, individuals with incomes above this threshold receive a declining basic personal amount, and they receive a minimum amount of CAD 2,028.00 (15% of CAD 13,520) if their earnings equal or surpass the highest income tax threshold (CAD 235,675).
- For the 2022-2023 benefit year, the *Goods and Services Tax Credit* provides a relief of CAD 306 for each adult 19 years of age or older and CAD 161 for each dependent child under the age of 19. As such, an individual who is married or has a common-law partner could receive up to CAD 612 (the maximum payment for AFNI under CAD 39,826). Single tax filers without children could receive a credit of up to CAD 467. (For example, single tax filers without children and with an employment income under CAD 9,919 receive a credit of CAD 306 while those with income higher than CAD 9,919 receive an additional CAD 161 that is phased in at a rate of 2%). Single tax filers with children receive an additional CAD 161 that is not subject to phase-in. The credit received for the first dependent child of a single parent is increased from CAD 161 to CAD 306. The total amount, including the single supplement, is reduced at a rate of five percent of AFNI over CAD 39,826. The amount is paid directly to families on a quarterly basis.[28]

[28] In 2023, the TaxBEN model includes the Goods and Services Tax Credit that relates to income earned in the 2021 tax year, and which is payable between July 2022 and June 2023.

- In addition, for the 2022-23 benefit year only, a temporary doubling of the credit for six months was provided, with existing credit recipients effectively receiving a 50% increase in the credit amount as a one-time lump-sum payment, starting in November 2022 (e.g. up to an additional CAD 153 per adult and CAD 81 per child). This is not modelled in TaxBEN.
- A second temporary doubling of the credit for six months was provided in July 2023 (this top-up was called the Grocery Rebate) based on eligibility for the tax credit on 1 January 2023. This measure is included in the TaxBEN model, increasing the annual credit amount by 50%.

- *Social security contributions:* Taxpayers are entitled to a 15% credit of their contributions to the base components of the Canada or Quebec Pension Plans (to a maximum credit of CAD 468.52 for the Canada Pension Plan and to a maximum credit of CAD 511.11 for the Quebec Pension Plan) and their Employment Insurance premiums (to a maximum credit of CAD 150.37 outside Quebec). The Employment Insurance premium rate is lower for Quebec residents, who also pay into the Quebec Parental Insurance Plan; the maximum combined credit for a Quebec resident is CAD 184.59). The remaining CPP/QPP contributions (to the enhancement, a contribution rate of 1.00% in 2023) are deductions at the highest marginal tax rate.
- *Canada Workers Benefit (CWB),* formerly the Working Income Tax Benefit: See Section 6.1
- *Canada Employment Tax Credit:* A tax credit of up to CAD 207.90 (15% of CAD 1,386) on employment income.
- *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 lower-income spouse's earned income; and
    3. the total of the maximum dollar limits for all children: CAD 8,000 for each child who is under age seven, CAD 5,000 per child between seven and sixteen years of age and infirm dependent children over sixteen and CAD 11,000 per child eligible for the Disability Tax Credit.

8.2. State and local income taxes

Variable names: **[LOCTAX_s; LOCTAX_p]**

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.

TaxBEN 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.

8.2.1. Tax allowances

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8.2.2. Tax base

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8.2.3. Tax Schedule

Income Bracket	Rate (%)
CAD 0 to CAD 49 231	5.05
CAD 49 231 to CAD 98 463	9.15
CAD 98 463 to CAD 150 000	11.16
CAD 150 000 to CAD 220 000	12.16
Over CAD 220 000	13.16

Provincial tax after accounting for wastable credits	Surtax rate
Amounts Exceeding CAD 5 315	20% of the excess amount
Amounts Exceeding CAD 6 802	36% of the excess amount

8.2.4. Tax credits

Wastable tax credits

- A basic tax credit of CAD 599.18.
- A maximum credit of CAD 508.79 for a dependant spouse or eligible dependant that is withdrawn as the income of the spouse or eligible dependant exceeds CAD 1 007 and is completely withdrawn when the income of the spouse is at least CAD 11 082.
- 5.05% of contributions made to the base component of the Canada Pension Plan or Quebec Pension Plan and of Employment Insurance premiums.[29]

Non-wastable tax credits

- For the 2022-2023 benefit year, Ontario Sales Tax Credit provides a relief of up to CAD 324 for each adult and each child. It is reduced by 4% of adjusted family net income (AFNI) over CAD 24 916 for single people and over CAD 31 144 for families. Amounts are paid directly to recipients – they are not received as part of an income tax refund[30].
- Ontario also offers an Energy and Property Tax Credit (OEPTC). This credit is available to residents paying property taxes, including those paying rent on a

[29] Note that contributions are based on location of work, while taxation is based on location of residence. TaxBEN assumed that taxpayers live in the same province that they work.

[30] In 2023, the TaxBEN model includes the Ontario Sales Tax Credit that relates to income earned in the 2021 tax year, and which is payable between July 2022 and June 2023.

residence subject to property tax, and in January 2023, provides a maximum of CAD 1 121 for non-seniors.[31] Of this, CAD 249 is for the energy component and CAD 872 is for the property tax component (including a base amount of 62 CAD). For non-seniors, the credit is reduced by 2% of AFNI over the same income thresholds as the Ontario Sales Tax Credit (see preceding bullet point above). Amounts are paid directly to recipients – they are not received as part of an income tax refund. For the computation of the credit, TaxBEN assumes that property taxes are 20% of a household's rent.[32]

- In 2019, the Ontario government introduced the Ontario Childcare Access and Relief from Expenses (CARE) Tax Credit. This refundable tax credit is based on the household's income as calculated for the Child Care Expense Deduction. In 2023, the CARE tax credit amount is equal to the household's eligible child care expenses multiplied by applicable income-dependent the credit rate.

Family Income	CARE Rate Calculation
Up to CAD 20 000	75%
Greater than CAD 20 000 to CAD 40 000	75% minus 2pp for each CAD 2 500 (or part thereof) above CAD 20 000
Greater than CAD 40 000 to CAD 60 000	59% minus 2pp for each CAD 5 000 (or part thereof) above CAD 40 000
Greater than CAD 60 000 to CAD 150 000	51% minus 2pp for each CAD 3 600 (or part thereof) above CAD 60 000
Greater than CAD 150 000	0%

Tax Reduction

- An earner is entitled to claim a tax reduction where the initial entitlement is equal to CAD 274 plus CAD 506 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. The actual tax reduction is equal to twice the initial entitlement amount less the liable tax (if this calculation is zero or negative, the reduction is equal to zero).

Ontario LIFT Credit

- Ontario tax filers who have employment income are able to claim the Low-income Individuals and Families Tax (LIFT) Credit when they file their tax returns. The credit is equal to the lesser of CAD 875 and 5.05% of employment income. This amount is reduced by 5% of the greater of adjusted individual net income in excess of CAD 32 500 and adjusted family net income (AFNI) in excess of CAD 65 000. The resulting amount is limited to the taxpayer's personal income tax otherwise payable, excluding the Ontario Health Premium.

[31] Seniors are not modelled in TaxBEN. They are eligible for an additional CAD 156, providing a total of CAD 1 277. For seniors, the credit is reduced by 2% of AFNI over CAD 31 144 for single people and over CAD 37 373 for senior families.

[32] In 2023, the TaxBEN model includes the Ontario Energy and Property Tax Credit that relates to income earned in the 2021 tax year, and which is payable between July 2022 and June 2023.

Indexation

Most of the Ontario Personal Income Tax (PIT) related dollar amounts are automatically adjusted for each taxation year (from January 1 to December 31), based on the change in the CPI for Ontario (which is published by Statistics Canada).

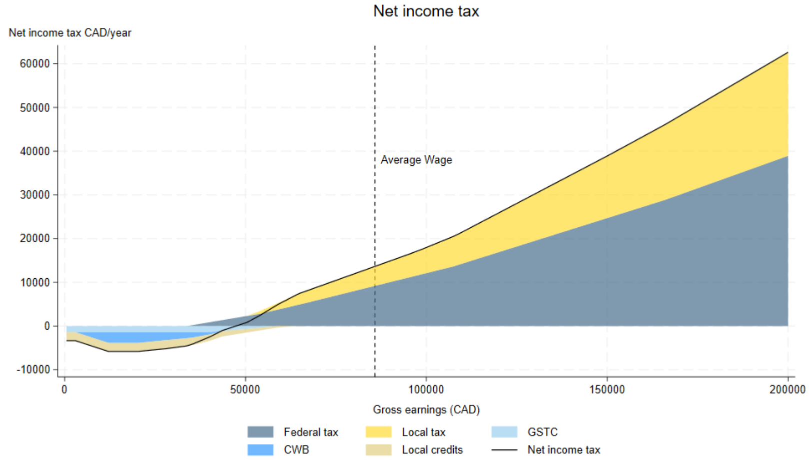
The average CPI for the 12-month period ending on September 30 before the beginning of the taxation year is compared to the average CPI for the preceding 12-month period. The difference between these two averages is used to arrive at the new indexation factor.

Indexed aspects of Ontario's PIT include:

- Amounts used for certain tax credits.
  - E.g., Wastable tax credits, such as the basic personal amount, and certain non-wastable tax credits, such as the Ontario Sales Tax Credit and the Ontario Energy and Property Tax Credit.
- The income levels at which certain income-tested tax credits are reduced.
  - E.g., Wastable tax credits, such as the age amount and certain non-wastable tax credits, such as the Ontario Sales Tax Credit.
- The amounts of taxable income to which Ontario's bottom three PIT rates apply.
- Parameters relating to the Ontario Tax Reduction and Ontario's two surtax thresholds.

Notable <u>non-indexed</u> aspects of Ontario's PIT include the parameters for the LIFT Credit, CARE tax credit and Ontario Health Premium, as well as the top two bracket thresholds of CAD 150,000 and CAD 220,000.

Figure 8 – Income Taxes by gross earnings



Note: For 40-year old one-earner couple with 2 children (ages 4 and 6).

9. Selected output from the OECD tax-benefit model (TaxBEN)

This section shows selected output of the TaxBEN model for Canada in 2023 (see figure below). TaxBEN by default produces the following output: 1) net household incomes (**black line**) and 2) related income components (**coloured stacked areas**) for selected family and individual circumstances (users are free to select many of these circumstances). The model and the related web calculator is accessible from the project website. The figure below shows output for a two-adult family with two children (adults are both 40 years old whereas children are 4 and 6 years old respectively) and four different scenarios:

By percentage of the average wage (**Panel A**);

By unemployment duration (in months) for a jobseeker claiming unemployment benefits (**Panel B**);

By previous gross earnings levels for a jobseeker claiming unemployment benefits (**Panel C**);

By previous employment record (in months), for a jobseeker claiming unemployment benefits (**Panel D**).

The stacked areas show the following household income components: **GROSS** = gross earnings; **UB** = unemployment benefits; **SA** = social assistance / guaranteed minimum income benefits; **HB** = housing benefits; **FB** = family benefits; **IW** = in-work benefits; **SSC** = social security contributions; **IT**= income tax. Note that these components may be the result of the aggregation of more than one benefit/tax into a composite category. Please refer to the sections above for the benefits/taxes included in each category.

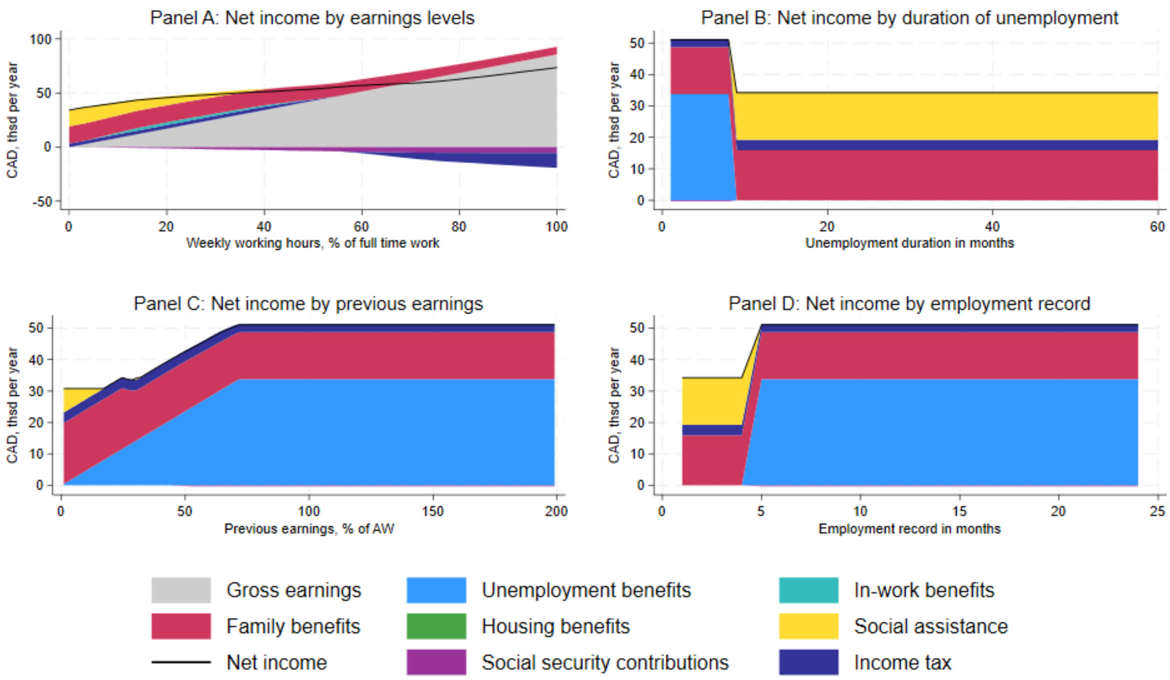
Social assistance and housing benefit supplements are assumed to be available in all the four scenarios provided that the necessary income and eligibility requirements are met. Where receipt of social assistance or other benefits is subject to activity tests (such as active job-search or being available for work), these requirements are assumed to be met.

Panel A assumes that one adult family member (the so-called 'second adult' using the TaxBEN terminology) is out of work and not eligible for unemployment benefits (e.g. because they have expired) whereas the other adult member (the so-called 'first adult') is employed full-time throughout the entire year at different earnings levels ranging between 0 and 200% of the average wage (AW). When earnings of the first adult are precisely 0% of the AW this person is assumed to be out of work without receiving unemployment benefits (again, e.g. because they have expired) but claiming social assistance or guaranteed minimum income benefits, as applicable.

Panels B to D assume that the second adult is out of work and not eligible to unemployment benefits whereas the first adult is also out of work and claiming unemployment benefits. In Panel B and C the first adult is assumed to have a 'long' employment record of 264 consecutive months before the job loss. The x-axis in Panel B measures the time of benefit receipt, starting from the first month. The x-axis in Panel C shows the amount of previous gross earnings (before any social contribution payments). Results in Panels C and D refer to the 2nd month of unemployment benefit receipt. In Panel B and D, previous earnings are assumed to be equal to the average wage.

Figure 7. Selected output from the OECD tax-benefit model

Couple with two children



Source: Calculations based on the OECD tax-benefit model. The average wage used to produce these charts is CAD 85 769

Annex I: Other benefits and direct taxes

This section provides a brief description of other cash benefits and taxes on employment incomes in Canada that are relevant for some members of the population below the statutory retirement age, but which are not included in the OECD tax-benefit model.

Ontario Disability Support Program (ODSP)

The Ontario Disability Support Program (ODSP) is designed to meet the unique needs of people with disabilities and their families who are in financial need, or who want and are able to work and need support. Income support for ODSP is indexed to inflation and is adjusted every July starting in 2023. The amounts below are as of September 2022.

Family structure	**Single**	**Couple (1 spouse disabled)**	**Couple (Both spouses disabled)**
No children	1228 (706+522)	1839 (1018+821)	2070
One child aged 0 - 17	1670 (849+821)	1907 (1018+889)	2138 (2070 + 68)
Two children aged 0 - 17	1738 (849+889)	1982 (1018+964)	2213 (2070 +143)

For persons with a disability employment earnings above CAD 1,000 per month reduce ODSP benefits at a rate of 75 percent. For non-disabled persons on ODSP (e.g., non-disabled spouse) employment earnings above CAD 200 per month reduce ODSP benefits at a rate of 50 percent. ODSP provides a disability related employment expense deduction up to a maximum of CAD 1,000 per month.

Canadian Benefit for Parents of Young Victims of Crime (PYVC)

The Canadian Benefit for Parents of Young Victims of Crime (PYVC) provides a taxable payment of CAD 500 per week to parents of children under the age of 25 who are missing or are deceased as a result of a probable Criminal Code offence, for a maximum of 35 weeks over a period of three years following the date of the incident.

Child Disability Benefit (CDB)

The Child Disability Benefit (CDB) is a monthly benefit included in the CCB to provide financial assistance to qualified families caring for children under 18 years of age who have a severe and prolonged impairment in physical or mental functions and qualify for the Disability Tax Credit (DTC).[33]

For the 2022-2023 benefit year, the CDB provides up to CAD 2,985 per year (248.75 per month) for each child eligible for the DTC. The CDB is reduced when AFNI is more than CAD 71,060. The reduction is calculated as follows:

- For families with one child eligible for the DTC, the reduction is 3.2% of the amount of AFNI over CAD 71,060.

[33] For more information, please see: https://www.canada.ca/en/revenue-agency/services/child-family-benefits/child-disability-benefit.html

- For families with two or more children eligible for the DTC, the reduction is 5.7% of the amount of AFNI over CAD 71,060.

Canada Caregiver Credit

The Canada Caregiver Credit (CCC) is a non-refundable tax credit available to individuals with dependants who have a physical or mental impairment. The claim amount depends on the relationship to the dependant, the individual's circumstances, the dependant's net income, and whether other credits are being claimed for the dependant. Subject to these conditions, in 2023, individuals could claim a maximum of up to CAD 7,999, for those dependants aged 18 or older. The credit is completely phased-out above a net income of CAD 26,782.

Canada Workers Benefit disability supplement

The CWB includes a supplement equal to 27% of each dollar of earned income over CAD 1 150, to a maximum credit of CAD 737, for persons with disabilities in 2022. For single individuals, the CWB disability supplement is reduced by 15% of AFNI above CAD 33 018 and no disability supplement is paid when net income is more than CAD 37 932. For families, the CWB disability supplement is reduced by 15% of AFNI above CAD 43 210 and no disability supplement is paid when family net income is more than CAD 48 124. If both spouses are eligible for the CWB disability supplement, each individual supplement is instead reduced at a rate of 7.5%, reaching zero when AFNI is more than CAD 53 037. The secondary earner exemption described in section 6.1.2 above can also lower a family's AFNI for the purpose of the CWB disability supplement's income test. The parameters described in this paragraph constitute the default national design, but modified parameters may be in effect in provinces with a reconfiguration agreement in place.