



Simplification of IM for the Employer Payroll Environment *E-Payroll:* A Compelling Case for Change Presentation to the Government of Canada IM Day, September 23, 2004



## **Outline**

- Brief Historical Perspective of E-Payroll
- Today's Situation
- The E-Payroll Concept
- Next Steps

9/29/2004



### **Work to Date**

- Initial work began in 2002 when CRA, HRSDC and SDC commissioned CAC to conduct a study, branded "e-Payroll", that examined the feasibility of employers providing electronic submission of current earnings and payroll-related information to a single-window repository, including:
  - Phased implementation
  - Self-service through secure Internet connection to conduct business with GoC
  - Service backed by one common repository for earnings and payroll data
- Study also indicated a number of potential issues and challenges including:
  - governance; service delivery structure; privacy; legislative / regulatory change; business readiness; cultural acceptance; and, pace / cost of change.



## **Work to Date continued**

- The study was followed by further work, both separately and jointly, to review the findings and recommendations of the study.
  - HRSDC and SDC under Modernizing Services for Canadians Initiative
  - CRA under the Future Directions Initiative.
  - A joint departmental working group (Spring 2003) concluded, that "e-Payroll", as it has traditionally been defined, is somewhat of a misnomer because the current challenges and requirements extend beyond the simplistic concept of a single-window repository.
- Data Sharing and Information Management Task Force established March 2004 developed both an E-Payroll vision and blueprint
- Preliminary Business Case completed June 2004
- Full Business Case in progress and to be completed by early Fall 2004

# Today's Situation: Payroll, Earnings and Income Info.

Employee payroll, earnings and income information constitutes the **single most important set of data** required to administer significant
government programs in Canada.

- This data is used as the foundation for 3 major programs: Tax,
   Employment Insurance (EI), and Income Security Program (ISP)
  - More than \$160B in source deductions annually on behalf of Canadians,
  - More than **\$70B** annually in benefit payments (EI, CPP, OAS).
- Other important government programs also use this information:
  - delivery of other income related benefits (e.g. to Canadian veterans),
  - provision of loans to students in every jurisdiction in Canada.
  - provision of social assistance to millions of Canadians in every province in Canada.



# Today's Burdensome Government Requirements

### CRA

Source Deductions (CPP, EI, TAX) GST-HST T4 Summaries Customs Insurability Rulings

### **Employees/Citizens**

EI, CPP MOUs

T1, TD1 EI claim, CPP/OAS applications

> 15.1M withholds per pay period T4s, 1st copy ROEs

SIN applications
CPP/OAS
applications
applications
3M El claims filed

El applications.

**ROEs** 

Bi-weekly EI

reports

2nd copy ROEs 983K Post Audits 3M EI claims filed
100M pension payments issued
25M bi-weekly reports processed
1.5 M SIN requests per year processed
70K business enquiries actioned
600K business contacts initiated
80K Insurability requests initiated

17K Pensionable earnings requests initiated 500K OAS applications processed 485K CPP applications processed 38K Premium Reduction processed CSLP, EI garnishments requested

## Financial Institutions

Source deductions Direct Deposit Pay 2M weekly 1M biweekly 12M monthly 1M quarterly

tax returns

Multitude of frequencies for remittances. Each province has its own rules.

## 3 Million Businesses (includes 1.3M employers)

23M T4s issued
\$160B Tax, CPP, EI withheld &
remitted
15M TD1s prepared
2M Government contacts initiated
4M Enquiries made to Government
8M ROEs issued
50+ Forms
800K Report Requests

Specific Reporting (eg. by sector) Each department has its own rules

### Statistics Canada

Payroll Survey Business Survey

Each municipality has its own rules

Monthly payroll

surveys

**Municipalities** 

## Provinces & territories

Tax,
Quebec source deductions
Health,
workers compensation
transport etc.

Indian & Northern Affairs: Tax exemptions; Justice: Family Orders; Agriculture: Income stabilization; Fisheries & Oceans: Production reporting;

Immigration: Rules for foreign workers

## E-Payroll Concept

- Concept requires employers to provide payroll related information requirements once to a single point on a regular pay run frequency.
- Each pay run transmission from employers will provide individual employee information, which will be identified by the social insurance number (SIN) and business number (BN).
  - Individual information has previously been provided at year end through the T4 process or when earnings have been interrupted (through the Record of Employment ROE).
- Information will be collected through a single-window interface with integrated channels, using an efficient and automated approach.
- Information will be used by departments/agencies in accordance with the Acts and Regulations which govern their programs, as the basis or foundation for the delivery of key government services, benefits, etc.



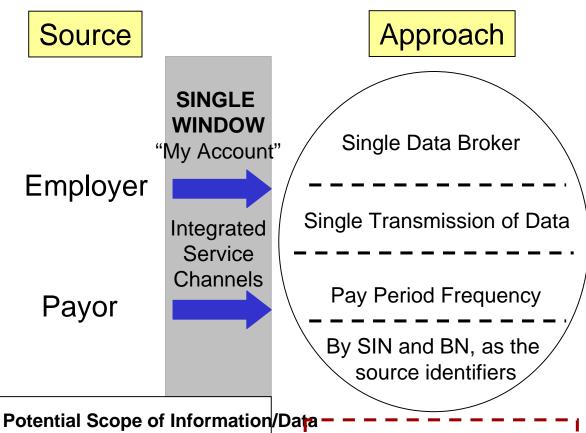
## The E-Payroll Objective

The objective of the E-Payroll initiative is to transform the administration and delivery of key social benefit and revenue programs (e.g., CPP, EI, Tax) through the development of a streamlined and integrated approach to the collection, management and use of payroll, earnings and income information.

- The transformation will create a foundation for a single window for business transactions with the Government of Canada and will help to enable one stop, easy access to service for citizens.
- Key outcomes include:
  - Productivity improvements for business,
  - Streamlined access to benefits for those who are entitled,
  - Less work and cost for tax filers,
  - Cost and/or fiscal savings to government,
  - Enhanced integrity of benefit payments and improved compliance with government requirements,
  - Fairness and equity for citizens and businesses.
- Strategic partnerships and ongoing consultation with employers and within government – are keys for success.



**E-Payroll Concept: Information and Data Management** 



- Employment income
- Taxable benefits
- T4 family of data and other income info slips
- Pensionable earnings
- Insurable earnings
- Contributions (CPP, QPP, EI)
- New hires/termination
- Insurable hours

### **Other Partners**

- Other federal departments (e.g. Veteran's)
- Provinces/Territories (e.g.Health Tax, WCB)
- Municipalities
- Social Assistance

### Outcomes





Government

- For citizens, one-stop, easy and simple
- For employers, single window, reduced cost and improved productivity
- For government, automation, elimination, integrity and compliance



## **Guiding Principles for the E-Payroll Vision**

- Tailored solutions to employer segments (size, scope, and nature of business) to ensure all stakeholders benefit from this opportunity
- Recognition that the stewardship of the data and processes using the data may be different and that data should be independent of applications
- Jointly developed and integrated management approach will be used to implement a "collect once and use often" principle
- Collect only that information which is needed, when it is needed
- Support program delivery
- Significantly reduce the administrative burden
- Decrease the costs associated with multiple demands
- Eliminate or reduce the many paper based systems
- Provide a simplified and better service for all Canadians (employees, citizens and businesses)
- Privacy and security considerations are fundamental

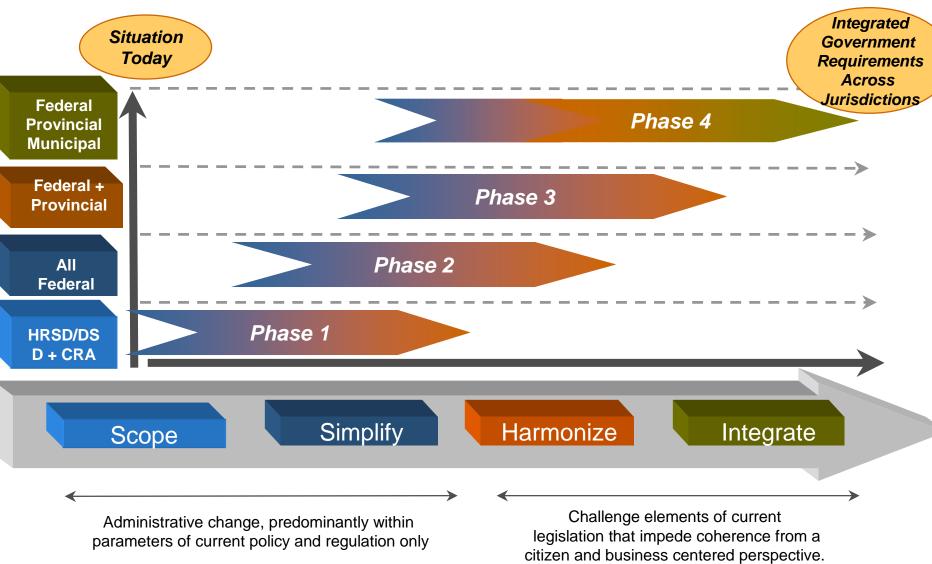
# Stakeholder Requirements for Payroll Environment

Requirements	Business	Government	Citizen
Simplify	<ul> <li>Streamline and automate data reporting requirements</li> <li>Leverage technology</li> <li>Tailored, proactive solutions for small, medium, and large businesses</li> </ul>	Simplify and automate processes  Leverage technology  Improve data integrity  Proactive, government initiated service to citizens	<ul> <li>Simplify the evidentiary burden</li> <li>Eliminate paper and the requirement to apply for some benefits and improve the timeliness of benefit payments</li> </ul>
Harmonize	<ul> <li>Register and authenticate businesses with one business identifier, assigned through a one-time registration process</li> <li>Eliminate duplication (i.e. data re-collection)</li> <li>Harmonize requirements, rules, definitions, and processes</li> </ul>	<ul> <li>Eliminate duplicate data collection; reduce errors and costs</li> <li>Harmonize rules, requirements and definitions</li> <li>Harmonize and improve compliance activities</li> </ul>	Harmonize eligibility rules and definitions across programs from an administrative perspective     Enable automated El, CPP, OAS application and calculation of El claim
Integrate	<ul> <li>Provide convenient, flexible single window access to services through integrated channels</li> <li>Verify up to date information as required, reducing the reliance on post-audit programs</li> </ul>	•Enable electronic access to payroll information  •Verify up to date information as required, reducing the reliance on post-audit programs  •Secure on-line transactions with businesses	<ul> <li>Reduce the need to report information to the government multiple times</li> <li>Simplify the need for personal tax returns</li> <li>Significantly reduce biweekly El reports</li> </ul>

## Challenges

- Legal/Policy Considerations:
  - Collection of information security
  - Access to information and privacy
  - Regulatory changes to simplify and harmonize rules
- 2. Technology Architecture
  - Operational Management of Data
  - Modernization
  - External Stakeholders
- 3. Governance Structure
- 4. Consultation and Co-development with External Stakeholders
- 5. Project Management

# Next Steps: A Phased-in Approach and a Continuum of Transformation



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Strong potential to harmonize programs and integrate payroll related reporting and data collection