

COVID-19 Pandemic Pay: Illustrative Examples of Statutory Entitlements and Contributions

- Using illustrative examples, this presentation will outline the treatment of temporary pandemic pay (hourly and lump sum) for payroll purposes.
- It is meant as a tool to assist in answering any payroll-specific questions employers may have following ministry webinars on temporary pandemic pay.
 - The information and examples provided in this presentation are meant to be illustrative. It should not be considered as legal advice.
 - Each employer is responsible for determining and ensuring compliance with their legal obligations under applicable statutes and/or employment contracts (including collective agreements).

Hourly and pandemic lump sum payment will be administered in accordance with the Employment Standards Act, 2000 and the applicable employment contracts, including collective agreement(s).

The temporary hourly pandemic pay and lump sum payments:

- are non-pensionable earnings (with the exception of CPP contributions)
- are not part of an employee's base salary
- have no impact on benefits paid by employers
- are expected to be subject to statutory withholdings and remittances or employer costs associated with Canada Pension Plan (CPP), Employment Insurance (EI), Workplace Safety and Insurance Board (WSIB) premiums and Employer Health Tax (EHT) and income tax. The determination of income tax treatment, withholding and remittances, as well as treatment for CPP and EI is within the purview of the Canada Revenue Agency.

Temporary pandemic hourly pay is the additional \$4 per hour that will be paid to eligible workers on top of their existing hourly wages.

The amount is calculated by counting the number of hours worked by an eligible worker.

EXAMPLE

1

Eligible worker A works 30 regular hours in a single week.

- 30 hours x \$4/hr = \$120
- Total temporary pandemic hourly pay = \$120

EXAMPLE

2

Eligible worker B works 44 regular hours and 10 overtime hours at 1.5x premium (as per the ESA) in a single week.

- 44 hours x \$4/hr = \$176
- 10 overtime hours x (\$4/hr x 1.5x overtime premium as per the ESA) = \$60
- Total pandemic hourly pay = \$236

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Temporary pandemic lump sum payments are payments of \$250 made after each designated 4-week period to eligible employees who work over 100 hours during that period.

The eligibility is determined by counting the number of hours worked by an eligible worker and if that number is equal to 100 hours or more in a designated 4-week period that eligible worker will receive \$250.

EXAMPLE

3

Eligible worker A works 100 regular hours in a designated 4-week period.

- Eligible worker A meets criteria and is paid one \$250 lump sum for the 4-week period.

EXAMPLE

4

Eligible worker B works 200 regular hours in a designated 4-week period.

- Eligible worker B meets criteria and is paid one \$250 lump sum for the 4-week period.

EXAMPLE

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Eligible worker C works 90 regular hours and 10 overtime hours at 1.5x premium in a designated 4-week period.

- 90 regular hours + 10 overtime hours = 100 total hours
- Eligible worker C meets the criteria and is paid one \$250 lump sum for the 4-week period.

EXAMPLE

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Eligible worker D works 90 regular hours and 8 overtime hours in a 4-week period.

- 90 regular hours + 8 overtime hours = 98 total hours
- Eligible worker D does not meet the criteria for the lump sum payment.

EXAMPLE

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Eligible worker E works for multiple employers. She works 80 hours for employer X, 16 hours for employer Y and 8 hours for employer Z. Worker E completes the "Temporary Pandemic Pay Attestation: Multiple Employers Form" and submits it to employer X.

- 80 hours + 16 hours + 8 hours = 104 total hours
- Eligible worker E meets criteria and is paid one \$250 lump sum for the 4-week period by employer X. Employer X makes applicable withholdings and contributions.

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The ESA sets out a minimum standard of 4% to be paid out to employees (or 6% for employees with more than 5 years service) when they take vacation time, or on each pay period, or at some other time agreed to by the employer and the employee.

EXAMPLE



Eligible worker A is paid vacation pay in the amount of 4% on eligible earnings. Eligible worker A received \$400 temporary pandemic hourly pay and \$250 lump sum pay.

- $\$400 \text{ temporary pandemic hourly pay} \times 4\% = \16 vacation pay
- $\$250 \text{ lump sum pay} \times 4\% = \10
- $\text{Total vacation pay on lump sum and temporary hourly pay} = \26

Most employees are entitled to be paid for public holidays per the ESA (e.g. Victoria Day, Canada Day), in accordance with a statutory formula

Holidays may differ from workplace to workplace if employees have a greater right or benefit than the ESA in an employment contract (including a collective agreement) or compensation directive where applicable.

Special rules may apply depending on whether the public holiday falls on a regular work day for the employee or not, or if the employee works in a type of job that may be required to work on a public holiday. The Ministry of Labour, Training and Skills Development offers a [Public Holiday Pay Calculator](#) to help employers and employees calculate public holiday pay.

For the purposes of calculating Public Holiday Pay, both hourly and lump sum pandemic pay are considered regular wages.

The manner in which overtime pay is calculated varies depending on whether the worker is paid on an hourly basis, on a fixed salary, or has a fluctuating salary.

For the purposes of calculating the number of hours worked to determine eligibility for the pandemic lump sum payment, all hours (including overtime hours) are calculated at straight time.

EXAMPLE



Eligible worker A works 10 overtime hours and receives a 1.5x premium on overtime as per the worker's employment contract.

- 10 overtime hours x (\$4/hr x 1.5x overtime premium as per the employment contract) = \$60 of temporary hourly pandemic pay on those overtime hours.

- Employers are responsible for deducting, remitting, and reporting payroll deductions.
- Useful information is available in the [Employers' Guide – Payroll Deductions and Remittances](#) which includes the following tools:
 - the Payroll Deductions Online Calculator ([PDOC](#))
 - the Payroll Deductions Tables ([T4032](#))
 - the Payroll Deductions Supplementary Tables ([T4008](#))
 - the Payroll Deductions Formulas ([T4127](#))
- For the purposes of payroll deductions and remittances, temporary pandemic pay should generally be treated the same by an employer as other amounts paid as salary or wages.
- Employers should consult with their professional advisors and/or the Canada Revenue Agency regarding their CPP, EI and income tax withholding obligations.

Canada Pension Plan contributions provide certain benefits after retirement. Both employers and employees are required to contribute based on a formula up to the maximum pensionable earnings. The 2020 maximum pensionable earnings is \$58,700.

EXAMPLE

10

Eligible worker A is paid weekly and has earned \$400 in pandemic hourly pay. Eligible worker A has not reached maximum pensionable earnings.

- $\$400 \times 5.25\% = \21.00
- The employer will pay \$21.00 in Employer CPP Contributions relating to temporary pandemic pay.

*Note: This example is illustrative only. Actual amounts may vary.

Both employers and employees are required to contribute based on a formula up to the maximum insurable earnings. The maximum insurable earnings is \$54,200 effective January 1, 2020.

EXAMPLE

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Eligible worker A is paid weekly and has earned \$400 in pandemic hourly pay. Eligible worker A has not reached maximum insurable earnings.

- $\$400 \times 2.212\% = \8.85
- The employer will pay \$8.85 in Employer EI Premiums relating to temporary pandemic pay.

*Note: This example is illustrative only. Actual amounts may vary.

Payroll tax on remuneration paid to employees and former employees. Rates can vary depending on the employer's total Ontario payroll amount.

EXAMPLE

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Eligible worker A is paid weekly and has earned \$400 in pandemic hourly pay. A tax rate of 1.95% applies to the employer and the employer is not entitled to the exemption amount.

- The employer must include the \$400 in their total Ontario remuneration for the purposes of determining their Employer Health Tax liability.
- $\$400 \times 1.95\% = \7.80
- Since the employer in this example is not entitled to the exemption amount, then the employer should expect to pay an additional \$7.80 in Employer Health Tax.

*Note: This example is illustrative only. Actual amount may vary.

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Summary of Resources

Resource	Link
Temporary Pandemic Pay Website	https://www.ontario.ca/page/covid-19-temporary-pandemic-pay
Public Holiday Pay Calculator	https://www.ontario.ca/page/public-holiday-pay-calculator
Employers' Guide – Payroll Deductions and Remittances	https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/t4001/employers-guide-payroll-deductions-remittances.html
Payroll Deductions Online Calculator	https://www.canada.ca/en/revenue-agency/services/e-services/e-services-businesses/payroll-deductions-online-calculator.html
Payroll Deductions Tables	https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/payroll/t4032-payroll-deductions-tables.html
Payroll Deductions Supplementary Tables	https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/payroll/t4008-payroll-deductions-supplementary-tables.html
Payroll Deductions Formulas	https://www.canada.ca/en/revenue-agency/services/tax/businesses/topics/payroll/t4127-payroll-deductions-formulas-computer-programs.html
Employment Standards Act, 2000	https://www.ontario.ca/laws/statute/00e41
Ontario Guide to the Employment Standards Act	https://www.ontario.ca/document/your-guide-employment-standards-act-0

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