

### Federal budget special edition

Standard Life is pleased to provide you with this special edition of our quarterly newsletter, *Legislation matters*, addressing measures proposed in the Federal budget by Federal Minister of Finance, Mr. Jim Flaherty. Tabled on March 21, 2013, the measures proposed below might have an impact on retirement and group insurance plans in Canada.

#### 1. Pooled Registered Pension Plans (PRPPs)

The federal government announced that it will continue to work closely with the provinces to encourage implementation of the PRPP framework in a timely manner.

Since the federal government passed on December 14, 2012 the federal PRPP legislation and regulations, including the tax measures, few provinces have introduced or announced their intent to introduce the PRPP in their province:

- ▶ On February 28, 2013, the Minister of Finance of British Columbia, Mr. Michael de Jong, introduced a new legislation (Bill 16) that would create the PRPP for all B.C. workers. However, the B.C. legislature prorogued on March 14, 2013 and therefore, Bill 16 died on the order paper. It will be up to the new elected B.C. government to reintroduce another PRPP Act after the election, which is scheduled to be held on May 14, 2013.
- ▶ On March 20, 2013, the Minister of Finance of Saskatchewan, Mr. Ken Krawetz, announced in his budget that the Saskatchewan government will be introducing The Pooled Registered Pension Plans Act in 2013 for all workers in Saskatchewan.

It is expected that some other provinces will announce their intent to introduce the PRPP in 2013 as well.

#### 2. Registered Pension Plans: Correcting Contribution Errors

The federal government proposes to amend the tax rules to make it less time-consuming for pension plan administrators and employers to refund a contribution made to a Registered Pension Plan (RPP) as a result of a reasonable error.

The income tax rules that apply to RPPs currently allow RPP over-contributions to be refunded to plan members or employers, if the refund is made to avoid the revocation of registration of the RPP.

However, in situations where RPP contribution limits have not been exceeded, there is no legislative provision that permits the refund of a contribution that was made as the result of a reasonable error (e.g., an employer made a mistake in calculating the members' or employer's contributions for a particular year). Instead, refunds of such contributions are currently allowed at the discretion of the Canada Revenue Agency (CRA) on a case-by-case basis.

It is proposed to enable administrators of RPPs to make refunds of contributions in order to correct reasonable errors without first obtaining approval from the CRA, if the refund is made no later than December 31 of the year following the year in which the inadvertent contribution was made. If an RPP administrator seeks to correct a contribution error after the deadline, the existing procedure of seeking authorization from the CRA will continue to apply.

This measure will apply in respect of RPP contributions made on or after the later of January 1, 2014 and the day of Royal Assent to the enacting legislation.

### 3. Other Measures Concerning Pension Plans

#### New Options for Troubled Pension Plans

The federal government proposes to introduce changes to the distressed pension workout scheme to facilitate the resolution of plan-specific problems that arise when plan sponsors face funding challenges.

The federal government will undertake consultations on this initiative.

#### GST/HST Pension Plan Rules

The federal government proposes to reduce the compliance burden for employers under the Goods and Services Tax/Harmonized Sales Tax (GST/HST) pension plan rules by allowing an employer and a pension plan to not account for deemed tax or for actual tax in certain circumstances.

### 4. Measures Concerning Health Care and Persons with Disabilities

The federal government proposes the following measures concerning health care and persons with disabilities:

- ▶ Expansion of health-related tax relief under the GST/HST exemption for publicly funded homemaker services to include personal care services, such as bathing and feeding, provided to individuals who, due to age, infirmity or disability, require such assistance at home.

- ▶ Funding of \$3 million over three years to the Pallium Foundation to support training in palliative care to front-line health care providers.
- ▶ Enhancement of health services for First Nations and Inuit, including mental health services.
- ▶ Introduction of a new generation of the Labour Market Agreements for Persons with Disabilities by 2014 that will be designed to better meet the employment needs of Canadian businesses and improve the employment prospects for persons with disabilities.
- ▶ Time-limited \$2-million investments to support the creation of the Canadian Employers Disability Forum to facilitate education, training and sharing of resources and best practices concerning the hiring and retention of persons with disabilities.
- ▶ Strong encouragement from the federal government to a certain number of provinces and territories to take action in facilitating greater access to Registered Disability Savings Plans (RDSPs).