

# July 2016 Canadian Payroll Tax Update

## For Microsoft Dynamics® GP

Applies to:

- Microsoft Dynamics GP 2013 R2
- Microsoft Dynamics GP 2015 R2
- Microsoft Dynamics GP 2016

**Summary:** This document contains instructions for installing the July 2016 Canadian Payroll Tax Update for Microsoft Dynamics GP.

This document assumes that you are familiar with Microsoft Dynamics GP Canadian Payroll.

### [Changes in this update](#)

[British Columbia](#)

[New Brunswick](#)

[Newfoundland and Labrador](#)

[Quebec Health Contribution](#)

[Prince Edward Island](#)

[Resources to assist you](#)

[Preparing for installation](#)

[Installing the tax update](#)

[Copyright and legal notices](#)

## Changes in this update

The July 2016 Canadian Payroll Tax Update contains the following changes and additions.

### Federal tax changes

There are no new federal tax changes in this update round.

### Provincial and territorial tax changes

The following provinces have tax changes:

- British Columbia
- New Brunswick
- Newfoundland and Labrador
- Quebec Health Contribution

#### British Columbia

Effective for the 2016 tax year, the tax reduction phase-out threshold is increased to \$19,400 from \$19,171, and the phase-out rate is increased to 3.56% from 3.50% of net income.

Since these changes are effective January 1, 2016, prorated values will be applied for the remaining six months commencing with the first payroll in July. Effective July 1, 2016, the tax reduction phase-out threshold is \$19,629. The tax reduction phase-out rate is 3.62% of net income.

#### New Brunswick

Effective July 1, 2016: In the provincial Budget 2016 of February 2, 2016, changes were announced to the provincial tax rates and income thresholds. For the 2016 and subsequent tax years, the province is eliminating the top marginal personal income tax rate of 25.75% (for taxable income greater than 250,000) and lowering the rate from 21% to 20.3% for taxable income over \$150,000.

Since employees in these income tax brackets have been taxed at the higher rates for the first six months of this year, a prorated tax rate will be applied for the remaining six months commencing with the first payroll in July. Income levels and tax rates that are effective on July 1 for New Brunswick are as follows:

Annual taxable income A (\$)	Rate V	Constant KP (\$)
\$0.00 – \$40,492	0.0968	\$0.00
\$40,492 – \$80,985	0.1482	\$2,081
\$80,985 – \$131,664	0.1652	\$3,458
\$131,664 – \$150,000	0.1784	\$5,196
\$150,000 – \$250,000	0.1960	\$7,836
\$250,000 and over	0.1485	\$-4,039

## Newfoundland and Labrador

Effective July 1, 2016, In the provincial budget 2016 of April 14, 2016, changes were announced to the provincial tax rates. Since employees in these income tax brackets have been taxed at lower rates for the first six months of this year, a prorated tax rate will be applied for the remaining six months commencing with the first payroll in July. Income levels and tax rates that are effective on July 1 for Newfoundland are as follows:

Annual taxable income A (\$)	Rate V	Constant KP (\$)
\$0.00 – \$35,148	0.087	\$0.00
\$35,148 – \$70,295	0.145	\$2,039
\$70,295 – \$125,500	0.158	\$2,952
\$125,500 – \$175,700	0.173	\$4,835
\$175,700 and over	0.183	\$6,592

### Deficit Reduction Levy (The calculation of this was changed dramatically on May 25)

The Budget announced that Newfoundland and Labrador residents will be subject to a new Deficit Reduction Levy based on individual taxable income. This new levy will be applicable beginning on July 1, 2016. Individuals with taxable income of \$50,000 or less will be exempt.

Factor V2 will also represent the levy.

Effective July 1, 2016, the Deficit Reduction Levy for Option 1 is calculated as follows:

- When taxable income is less than or equal to \$50,000, the levy is \$0;
- When taxable income is greater than \$50,000 and less than or equal to \$55,000, the levy is equal to 10% of the lesser of (i) \$1,000; and (ii) the taxable income greater than \$50,000;
- When taxable income is greater than \$55,000 and less than or equal to \$60,000, the levy is equal to \$100 plus 10% of the lesser of (i) \$1,000; and (ii) the taxable income greater than \$55,000;
- When taxable income is greater than \$60,000 and less than or equal to \$65,000, the levy is equal to \$200 plus 10% of the lesser of (i) \$1,000; and (ii) the taxable income greater than \$60,000;
- When taxable income is greater than \$65,000 and less than or equal to \$70,000, the levy is equal to \$300 plus 10% of the lesser of (i) \$1,000; and (ii) the taxable income greater than \$65,000;
- When taxable income is greater than \$70,000 and less than or equal to \$75,000, the levy is equal to \$400 plus 10% of the lesser of (i) \$1,000; and (ii) the taxable income greater than \$70,000;
- When taxable income is greater than \$75,000 and less than or equal to \$80,000, the levy is equal to \$500 plus 10% of the lesser of (i) \$1,000; and (ii) the taxable income greater than \$75,000;
- When taxable income is greater than \$80,000 and less than or equal to \$100,000, the levy is equal to \$600 plus 10% of the lesser of (i) \$1,000; and (ii) the taxable income greater than \$80,000;

- When taxable income is greater than \$100,000 and less than or equal to \$125,000, the levy is equal to \$700 plus 10% of the lesser of (i) \$1,000; and (ii) the taxable income greater than \$100,000;
- When taxable income is greater than \$125,000 and less than or equal to \$175,000, the levy is equal to \$800 plus 10% of the lesser of (i) \$1,000; and (ii) the taxable income greater than \$125,000;
- When taxable income is greater than \$175,000 and less than or equal to \$250,000, the levy is equal to \$900 plus 10% of the lesser of (i) \$1,000; and (ii) the taxable income greater than \$175,000;
- When taxable income is greater than \$250,000 and less than or equal to \$300,000, the levy is equal to \$1,000 plus 10% of the lesser of (i) \$1,000; and (ii) the taxable income greater than \$250,000;
- When taxable income is greater than \$300,000 and less than or equal to \$350,000, the levy is equal to \$1,100 plus 10% of the lesser of (i) \$1,000; and (ii) the taxable income greater than \$300,000;
- When taxable income is greater than \$350,000 and less than or equal to \$400,000, the levy is equal to \$1,200 plus 10% of the lesser of (i) \$1,000; and (ii) the taxable income greater than \$350,000;
- When taxable income is greater than \$400,000 and less than or equal to \$450,000, the levy is equal to \$1,300 plus 10% of the lesser of (i) \$1,000; and (ii) the taxable income greater than \$400,000;
- When taxable income is greater than \$450,000 and less than or equal to \$500,000, the levy is equal to \$1,400 plus 10% of the lesser of (i) \$1,000; and (ii) the taxable income greater than \$450,000;
- When taxable income is greater than \$500,000 and less than or equal to \$550,000, the levy is equal to \$1,500 plus 10% of the lesser of (i) \$1,000; and (ii) the taxable income greater than \$500,000;
- When taxable income is greater than \$550,000 and less than or equal to \$600,000, the levy is equal to \$1,600 plus 10% of the lesser of (i) \$1,000; and (ii) the taxable income greater than \$550,000;
- When taxable income is greater than \$600,000, the levy is equal to \$1,700 plus 10% of the lesser of (i) \$1,000; and (ii) the taxable income greater than \$600,000.

## Quebec Health Contribution

An announcement on March 17, 2016, indicated that the health contribution would be reduced gradually beginning in 2016 and eliminated in 2018. For 2016, the maximum amount of the health contribution has been reduced as follows

- From \$100 to \$50 for income greater than \$18,570, but not greater than \$41,265.
- From \$200 to \$175 for income greater than \$41,265, but not greater than \$134,095.

You must use the reduced amounts when calculating source deductions of income tax for any pay period beginning after June 30, 2016.

<b>Estimated annual net income</b>		<b>Health contribution (Z)</b>
<b>More than</b>		
\$0.00-\$41,265		\$0.00
\$41,265-\$134,095	Whichever is less:	<ul style="list-style-type: none"> <li>• \$150 or</li> <li>• 5% x (R - \$41,265)</li> </ul>
\$134,095	Whichever is less:	<ul style="list-style-type: none"> <li>• \$150 or</li> <li>• \$150 + [4% x (R - \$134,095)]</li> </ul>

<b>Annual taxable income A (\$)</b>	<b>Rate V</b>	<b>Constant KP (\$)</b>
0 - \$44,701	0.0576	0
\$44,701 - \$89,401	0.0832	1,144
\$89,401 - \$138,586	0.1036	2,968
\$138,586 - \$500,000	0.1284	6,405
\$500,000 and over	0.1724	28,405

## **Index and personal tax credit changes**

The following index and personal tax credit changes are included in this update round.

### **Prince Edward Island**

Effective January 1, 2016, the province will increase the basic personal amount to \$8,000 from \$7,708. Since \$7,708 has been used for employees for the first six months of this year, a basic personal amount of \$8,292 will be applied for the remaining six months commencing with the first payroll in July.

## Resources to assist you

If you have questions about Canadian Payroll tax updates and your Microsoft Partner isn't available, there are several resources, in addition to this document, to assist in answering your questions.

### Canadian Payroll Tax Update on CustomerSource

(<https://mbs.microsoft.com/customersource/support/downloads/taxupdates>)

Look here to find out the tax changes included in each update and to download the update. All instructions for downloading and installing the tax updates also are provided here.

### Knowledge Base

(<https://mbs.microsoft.com/knowledgebase/search.aspx>)

Provides you with instant access to the same database our support engineers use. You can find answers to common questions, along with technical tips and performance recommendations.

### eSupport

(<https://mbs.microsoft.com/support/newstart.aspx>)

For support requests that can be handled with e-mail. On average, the response time is nearly twice as fast as telephone support.

### Discussion

(<https://mbs.microsoft.com/customersource/newsgroups>)

Start a tax update discussion with other members of the Microsoft customer community. This database provides you with the opportunity to exchange information with other customers, which is perfect for providing tips and answers to questions about tax updates.

### Microsoft Dynamics Human Resources/Payroll support team

We have a support team focused 100 percent on providing service and support to our Payroll customers. If you have questions, dial toll free 888-GPS-SUPP (888-477-7877).

## Preparing for installation

Use the instructions in this section to prepare for the July 2016 Canadian Payroll Tax Update. For detailed information about the changes in the current tax update round, see [Changes in this update](#).

### Are you using a supported version?

To identify the version you're using, start Microsoft Dynamics GP. For Microsoft Dynamics GP, click Help, and then click About Microsoft Dynamics GP. The information window displays the version number in the lower right corner. For Microsoft Dynamics GP Canadian Payroll, on the Microsoft Dynamics GP menu, point to Tools, point to Setup, point to Payroll Canada, and then click Control. The Payroll Control Setup Canada window displays the version number in the upper left corner.

The following releases are supported in this Canadian Payroll Tax Update.

- Microsoft Dynamics GP 2013 R2
- Microsoft Dynamics GP 2015 R2
- Microsoft Dynamics GP 2016

If you're not using one of the supported versions, you must update to a supported version before installing this tax update.

## Where to get service packs

Download service packs from CustomerSource.

- Microsoft Dynamics GP 2013:  
<https://mbs.microsoft.com/customersource/northamerica/GP/downloads/tax-regulatory-updates/cagptuye2013>
- Microsoft Dynamics GP 2015:  
<https://mbs.microsoft.com/customersource/northamerica/GP/downloads/tax-regulatory-updates/cagptuye2015>
- Microsoft Dynamics GP 2016  
Service packs are not yet available for Microsoft Dynamics GP 2016

## Installing the tax update

The July 2016 Canadian Payroll Tax Update must be installed on each client workstation where Microsoft Dynamics GP is used. Before installing the update, be sure to complete the following tasks:

- All users should exit Microsoft Dynamics GP until the update has been installed on all workstations.
- Close all programs, turn off the screen saver, and back up important data and programs before continuing with the update.
- Save backup copies of your Reports.dic, R7131.dic, F7131.dic, Forms.dic, and Dynamics.vba files, if these files are present in your installation.

## Installing the tax update

When installing the update, you should be aware of the following:

1. Obtain the update file from your Microsoft Partner or download it from CustomerSource (<https://mbs.microsoft.com/customersource/support/downloads/taxupdates/>).

For Microsoft Dynamics GP 2013, the filename is:

- MicrosoftDynamicsGP12-3164588-ENU.msp (English)
- MicrosoftDynamicsGP12-3164591-ENU.msp (French)
- MicrosoftDynamicsGP12-3164590-ENU.msp (Spanish)

For Microsoft Dynamics GP 2015, the filename is:

- MicrosoftDynamicsGP14-3164592-ENU.msp (English)
- MicrosoftDynamicsGP14-3164594-ENU.msp (French)
- MicrosoftDynamicsGP14-3164593-ENU.msp (Spanish)

For Microsoft Dynamics GP 2016, the filename is:

- MicrosoftDynamicsGP16-3164595-ENU.msp (English)
- MicrosoftDynamicsGP16-3164598-ENU.msp (French)
- MicrosoftDynamicsGP16-3164597-ENU.msp (Spanish)

2. Double-click the file that you just downloaded. Progress windows appear as space requirements are verified and files are installed.

3. A message may appear, asking if you want to restart now or later. Click Yes to restart now, you will need to run the update file again after restarting.
4. After the installation is finished, manually restart your computer if a message directed you to do so earlier.
5. Start Microsoft Dynamics GP Utilities.
6. In the Welcome to Microsoft Dynamics GP Utilities window, verify your server name, enter the system administrator user ID and password, and click OK.
7. In the second welcome window, click Next.
8. In the Upgrade Microsoft Dynamics GP window, click Next. The Server Installation Progress window describes the process as it progresses.
9. In the Upgrade these companies window, click Next. All companies are selected to be updated.
10. In the Confirmation window, click Finish. Microsoft Dynamics GP Utilities updates your company databases. This process may take several minutes to complete. The Server Installation Progress window describes the process as it progresses.
11. After the update process is finished and is successful, the Additional Tasks window opens. If the update process wasn't successful, the Update Company Tables window opens. To contact Microsoft Dynamics GP Technical Support, see Resources on page 2 for more information.
12. In the Additional Tasks window, choose Update modified forms and reports and click Process. The Locate Launch File window appears.
13. Select the location of the launch file (Dynamics.set). In most cases you can accept the default location. Click Next. The Update Modified Forms and Reports window appears.
14. Mark the check box next to Microsoft Dynamics GP and any additional components listed.
15. When you mark a component's check box, a Product Details window may appear, allowing you to select the location of the component's original code dictionary. You also can open the Product Details window by selecting a component and clicking Details. When you apply an update (.msp file), any dictionaries whose compatibility ID has changed are backed up to a folder named "Version <Version Number> Backup". This folder is located in the same folder as Dynamics.exe. The <Version Number> value is the version you were using before applying the update. If the original dictionary exists in the backup folder, Microsoft Dynamics GP Utilities will automatically display its location in the Product Details window, and you can click OK to accept the location. If the location is missing or incorrect, click the file folder icon and browse to the appropriate location.
16. When you have finished selecting components, click Update. A Report Update Progress window displays the status of the update. When the process finishes, click Close. Log files containing detailed information are saved in the \Data folder. For each component, a report named "Update<Version\_Name>.log is generated. An update summary named "Update<Version>.txt is also generated.
17. In the Modified Forms and Reports window, click Next. The Additional Tasks window opens where you can start Microsoft Dynamics GP, or exit Microsoft Dynamics GP Utilities.
18. We recommend that you start Microsoft Dynamics GP and review all your modified forms and reports to verify whether they were updated correctly.

19. After the update to tables is completed, you can set up Automated Client Update to update all client workstations. For information about setting up the automatic updates, refer to your System Administrator manual.
20. Confirm that the update is installed on each workstation. The Last Tax Update field in the Payroll Control Setup – Canada window (On the Microsoft Dynamics GP menu, point to Tools, point to Setup, point to Payroll – Canada, and then click Control) should be 6/17/2016. If the date is earlier, use the instructions in the following Knowledge Base article to verify that the update is installed: <https://support.microsoft.com/en-us/kb/981312>.

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