

## EMPLOYERS HEALTH TAX IMPLEMENTATION DETAILS RELEASED

The provincial government recently released a [media brief](#) and a [tax notice](#) regarding the proposed employer health tax (EHT) announced in Budget 2018. This media brief lists public sector service providers exempted from the tax and the tax notice provides general information about the calculation of “payroll”.

### Local Government Employers to be Taxed

Local government employers did not receive an exemption and will be required to pay the proposed Employers Health Tax.

The media brief released on July 4<sup>th</sup> states “the transition to the EHB includes funding that ensures public services will not be impacted. This includes funding for colleges and teaching universities, research universities, community-health and social-service providers, school districts and health authorities”. The Government announced it has budgeted an estimated \$90 million to offset the

exemption of the provincial public sector organizations listed above.

Regarding local government employers, Finance Minister Carole James stated “the calculations we did is even if municipalities took all of the costs of the EHT and put it on to home owners you would only be looking at about \$20 to \$40 per household in additional costs... Most municipalities won’t even look at that because they will be able to absorb those costs.”

### Employer Health Tax Notice Defines “Payroll”

It is important to note that the *Employer Health Tax Notice* also contains important information about the proposed EHT which will come into effect when the legislation is enacted in the fall of 2018. The notice

defines payroll as “employment income and taxable benefits under the *Income Tax Act*”. The list of included and excluded items is lengthy and complex (see Table 1).

Table 1: Items included or excluded in “payroll” for the purpose of calculating the EHT

Included Items:	Excluded Items:
<ul style="list-style-type: none"> <li>• Salary and wages</li> <li>• Advances of salary and wages</li> <li>• Payments for casual labour</li> <li>• Bonuses, commissions and other similar payments</li> <li>• Vacation payments</li> <li>• Gratuities or tips paid through an employer</li> <li>• Taxable allowances and benefits</li> <li>• Directors’ fees paid to directors of corporations</li> <li>• Amounts paid by an employer to top up benefits (e.g. top up for maternity or paternity leave)</li> <li>• Stock option benefits</li> <li>• Employer-paid contributions to an employee’s Registered Retirement Savings Plan</li> <li>• Employer-paid group life insurance premiums</li> </ul>	<ul style="list-style-type: none"> <li>• Registered pension plan contributions</li> <li>• Private health services plan (i.e., extended health) contributions</li> <li>• Supplementary unemployment benefit plan contributions</li> <li>• Deferred profit sharing plan contributions</li> <li>• Retirement compensation arrangement contributions</li> <li>• Pension, annuity or superannuation payments paid by an employer to a retired employee</li> </ul>

For the complete listing, see [here](#).

## QUESTIONS?

If you have any comments or questions about this update please contact *Rob D’Angelo*, Division Manager, Information & Advisory Services and Compensation at 604-432-6233 or by email at [rob.dangelo@metrovancover.org](mailto:rob.dangelo@metrovancover.org).