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B.C. Employer Health Tax

Effective January 1, 2019, the B.C. government has introduced an annual tax that B.C. Employers will have to pay. This will be accompanied by an elimination of the Medical Service Premiums, which will be effective January 1, 2020. We have put together the following information that you need to know regarding the new tax.

Who has to pay?

Employers paying wages in B.C. greater than \$500,000 in a calendar year must register for the employer health tax. Employers include an individual, a corporation, a partnership, a trust, or a government.

If you are associated with other employers, you must share the \$500,000 exemption. If you begin or cease to have a permanent establishment in B.C. during the calendar year, the exemption amount is prorated. Associated is a tax term that essentially means that all the businesses that you own and control.

Note: The employer health tax is separate and distinct from remitting source deductions or MSP premiums.

The employer health tax applies differently to registered charitable and non-profit employers. Charitable or non-profit employers paying wages in B.C. calculate the employer health tax for each of their qualifying locations separately. Each qualifying location may be eligible for an exemption. The employer health tax for a calendar year is the total of each qualifying location's employer health tax.

Charitable or non-profit employers that pay B.C. remuneration of \$4,500,000 or less at a qualifying location are eligible for an exemption amount of \$1,500,000 for that location.

Note: Employers who are associated with a charitable or non-profit employer are not required to share the exemption with the charitable or non-profit employer.

For charitable or non-profit employers, a qualifying location is the land or premises, where you have a permanent establishment, you have an exclusive right to the use the property and no one else uses the property with you. Of course, the actual rules are a bit more technical, but for the most part if you have a location, office, church or branch that is used by your organization, and only your organization, that will be seen as a qualifying location.

How much do you have to pay?

Employers with B.C. remuneration:

- Of \$500,000 or less don't pay employer health tax (Yeah!)

Accounting... for your peace of mind.

- Between \$500,000.01 and \$1,500,000 pay the reduced tax amount, calculated as 2.925% x (B.C. remuneration - \$500,000)
- Greater than \$1,500,000 pay the tax on their total B.C. remuneration, calculated as 1.95% x total B.C. Remuneration

For charitable or non-profit employers, each qualifying location with B.C. remuneration:

- Of \$1,500,000 or less you do not pay employer health tax for the location (Yeah!)
- Between \$1,500,000.01 and \$4,500,000 you pay a reduced tax amount for the location, calculated as 2.925% x (B.C. remuneration for the location - \$1,500,000)
- Greater than \$4,500,000 pay 1.95% of the location's total B.C. remuneration

On what amounts do you pay?

An employer's B.C. remuneration is basically wages paid to employees in BC. There are some more precise and complicated rules if you have employees working outside of the province so if you have that situation, give us a call to discuss.

When you calculate your remuneration, you must include the following:

- Salaries and wages
- Bonuses, commissions and other similar payments
- Advances of salaries and wages
- Vacation pay
- Gratuities or tips paid through an employer
- Other taxable allowances and benefits paid to or on behalf of an employee
- Directors' fees
- Amounts paid by an employer to top up benefits (e.g. maternity or paternity leave)
- Stock option benefits
- Employer-paid contributions to an employee's Registered Retirement Savings Plan (RRSP)
- Employer-paid group life insurance premiums
- Employer-paid contributions to employee trusts and employee profit sharing plans

Basically, if it is reported on a T4 slip you have to pay EHT on it. There are a few exceptions so if you have any questions just give us a call.

How do you register?

Registration begins January 7, 2019. Employers who are going to have to pay will first need to register for an employer health tax account using eTaxBC (www.etax.gov.bc.ca/btp/eservices). The registration process will take approximately 10 to 20 minutes. Once your registration is processed, you will receive an employer health tax account number. An employer health tax account number is 11-characters long and will be in the following format: EHT-1234-5678.

Once you have registered for an employer health tax account you can enrol for access to eTaxBC, or if you already have an eTaxBC account, you can log on to add access to your employer health tax account.

If you must pay an instalment for employer health tax in the 2019 calendar year (see below), you must register by May 15, 2019. All other employers that are required to register must register by December 31, 2019.

When do you need to file a return and when do you need to pay?

Once you have registered to pay the employer health tax you can file and pay your tax returns online using eTaxBC. The first employer health tax return is due on March 31, 2020 and must be filed electronically through eTaxBC. Every March 31 from here on, you will have to file a return. There are different deadlines if you have ceased to have a permanent establishment in B.C., or if you have declared bankruptcy during the year.

If your employer health tax in the previous calendar year exceeded \$2,925, (Why they could not make it an even \$3,000 no one knows) you must make quarterly instalment payments based on the amount owing in the prior year, or the current year's estimated tax if it's more.

Note: Instalment payments will be required in the 2019 calendar year. The instalments in the first year will be based on the wages paid in 2018 and the expected wages to be paid in 2019. So, if you are over the thresholds mentioned above you are going to need to pay instalments starting June 15, 2019!

Instalments are due during the calendar year on, June 15, September 15 and December 15. The remaining tax payable is due with the employer health tax return by March 31 of the following calendar year. If you are not required to make instalments, you must pay the entire balance of tax owing on or before the employer health tax return due date of March 31 of the following calendar year.

Note: Charitable and non-profit employers must pay instalments if their employer health tax in the previous calendar year exceeded \$2,925

We trust this summary of the new tax has been helpful. Each situation is unique, and we are happy to discuss the implications of this new tax on your business. Please contact our offices at 604-854-3733.