

CANADIAN FAQ FOR THE TAX SAVVY

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NEW EMPLOYER HEALTH TAX

Tax Question:

What is the new Employer Health Tax?

Facts:

The 2018 budget released by the BC government will eliminate Medical Services Plan (MSP) premiums effective January 1, 2020 and provide funding for MSP through a new employer health tax.

Discussion:

Currently there is MSP premium assistance available only to those households who qualify as low income households. That means all middle and high income earners pay the same MSP premiums currently. These premiums have been reduced as of January 1, 2018 and will be eliminated entirely as of January 1, 2020.

To replace the current MSP premiums system, the Province of BC is implementing a new payroll tax called the Employer Health Tax (EHT) as of January 1, 2019. This new payroll tax will be calculated to a maximum of 1.95% of total payroll.

Commencing January 1, 2019:

- Businesses with annual payroll under \$500,000 will not pay the tax.
- Businesses with annual payroll between \$500,000 and \$1.5 million will pay a reduced tax rate of 2.925% on total payroll less \$500,000 exemption.
- Businesses with annual payroll of more than \$1.5 million will pay a rate of 1.95% on their total payroll.

The Province of BC has announced that it will assess the tax on payroll for corporate groups. The associated companies will be grouped together to determine the annual payroll to prevent corporate owners from spreading their payroll among several companies to get under the \$500,000 threshold and avoid paying the EHT. The \$500,000 exemption amount is prorated if none of the employers in the associated group had a permanent establishment in BC throughout the calendar year (as per Province of BC website).

Recommendation:

If you would like more information on payroll taxes and corporate tax planning, please call us at Gilmour Group Chartered Professional Accountants.



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