



ACEC British Columbia Policy Paper

New Provincial Employer Health Tax

The B.C. Government recently made significant changes to the manner in which the Medical Services Plan is financed. These changes will impact members of ACEC-BC.

The Government's first step included cutting MSP premiums by 50%, starting Jan. 1, 2018, and increasing the threshold for premium assistance by \$2,000.

The Province is replacing the revenues from MSP premiums with an employer health tax. Because payroll costs are usually the largest expense item for consulting engineering firms, accounting for up to 50% of expenses, this will have a significant impact on most firms.

Payroll (also known as remuneration) is employment income and taxable benefits under the Income Tax Act (Canada) and includes: Salary and wages; Advances of salary and wages; Payments for casual labour; Bonuses, commissions and other similar payments; Vacation payments; Gratuities or tips paid through an employer; Taxable allowances and benefits; Directors' fees paid to directors of corporations; Amounts paid by an employer to top up benefits (e.g. top up for maternity or paternity leave); Stock option benefits; Employer-paid contributions to an employee's Registered Retirement Savings Plan; Employer-paid group life insurance premiums.

The employer health tax will only apply to employers with B.C. payroll which includes the total of the following:

- 1) any payment to employees who report to work at a permanent establishment of the employer in B.C., and
- 2) any payment to employees who do not report to work at a permanent establishment of the employer, but are paid from or through a permanent establishment in B.C.

B.C. payroll does not include any payment to employees who report for work at a permanent establishment of an employer that is outside B.C.

The full rate of the tax is 1.95% of total payroll as shown below:

ANNUAL BC PAYROLL	ANNUAL TAX (\$)	TAX AS % OF PAYROLL
\$500,000 or less	\$0	0.00%
\$750,000	\$7,313	0.98%
\$1,000,000	\$14,625	1.46%
\$1,250,000	\$21,938	1.76%
\$1,500,000	\$29,250	1.95%
Over \$1,500,000	\$29,250 + 1.95% of payroll over \$1.5M	1.95%



The new tax is slated to start on Jan 1st, 2019 and the MSP premiums will be eliminated by Jan 1st, 2020. If your firm is currently paying MSP premiums on behalf of the employees, your firm **will essentially be double paying for the 2019 calendar year**. For companies that pay for MSP premiums as part of their benefits, the new tax will just replace your premium cost, when MSP premiums are eliminated January 1, 2020. Considering consulting engineering firms pay higher than average salaries, for companies that pay for MSP premiums as part of their benefits plan, the new tax will likely be marginally higher than your current premium cost, when MSP premiums are eliminated January 1st, 2020.

For firms that do not cover MSP premiums, this tax is a new cost and will negatively impact your bottom line.

Members of ACEC-BC are advised to consider the impact these changes will have on their operations and to price new opportunities accordingly. The ACEC-BC Fee Guidelines issued earlier in 2018 did not reflect these increased tax levels.

For firms with contracts that span several years, unless there is a stipulation in the contract that allows cost adjustments in the event of regulatory or taxation changes, you may not be able to recover these costs.

Members can also expect that many of their suppliers will need to reflect these increased costs in the provision of goods and services and should plan accordingly.

For more information please refer to [Notice 2018-001 Employer Health Tax issued by the Ministry of Finance in July, 2018](#)

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