

Client Advisory

New BC employer health tax effective on January 1, 2019

November 28, 2018

Summary

Legislation implementing an Employer Health Tax in British Columbia received Royal Assent and will be effective on January 1, 2019. It will require employers with employees in BC to pay an additional tax to be used to help pay the costs of British Columbia's public health plan. The legislation does not address Medical Services Plan premiums which are still expected to end on January 1, 2020. This Client Advisory will be of interest to employers with employees in BC.

Bill 44, *Budget Measures Implementation (Employer Health Tax) Act, 2018*, which will implement the new Employer Health Tax (EHT), received Royal Assent on November 8, 2018 and will be effective as of January 1, 2019. The EHT will be a new tax that helps pay for British Columbia's public health plan, the Medical Services Plan (MSP).

BC first announced this new tax in its 2018 budget (see our [Client Advisory](#)) and has set out some details in an [earlier communication](#) and in the [Employer Health Tax Overview](#) released on October 16, 2018. While the basic rules remain the same as in these earlier communications, Bill 44 sets out further details of how the EHT will be calculated and administered.

Calculating EHT

For most employers, the amount of EHT they will have to pay will depend on their BC remuneration. It is calculated as follows:

BC remuneration	EHT
\$500,000 or less	nothing
Between \$500,000.01 and \$1,500,000	2.925% x (BC remuneration - \$500,000)
Greater than \$1,500,000	1.95% x BC remuneration

An employer's BC remuneration is the total remuneration that the employer pays to its employees who report to work at the employer's permanent establishments in BC or, if they do not report to any establishment, are paid out of BC.

There are different rules for charities and non-profits and the amount of EHT will be much lower.

Associated employers

Bill 44 requires the combined remuneration of all "associated employers" be considered BC remuneration when calculating EHT. Generally, associated employers are connected through ownership, through family relationships between individuals, or both. Therefore, for example, if a corporation has several subsidiary companies, the total remuneration of all of these companies must be used when determining the BC remuneration for the EHT calculation.

Other provisions

Bill 44 also sets out the framework for implementing EHT including provisions on administration and enforcement, the appeal process, and penalties.

Medical Services Plan premium

An October 16, 2018 [news release](#) also confirmed BC's intention to eliminate, as of January 1, 2020, the MSP premiums that BC residents currently pay. (Therefore, in 2019, BC will receive both MSP premiums and the EHT.) However, Bill 44 does not address the elimination of MSP premiums. Instead, MSP premiums will be eliminated by amending the regulations to the *Medicare Protection Act*. We expect the government to release these regulatory amendments in 2019.

Elimination of the MSP premium by January 1, 2020 will have an impact on post-retirement and post-employment benefit obligations as reported on financial statements to the extent plan sponsors pay or subsidize MSP premiums for retired or disabled employees.

As the guidance in the accounting standards is not completely clear, it would be prudent for plan sponsors to wait until amendments to the *Medicare Protection Act* have been finalized before reflecting the impact on post-retirement and post-employment plans for financial accounting purposes. Plan sponsors are strongly encouraged to confirm the accounting treatment with their auditors.

Next steps

Employers can begin to register for EHT on January 7, 2019. Employers who are required to pay by installment must be registered by May 15, 2019 and pay the first installment by June 15, 2019. All other employers must be registered by December 31, 2019. The first return must be filed and paid by March 31, 2020. Further details can be found [here](#).

For more information

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