
NEWS RELEASE

For Immediate Release
2018FIN0030-001334
July 4, 2018

Ministry of Finance

Province releases Employer Health Tax implementation details

VICTORIA – The Ministry of Finance has released an Employer Health Tax (EHT) tax notice, as part of the next steps toward the elimination of Medical Services Plan (MSP) premiums and transition to the EHT.

“Our government is working hard to make life more affordable for people in our province. We are proud to be eliminating regressive MSP premiums, and returning up to \$1,800 each year to families across our province,” said Carole James, Minister of Finance. “While other provinces scrapped MSP premiums, the former government doubled and downloaded these unfair fees onto middle-class individuals, families, and seniors. Replacing MSP premiums with the EHT follows the lead of other provinces, and is a much fairer and progressive approach.”

The tax notice includes implementation information on effective rates, calculation and scheduling, remuneration, payroll definition, rules regarding instalment payments, locational and threshold rules for non-profits, and other technical implementation details.

A full list of the implementation details can be found at the Ministry of Finance’s EHT tax notice here: www.gov.bc.ca/EmployerHealthTax

For over a decade, British Columbia has been the only province to maintain MSP fees. MSP premiums were increased and downloaded onto people and the services they relied on, including schools, colleges, universities and hospitals.

The transition to the EHT 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. After full implementation, the net funding required for the public sector is estimated to be no more than \$90 million annually.

Administration of MSP premiums is costly and inefficient. The transition to the EHT will result in savings of over \$50 million annually on an ongoing basis.

The elimination of MSP premiums and introduction of the EHT will result in a net tax decrease of approximately \$800 million per year for British Columbians. Families will save as much as \$1,800, and individuals will save up to \$900 each year.

The government will introduce legislation in fall 2018 to implement the EHT.

Learn More:

EHT tax notice: www.gov.bc.ca/EmployerHealthTax

For questions about EHT administration, contact:

ITBTaxQuestions@gov.bc.ca

1 877 387-3332

A backgrounder follows.

Contact:

Ministry of Finance

250 387-1248

Connect with the Province of B.C. at: news.gov.bc.ca/connect

BACKGROUND

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Employer Health Tax (EHT)

The backgrounder was updated on July 5, 2018

The EHT is effective Jan. 1, 2019, subject to legislative approval.

Medical Service Plan (MSP) premiums were reduced by 50% on Jan. 1, 2018, and will be fully eliminated on Jan. 1, 2020.

The elimination of MSP premiums, and the introduction of the EHT, will not result in net new revenues to government. It results in tax savings to the people of B.C. of approximately \$800 million annually, relative to the prior MSP premium system.

Economic benefits of eliminating MSP premiums

Eliminating MSP premiums and introducing the EHT will provide the following economic benefits:

- Individuals save up to \$900 annually.
- Families save up to \$1,800 annually.
- A net reduction in taxation of approximately \$800 million annually that is collected more progressively and efficiently.
- These benefits overwhelmingly accrue to working and middle-class families.
- Government, businesses and individuals will see significant cost and time savings from no longer having to administer complex MSP premiums.
- The provincial government's administrative savings from eliminating MSP premiums will amount to over \$50 million annually.

EHT design elements support business competitiveness, small businesses and non-profits

The design of the EHT ensures B.C. businesses remain competitive.

- The large majority of EHT revenue — 96% — will be paid by the largest 5% of employers.
- At 1.95%, the rate is tied with Ontario for the lowest payroll tax rate in the country.
- Design elements including calculation and scheduling; the definition of remuneration, taxable benefits and payroll; campus rules and thresholds; and the treatment of non-profits are all consistent with other Canadian jurisdictions.
- The exemption for payrolls less than \$500,000, and gradual phase-in, protects small businesses, and ensures that 85% of businesses do not pay the EHT.
- Less than 5% of B.C. businesses will pay the full EHT rate of 1.95%.
- While the EHT applies across sectors, non-profits will benefit from location and threshold rules similar to other jurisdictions:
 - Charitable and non-profit employers with B.C. payroll calculate the EHT for each of

their locations and pay the total of each location's EHT. For each location with B.C. payroll:

- Of \$1,500,000 or less, the EHT for the location will be zero
- Between \$1,500,001 and \$4,500,000, the EHT for the location will be calculated as:
 - $2.925\% \times (\text{Payroll for the location} - \$1,500,000)$
- Greater than \$4,500,000, the EHT for the location will be calculated as 1.95% of the location's payroll
 - $1.95\% \times \text{Payroll for the location}$
- These rules ensure fair treatment across sectors.

Supporting government services

The B.C. government is ensuring that enhanced service delivery continues with the implementation of the EHT and elimination of MSP premiums:

- Until Jan. 1, 2018, MSP premiums cost the public sector approximately \$280 million annually.
- The transition from the MSP premium system to the EHT results in the following estimated savings and costs to government ministries and their service delivery agencies:
 - 2017-18, the public sector saved an estimated \$34 million
 - 2018-19, the public sector will save approximately \$47 million
 - In 2019-20, net costs will be approximately \$192 million
 - In 2020-21 onwards, net costs will be approximately \$90 million
- This cost pressure is fully funded in the Budget 2018 fiscal plan.
- Over time, these costs are largely covered by over \$50 million in administrative savings gained in the transition from MSP premiums to the EHT.
- Sectors covered include colleges and teaching universities, research universities, community health and social service providers, school districts and health authorities.

Keeping B.C. businesses competitive:

The provincial government has recently implemented several tax measures to help improve business tax competitiveness. These include:

- Reducing the small business corporate income tax rate from 2.5% to 2%.
- Cutting PST on electricity in half, effective Jan. 1, 2018, and amending legislation to ensure PST on electricity is eliminated completely, effective April 1, 2019. Savings to B.C. businesses will be more than \$150 million annually.
- Extending tax credits that promote business growth and competitiveness, including extending the scientific research and experimental development tax credit for five years to 2022.

These tax changes complement B.C.'s tax advantages of:

- The second-lowest small business rate among provinces.
- The third-lowest general corporate income tax rate among provinces.
- B.C. has competitive personal income tax rates, for all income levels.
- B.C. is one of two provinces where people earning up to \$20,000 pay no provincial income tax.

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