

Issue: Employer Health Tax

Position

That the Provincial Government adjust the Employer Health Tax to avoid undue negative impacts by:

1. Eliminating the proposed “Employer Health Tax;” or
2. If continuing with the implementation of the proposed “Employer Health Tax,” avoid undue negative impacts by:
 - a. Postponing the date of implementation of the Employer Health Tax to 2020 so it coincides with the removal of MSP premiums; or establish a process to allow businesses and non-profit organizations which pay MSP premiums on behalf of their employees to apply for an exemption or reduction in their employer health tax obligations;
 - b. Increasing the base payroll exemption threshold from \$500,000 to at least \$1 million to allow for truer small businesses and small non-profit organizations to be exempted from the tax;
 - c. Ensuring the Employer Health Tax rates are applied marginally, so that the amount of the base payroll exemption (at least \$1 million is proposed) is exempt regardless of the total size of the overall payroll, and that as each threshold is passed the higher tax rate is applied only to the incremental amount above the cut-off;
 - d. Indexing the payroll exemption thresholds to inflation by linking annual increases in the thresholds to the Consumer Price Index; and
 - e. The payroll health tax excludes employer RSP matching and pension contributions, profit sharing programs, and health benefits programs in the calculation of total payroll.
3. Not proceed with this tax until the MSP task force has completed and presented their final report.

Background

As part of their first budget released Feb. 20, 2018, British Columbia’s current government planned to implement an Employer Health Tax (EHT). The EHT came into effect on January 1, 2019. It is intended to fund the proposed elimination of the Medical Services Plan (MSP) premiums effective January 1, 2020. MSP premiums are paid by individual taxpayers while the proposed EHT will be levied on an employer’s total payroll. For businesses not exempt from the tax, these actions would represent a tax burden that has been transferred from individuals to businesses.

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Who is affected?

Employers paying over \$500,000 in payroll.

Outcome

Tax remains in place.

Chamber Actions

04/26/2018 – Chamber releases a [backgrounder](#) on the EHT to inform our membership.

05/26/2018 – Added amendment 2(e) and endorsed the BC Chamber resolution “Minimizing Undue Negative Effects of the Employer Health Tax.”

06/25/2018 – Submitted package of recommendations to provincial Small Business Task Force, which included recommendations outlined in the BC Chamber resolution “Minimizing Undue Negative Effects of the Employer Health Tax.”

02/28/2019 – Hosted an information session on business tax updates.

03/01/2019 – Hosted BC Minister of Finance Carole James for a post-budget [luncheon](#). The Chamber and our members had the opportunity to express concerns about the EHT and other business issues directly to the Minister.

More Information

For more information on the Employer Health Tax, visit the provincial government’s website [here](#).

Contact Info

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