



INFORMATION BULLETIN – HE 005

REMUNERATION PAID BY A COMMON CARRIER

THE HEALTH AND POST SECONDARY EDUCATION TAX LEVY ACT

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This bulletin is issued to help employers who are common carriers understand how to calculate the tax payable under The Health and Post Secondary Education Tax Levy Act (also known as HE Levy) in the situation where the total remuneration paid to their employees includes remuneration for operating a commercial truck on an interjurisdictional trip.

Latest Revision: The revision bar (I) identifies changes to the January 2023 version of this bulletin. For a summary of the changes, refer to the Revision Summary section.

SECTION 1 – GENERAL INFORMATION

No tax is payable in respect of remuneration paid by a common carrier to an employee for operating a commercial truck outside of Manitoba or on an interjurisdictional trip. (Hereinafter referred to as an “interjurisdictional employee”)

An interjurisdictional trip means:

- a trip by an interjurisdictional employee starting from a point inside Manitoba, where the last pick up or delivery is made, to a point outside Manitoba, or
- a trip by an interjurisdictional employee starting from a point outside Manitoba, to the first point in Manitoba where a pick up or delivery is made, or
- a return trip by an interjurisdictional employee starting from a point inside Manitoba, where the last pick up or delivery was made, before directly leaving Manitoba, until the point where the first pick up or delivery is made upon returning to Manitoba, or
- travel through Manitoba by an interjurisdictional employee where no pick-ups or deliveries are made.

An interjurisdictional trip includes the distance travelled on a repositioning move. A repositioning move is the travel of an unloaded (empty) truck and trailer from the carrier’s Manitoba home base directly to the starting point of an interjurisdictional trip and from the end point of an interjurisdictional trip directly to the carrier’s Manitoba home base.

A stop for rest, food, or fuel is not considered a pick-up or a delivery.

Remuneration paid to all other employees of a common carrier are subject to tax, e.g. remuneration paid to employees that operate, buses, aircraft, non-commercial trucks and other equipment interjurisdictionally, or operate trucks and other equipment within Manitoba, or perform administrative, management, maintenance tasks, etc. (Hereinafter referred to as “home-base employees.”)

See Bulletin HE 001 – Information for Employers, if you require general HE Levy information, e.g., tax rates, tax returns, registration requirements, etc.

What is a Commercial Truck?

A commercial truck is a motor vehicle with a permanently attached truck body or delivery body, or the combination of a motor vehicle and one or more trailers, that is designed and used for the transportation of goods of members of the public for a charge.

Please note: A motor vehicle used to transport a person’s own goods is not a commercial truck for purposes of HE Levy, even if the person makes a separate charge for the delivery, e.g., a motor vehicle that a retailer or manufacturer owns/leases and uses to deliver goods to a purchaser. Therefore, remuneration paid to an employee to operate a vehicle for this purpose, both inside and outside Manitoba, does not qualify for the exemption otherwise provided in respect of “interjurisdictional employees.”

General Exemption/ Notch Reduction for all Employers

All employers with total remuneration in a year of \$2.25 million or less are exempted from HE Levy (prior to January 1, 2024, the amount of remuneration was \$2 million).

All employers with total remuneration exceeding \$2.25 million but not exceeding \$4.5 million, pay tax only on the remuneration exceeding \$2.25 million at the notch reduction rate of 4.3% (prior to January 1, 2024 the amount of remuneration was between \$2 million and \$4 million).

Please note: The general exemption does not apply where the total remuneration paid in a year by an employer exceeds \$4.5 million. In this case, the total remuneration paid is taxable at the rate of 2.15%, except as per example 1 below.

How Does the General Exemption Apply to Common Carriers?

“Remuneration” for purposes of the general exemption means total remuneration paid by an employer, including, in the case of a common carrier, the remuneration paid to employees that operate a commercial truck both inside and outside Manitoba.

Therefore, where a common carrier's total remuneration for the year is \$4.5 million or less, the general exemption/notch reduction is proratable between the remuneration paid to "interjurisdictional employees" and to the remuneration paid to "home-base employees," in proportion to the total remuneration paid.

Therefore, the prorated exemption applicable to remuneration paid to "home-base employees" is calculated using the following formula:

$$A = B/C \times \$2,250,000$$

Where

- A is the prorated amount of tax exemption
- B is the remuneration paid to "home-base employees"
- C is the total remuneration paid by the employer.

SECTION 2 - EXAMPLES OF CALCULATING THE TAX PAYABLE BY A COMMON CARRIER

Example 1: Where total remuneration paid to all employees exceeds \$4.5 million

Remuneration re interjurisdictional employees (non-taxable)	\$4,100,000
Remuneration re home-base employees (taxable)	<u>900,000</u>
Total remuneration paid to all employees	<u>\$5,000,000</u>

- In this example, a proration of the general exemption/notch reduction provisions does not apply, as the total remuneration paid exceeds \$4.5 million.
- No tax is payable on the remuneration paid to "interjurisdictional employees."
- However, the total remuneration paid to the "home-base employees" is taxable at the general rate of 2.15% and the tax payable is as follows:

$$\$900,000 \times 2.15\% = \$19,350$$

- **Example 2: Where total remuneration paid to all employees is between \$2.25 million and \$4.5 million (notch reduction range)**

Remuneration re interjurisdictional employees (non-taxable)	\$ 1,500,000
Remuneration re home-base employees (taxable)	<u>900,000</u>
Total remuneration paid to all employees	<u>\$2,400,000</u>

- In this example, the first step is to calculate the proportional general exemption applicable to the remuneration paid to "home-base employees" using the above formula as follows:

$$\$900,000 / \$2,400,000 \times \$2,250,000 = \$843,750$$

The corresponding notch reduction range (2 times \$843,750) is:

$$\$843,750 \text{ to } \$1,687,500$$

The tax payable on the remuneration paid to “home-base employees” is as follows:

$$\$900,000 - \$843,750 = \$56,250 \times 4.3\% = \$2,419$$

SECTION 3 - REVISION SUMMARY

Updated for the increase in the thresholds effective January 1, 2024.

FURTHER INFORMATION

This bulletin is intended to serve as a guideline and is not all-inclusive. For the specific wording of the law, please refer to The Health and Post Secondary Education Tax Levy Act and Regulation. Further information may be obtained from:

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ONLINE SERVICES

Our Web site [here](#) provides tax forms and publications about taxes administered by Manitoba Finance, and a link to Manitoba’s laws and regulations. Forms and publications can also be obtained by contacting Manitoba Finance.

TAXcess, our online service, taxcess.gov.mb.ca provides a simple, secure way to apply for, and to file, pay and view your Manitoba tax accounts.