

INFORMATION BULLETIN – HE 001

INFORMATION FOR EMPLOYERS

THE HEALTH AND POST SECONDARY EDUCATION TAX LEVY ACT

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This bulletin provides general information that will help employers understand their obligations under The Health and Post Secondary Education Tax Levy Act (also known as HE Levy).

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

SECTION 1 – DEFINITIONS OF TERMS USED IN THIS BULLETIN

Associated Corporations

Two or more corporations are associated with one another if they are, at any time in a year, associated within the meaning of section 256 of the Income Tax Act (Canada). A group of associated corporations is deemed to be a single employer for purposes of the HE Levy.

For further information on associated corporations, see Bulletin HE 003 – Associated Corporations.

Corporate Partnerships

A corporate partnership is a partnership with one or more corporations as partners.

Please note: For purposes of applying the associated rules, subsection 2(4) and 2(4.1) of the Act treats corporate partnerships as though they were corporations. As a result, the corporate partnership, the corporate partner(s) and its associated corporation(s), and other partnerships of the corporate partner may be deemed to be a single employer in respect of all the employees in the year of those corporations and partnerships.

Employee

Any individual employed by or in the service of an employer, including an officer of the employer, who receives remuneration in respect of the performance of the duties of the employment or the office.

Employer

A person paying remuneration to an employee including:

- the Government of Manitoba, the Government of Canada
- a partnership
- a trust paying remuneration to an employee
- a proprietorship, corporation, municipality, university, school board, hospital, non-profit organization, charitable institution
- any other entity with employees

Permanent Establishment

A permanent establishment of an employer is generally any fixed place of business of the employer in Manitoba including a branch, a mine, an oil well, a farm, timberland, a factory, a workshop, a warehouse, an office, and an agency.

The use by an employer, or by an employee for or on behalf of an employer, of substantial machinery or equipment any time in a month in Manitoba constitutes a permanent establishment for the month.

Land or premises owned or leased by a corporation in Manitoba is a permanent establishment of the corporation.

For further information on what is a permanent establishment, see Bulletin HE 004 – Permanent Establishment.

Remuneration

Generally includes payments, benefits or allowances that, before any deductions, are required to be included in an employee's income under subsection 5(1) or section 6 or 7 of the Income Tax Act (Canada), and includes:

- Salaries and wages
- Bonuses
- Gratuities/tips disbursed by the employer
- Honorariums
- Commissions or other similar payments
- Other taxable allowances or benefits paid to or on behalf of the employee or officer
- Contributions to employee trusts and employee profit sharing plans.

It does not include pensions, annuities or superannuation benefits paid by employers to former employees after retirement of that employee or anything contributed by an employer to a plan or trust if the value of the employer's contribution has already been included as remuneration.

For further information on remuneration, see Bulletin HE 002 – Remuneration.

Year

Year means a calendar year.

SECTION 2 – GENERAL INFORMATION

What is HE LEVY?

The HE Levy is a tax imposed on remuneration.

Who Must Pay the Tax?

Employers that have a permanent establishment in Manitoba and pay remuneration to:

- a) Employees who report for work at a permanent establishment of the employer in Manitoba; and/or
- b) Employees who are not required to report to work at any permanent establishment of the employer (either inside or outside of Manitoba) but who are paid from or through a permanent establishment of the employer in Manitoba.

For example: A salesperson would not be reporting for work at any permanent establishment of the employer if he/she normally goes from home directly to the premises of prospective customers to sell goods or services. However, the remuneration paid to the salesperson is subject to Manitoba HE Levy if it is paid from the employer's Manitoba office, or is expensed through an operating statement of its Manitoba office(s).

Exemption from HE Levy

Employers with total remuneration in a year of \$2.25 million or less are exempted from the HE Levy.

Please note: The exemption does not apply to individual entities that are part of an associated group (including corporate partnerships) whose total remuneration exceeds \$2.25 million annually.

Remuneration paid by a common carrier to an employee for operating a commercial truck outside of Manitoba or on an interjurisdictional trip is exempt from the HE Levy. See Bulletin HE-005 – Remuneration Paid by a Common Carrier, for additional information.

Remuneration paid to employees who report for work at a permanent establishment of the employer outside Manitoba.

Notch Tax Rate

Employers with total remuneration between \$2.25 million and \$4.5 million in a year pay

tax only on the amount exceeding \$2.25 million at the notch tax rate of 4.3%.

For example: On remuneration of \$2.4 million, the tax payable is $(\$2,400,000 - \$2,250,000) \times 4.3\% = \$6,450$.

Please note: Entities that are part of an associated group (including corporate partnerships) are deemed to be a single employer. Therefore, if Corp. A paid remuneration of \$1,000,000 and Corp. B paid remuneration of \$1,400,000 in the year, the total remuneration paid by the associated group is \$2.4 million, and the tax is payable per the above example.

Basic Tax Rate

Employers with total remuneration exceeding \$4.5 million in a year pay tax on the full amount at the basic tax rate of 2.15%, i.e., the first \$2.25 million is not exempt.

For example: The tax payable on remuneration of \$5.5 million is $(\$5,500,000 \times 2.15\%) = \$118,250$.

Exemption Prorated for Part-Year

Employers that do not maintain a permanent establishment in Manitoba during an entire year are required to prorate the amount of the exemption or notch provision (as the case may be) for that year. The prorated exemption/notch provision is proportional to the number of days the employer maintained a permanent establishment in Manitoba for that year

For example: The prorated exemption for an employer operating in Manitoba for 100 days = $100/365 \times \$2,250,000 = \$616,438$; and the notch range is between \$616,438 and \$1,232,876.

Therefore, the amount of tax that would be payable in that year in respect of the Manitoba operations is indicated by the following scenarios:

- if remuneration paid is \$300,000 – no tax is payable as this amount is less than the prorated exemption;
- if remuneration paid is \$700,000 – the tax payable is in the notch range i.e., $(\$700,000 - \$616,438 = \$83,562) \times 4.3\% = \$3,593$;
- If remuneration paid is \$1,400,000 – this exceeds the prorated notch range and the tax is payable on the total amount, i.e., $\$1,400,000 \times 2.15\% = \$30,100$.

This provision generally applies to any employer having a permanent establishment for only part of a year in Manitoba, such as out-of-province contractors, businesses that commenced or closed operations in Manitoba during a year, or had a change of entity (e.g., a sole proprietor incorporates during the year).

Non-resident Contractors

A non-resident contractor who is required to provide security for tax payable under The Retail Sales Tax Act must also deposit cash or securities with the Minister, or to enter into a bond, to secure payment of the HE Levy. The HE Levy security shall be in an amount not exceeding 2.15% of the total price to be paid under the contract.

Please note: The bond must be issued by an insurer who is licensed to carry on business under The Insurance Act of the province of Manitoba, and is to be in a form satisfactory to the Minister of Finance. (A sample form is available from Manitoba Finance).

Before the final payment is made to a non-resident subcontractor, either the resident general contractor or principal must obtain a clearance letter from Manitoba Finance stating that the non-resident subcontractor's tax account is in good standing. If the general contractor is a non-resident, the principal must ensure that the clearance letter from Manitoba Finance has been obtained for each of the non-resident subcontractors and the general contractor.

If a non-resident contractor's account is not in good standing, either the resident general contractor or the principal is required to set apart from any holdback, an amount equal to the tax due and to remit that amount to Manitoba Finance. If the general contractor is a non-resident, the principal must remit the tax due to Manitoba Finance that has not been remitted by the non-resident contractors.

Please note: If the holdback is released without a clearance letter, the general contractor or principal, as the case may be, will be held liable for any unpaid tax.

Upon completion of the contract in Manitoba, an audit may be performed by Manitoba Finance. The deposit or bond will be returned and a clearance letter issued if it is determined that the tax has been fully paid.

For information regarding the retail sales tax responsibilities of non-resident contractors, see Bulletin 005 – Information for Contractors.

Self-employed Earnings

The earnings from self-employment of a proprietor, or of a partner from a partnership, is not remuneration for purposes of the HE Levy and therefore is not taxable.

Payments Made for Contract Services are not Subject to HE Levy

Contract services are considered to be services performed by a person who does not have an employer/employee relationship with the payor. In this case the payments are not remuneration for purposes of the HE Levy and are not taxable.

Please note: The rules for determining whether or not an employer/ employee relationship exists for HE Levy purposes are similar to those used by the Canada Revenue Agency.

For additional information, see Bulletin HE 002 - Remuneration.

Taxing Remuneration Paid by a Joint Venture

A joint venture is not considered to be an employer for purposes of the HE Levy. Rather, it is the venturers individually that are considered to be the employers. The remuneration paid through the joint venture must be allocated to the individual venturers on the same basis otherwise used to allocate their revenues and expenses and is considered to be remuneration paid directly by the individual venturers. Each venturer is subject to the HE Levy on his/her total remuneration paid in the year (including the remuneration allocated from a joint venture).

SECTION 3 – REGISTRATION AND REPORTING REQUIREMENTS

Requirement to be Registered

An employer must register for HE Levy if the total remuneration paid to its employees in the year is in excess of \$2.25 million.

Employers can register online at manitoba.ca/TAXcess. Application for registration forms are also available at the Manitoba Finance offices listed at the end of this bulletin.

Please note: An employer that maintains a permanent establishment in Manitoba for only a part-year must register for HE Levy if the total remuneration paid to its employees, in respect of the Manitoba operations, exceeds the prorated exemption or the notch range explained in Section 2.

Please note: If the total remuneration for an associated group (including corporate partnerships) exceeds \$2.25 million for the year, each corporation and corporate partnership that is part of the group must be registered individually.

Monthly Returns

Each employer who pays remuneration of more than \$2.25 million in the year must file a monthly return to report the total remuneration paid in the month and remit the applicable tax payable.

Monthly returns and payments are due on the 15th day of the following month, e.g., the return for March must be filed and paid by April 15th. When the 15th day of a month falls on a weekend or public holiday, the due date is the next business day.

Payments received after the due date will be subject to penalty and interest.

Tax returns and tax payments must be completed using TAXcess, Manitoba Finance's online system. Paper returns are no longer be accepted. Visit the website at manitoba.ca/TAXcess for more information.

If your remuneration for the year is greater than \$2.25 million, you must file a HE Levy

return for every month, even if you have not paid any remuneration in a particular month. In this case, enter “0.00” on the online return and file the return by the due date.

Employers will receive an e-mail reminder that their monthly tax return is due and should be filed on TAXcess. If the e-mail reminder is not received, the employer must still report/make any payment of tax, by the due date.

Please note: All entities that are part of an associated group (deemed to be a single employer) must submit individual monthly returns, if the total remuneration paid by the group in the year exceeds \$2.25 million.

There are two types of monthly returns:

- 1) Employers (including corporations of an associated group) with remuneration in the year between \$2.25 million and \$4.5 million must submit a return each month showing the amount of remuneration paid, but only begin to pay the tax when the cumulative remuneration for the year exceeds \$2.25 million. From this point on, HE Levy is payable on the remuneration exceeding \$2.25 million and is calculated by using the notch tax rate of 4.3% times the remuneration paid each month for the remainder of the year.
- 2) Employers (including corporations of an associated group) with remuneration exceeding \$4.5 million in the year pay tax on their total remuneration paid. They must submit a return and remit the tax each month calculated by using the basic tax rate of 2.15% times the remuneration paid in the month.

If your remuneration for the year is \$2.25 million or less, you are not required to submit monthly returns.

Please note: In this case, if in the previous year the remuneration you paid exceeded \$2.25 million, or you receive a return reminder e-mail from Manitoba Finance, you must send a request to change your account to exempt status. You may also be required to submit a declaration of your total remuneration in the year for which you are claiming exempt status.

Annual Reports

In addition to the monthly returns, employers with taxable remuneration in a year are required to file a HE Levy Annual Report for that year by March 31 of the following year (if the 31st is on a weekend or public holiday, the due date is the next business day). The report must be filed on TAXcess along with:

- Schedule “A” HE Levy Schedule for Associated Corporations/Corporate Partnerships, if applicable.
- Payment for any amount owing.
- Copy of every information summary (e.g., T4, T4A) required to be filed by the employer under the Income Tax Act (Canada).

- Summary of contributions to an employee profit sharing plan (EPSP) or an employee trust.
- Reconciliation of the difference between the remuneration reported on the Annual Report and the amounts shown on the T4 and T4A Summaries, e.g. details of payments to employees that reported for work at a permanent establishment of the employer in another province or contributions to an EPSP.

Associated groups are required to file a combined annual report. The associated group should designate one of the employers in the group to file the HE Levy Annual Report and Schedule "A" HE Levy Schedule for Associated Corporations/Corporate Partnerships on behalf of each of its associated corporations/corporate partnerships.

The annual report and tax payments must be completed using TAXcess, Manitoba Finance's online system. Paper report is no longer be accepted. Visit the website at manitoba.ca/TAXcess for more information.

Employers will receive an e-mail reminder that their annual report is due and should be filed on TAXcess. If the e-mail reminder is not received, the employer must still report/make any payment of tax, by the due date.

Penalties

Employers who fail to pay any balance of tax by the due date are liable to a penalty of 10% of the unpaid tax balance.

Please note: The 10% penalty will also apply to any tax remitted on the annual report (which should have been previously reported on a monthly return).

In addition, employers who fail to file any required return by the due date may be assessed a penalty not exceeding \$200 for each day the failure continues.

Interest on Debt

Late or insufficient tax remittances on returns are subject to interest from the date that an amount was required to be paid to the date on which it was paid. Outstanding debts will be subject to monthly interest. The interest rate payable is set every January 1 and July 1 at the prime lending rate given to the province plus 3%.

Tax remitted on the annual report, that should have been remitted on a previous monthly return, is a debt past due and is subject to interest retroactive to the date it should have been remitted.

Records

Records, books and documents adequate for determining the amount of HE Levy payable by the employer must be maintained and made available for audit in Manitoba, such as:

- General ledger.
- Payroll ledger and calculations related to the determination of the remuneration paid.
- Details of benefits and other amounts paid to or on behalf of an employee.
- Copy of every information summary (e.g., T4, T4A) required to be filed by the employer under the Income Tax Act (Canada).

Where these records are not maintained in Manitoba, the employer is required to pay for the out of province travel expenses incurred by the Manitoba Finance auditor for purposes of auditing the records at the place where they are kept.

Period of Record Retention

The books and records of the current year plus the immediately preceding six years are to be retained.

Please note: The general ledger is to be kept indefinitely.

Also, books and records are to be retained for any year where:

- Any HE Levy amounts are outstanding or in dispute with Manitoba Finance.
- Written notice has been given from Manitoba Finance to the employer that those books and records are not to be destroyed.

Changes to Registration Information

Manitoba Finance should be advised immediately of any changes to your registration information, including:

- Business legal name change (must be in writing).
- Business operating name change.
- Address change.
- Phone or fax number change.
- Discontinuation or sale of your business.
- Changes in the form of business (partnership, corporation, etc.)
- Changes affecting an associated corporation/associated group, for example:
 - Change in the members of an associated group.
 - Change of control of a corporation.
 - Change of a corporate partner's share of the profits/losses in a partnership.
- An increase/decrease in total remuneration paid in a year which causes an employer to become taxable/non-taxable for that year.

Changes to operating name, address and online contact information can be made directly online using TAXcess. All other changes must be reported in writing or by contacting a Manitoba Finance office, listed below.

SECTION 4 - 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:

Manitoba Finance
101 - 401 York Avenue
Winnipeg, Manitoba R3C 0P8
Telephone: 204-945-5603
Manitoba Toll-Free: 1-800-782-0318
Fax: 204-945-0896
E-mail: MBTax@gov.mb.ca
Web Site: <https://www.manitoba.ca/finance/taxation/>

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.