

# Information Bulletin

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## THE HEALTH AND POST SECONDARY EDUCATION TAX LEVY ACT

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Note: Revisions to contents of previous Bulletin (August 2014) have been identified by revision bar (I) in the right margin.

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### REMUNERATION

This bulletin will help employers understand what kind of payments, made to or on behalf of employees, are remuneration for purposes of *The Health and Post Secondary Education Tax Levy Act* (also known as HE Levy).

#### General information

- HE Levy is a tax imposed on remuneration paid to employees. The tax is payable by the employer.
- For information on tax rates, exemptions and other general information, see Bulletin No. HE 001 – *Information for Employers*.

#### Definition of remuneration

- Remuneration includes any payment, benefit or allowance which, by reason of subsection 5(1) or section 6 or 7 of *The Income Tax Act (Canada)* are declared to be or are required to be included in income of a person for the purposes of that Act, and without limiting the generality of the foregoing includes:
  - Salary and wages
  - Bonuses
  - Commissions or other similar amounts fixed by reference to the volume of sales made or the contracts negotiated
  - Other taxable allowances or benefits paid to an employee or officer,
- Remuneration also includes anything contributed by an employer to a plan or trust for the benefit of one or more employees unless, upon receiving an amount or benefit under the plan or trust, no amount would be required by subsection 5(1) or section 6 or 7 of *The Income Tax Act (Canada)* to be included in computing the income of the employee,
- 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.
- The following lists of common benefits and allowances are provided to assist you in applying the HE Levy correctly:
  - List "A" - Benefits and allowances that are remuneration subject to tax.
  - List "B" - Benefits and allowances that are not remuneration and therefore are not subject to tax.

**List “A” –  
Remuneration  
subject to  
HE Levy**

REMUNERATION AS DEFINED ABOVE INCLUDES THE FOLLOWING BENEFITS OR ALLOWANCES PAID TO, OR ON BEHALF OF AN EMPLOYEE OR OFFICER:

- Value of board and lodging.
- Honorariums.
- Vacation trips and other travel benefits, (except as noted in List “B”).
- Personal or living expenses, (except as noted in List “B”).
- Gifts, either in cash or in kind.
- Incentive prizes and awards.
- Sick leave credits paid to employees during on-going employment that are required to be included on an employee’s T4 slip.
- Tuition fees that are required to be included on an employee’s T4 slip.
- Bursaries provided directly to employees (but not to family members of arm’s length employees, unless the payment is a substitute for salary/wages of the employee).
- Gratuities/tips disbursed by the employer.
- Directors’ or other fees.
- Personal use of an employer’s automobile.
- Wage-loss replacement plan benefits (short-term disability, long-term disability or weekly indemnity benefits) paid on a periodic basis. Benefits are taxable remuneration whether or not source deductions (CPP, EI, income tax) are taken.
- Employee benefit plan benefits under ss.6(1)(g) - *The Income Tax Act (Canada)*.
- Contributions to an employee trust.
- Salary deferral arrangements.
- Employer paid premiums for employees’ group life insurance.
- Starting in 2013, premiums paid by employers to group sickness or accident insurance plans where the related benefits are paid on a lump sum basis (premiums paid to a wage-loss replacement plan where benefits are payable on a periodic basis are not taxable).
- Employer paid premiums to **non-group** sickness or accident insurance plans, disability insurance plans, or income maintenance insurance plans.
- Contributions to an employee’s RRSP (but not an RPP as noted in List “B”).
- Discounts on merchandise/service that reduce the selling price below the employer’s cost.
- Any tax on a property or service paid on behalf of an employee.
- Benefit from interest free or low interest loans.
- Amount forgiven on an employee’s debt.
- Employer-provided housing subsidies and housing loss reimbursements.
- Rent-free and low-rent housing.
- Contributions to an employee’s profit sharing plan.
- Termination pay pertaining to unpaid salary and unpaid vacation leave credits and amounts paid in lieu of notice (but not retiring allowances per List “B”).
- Payments for the acceptance of an offer of employment or an office, or payments for an agreement not to compete after the termination of employment or an office.

- The benefit an employee or officer receives under a stock option or issuance of shares as described in section 7 of *The Income Tax Act (Canada)*.
- The benefit of employer provided recreational facilities to a select group or category of employees (e.g. executives) for free or for a nominal fee.
- Reimbursement for work related use of an employee's own automobile (i.e. taxable if: the per kilometer rate is not reasonable; employee is paid a flat rate not related to the number of kilometers driven; or employee is reimbursed based on a combination of a flat rate plus per reasonable kilometer rate).
- Employer provided parking.
- Financial counselling or income tax preparation provided to an employee.
- Reimbursement (or portion thereof) for the use of an employee provided cell phone and/or at home internet, not related to the performance of employee's duties.
- Non-accountable moving expenses greater than \$650 (Employer reimbursement for moving expenses for which the employee does not have to provide details or receipts to justify amounts paid.) The part of the amount that is more than \$650 is included.
- Reimbursement of professional related dues where the employee is the primary beneficiary (i.e. professional membership is not a requirement of employment).
- Employer contributions (including payment of administration fees) to a group Tax Free Savings Account (TFSA).
- Any other benefit or allowance that an employer is required to report as employment income of an employee or officer for income tax purposes.

**List "B"-  
Benefits and  
allowances not  
subject to HE  
Levy**

THE FOLLOWING BENEFITS OR ALLOWANCES PAID TO, OR ON BEHALF OF AN EMPLOYEE OR OFFICER ARE NOT REMUNERATION FOR PURPOSES OF APPLYING THE HE LEVY:

- Payment of pension, annuity or superannuation benefits.
- Retiring allowances, including payment for unused sick leave credits.
- Dividend payments.
- Remuneration paid to employees who report for work at a permanent establishment of the employer outside of Manitoba.
- Death benefits paid to a beneficiary or an estate.
- Payments from a Deferred Profit Sharing Plan.
- Benefits under a sickness or accident insurance plan, a disability insurance plan, an income maintenance plan, except if the plan is a wage-loss replacement plan where benefits are payable on a periodic basis, as noted in List "A".
- Employer contributions to, or premiums paid for, the following :
  - A registered pension plan (RPP).
  - A private health services plan.
  - A deferred profit sharing plan.
  - Employee counselling services.
  - Wage-loss replacement plan premiums where the related benefits are paid on a periodic basis.

- Group sickness or accident insurance plan premiums prior to 2013 (starting in 2013 employer premiums paid to plans where the related benefits are paid on a lump sum basis are a taxable benefit as noted in List "A").
  - Employee allowances (that are reasonable) for work related travel expenses.
  - Reasonable per kilometer allowances for work related use of an employee's own automobile. Note: Reasonable rates are prescribed in Section 7306 of the Income Tax Regulations.
  - Board, lodging and transportation costs for employees at/to a special work site or remote location.
  - Subsidized school services for the children of an employee, in remote or unorganized areas.
  - Child care services if: services are provided at employer's place of business; managed directly by the employer; provided to all employees at minimal or no cost; and not available to the general public.
  - Subsidized meal costs.
  - Allowances for uniforms and special clothing.
  - Moving expenses.
  - Non-accountable moving expenses of \$650 or less (Employer reimbursement for moving expenses for which the employee does not have to provide details or receipts to justify amounts paid.)
  - Cost of transporting employees between pick-up points and the location of employment where for security or other reasons, public or private transportation is not practical.
  - Use of an employer's recreational facilities (if available to all employees).
  - Membership fees in a social club or recreational facility where the membership is primarily for the employer's advantage.
  - Employer provided parking if provided for business purposes and the employee regularly has to use their own automobile (or one supplied by the employer) to perform their duties.
  - Employee counselling services for: an employee's re-employment; employee's retirement; or employee's mental or physical health.
  - Employer provided cell phone or reimbursement of employee provided cell phone/internet used strictly in the performance of employee's duties.
  - Reimbursement of professional membership dues where the employer is the primary beneficiary (i.e. professional membership is a requirement of employment).
  - Employment income (reported in box 71 of an employee's T4) that is exempt from income tax based on section 87 of *The Indian Act (Canada)*. Employers should have a completed Canada Revenue Agency form *TD1-IN E – Determination of Exemption of an Indian's Employment Income* on file in support of each employee for which this exemption is being claimed.
- Self-employed earnings**
- Earnings from self-employment, that are an individual proprietor's or partner's net profits, are not remuneration for purposes of the HE Levy.

**Contract services vs. salary and wages**

- Salaries or wages paid to employees are remuneration. However if an employer/employee relationship does not exist between the employer and the person(s) providing the service, the payments are for contract services and are not remuneration for purposes of the HE Levy.
- To determine if an employer/employee relationship exists, the conditions of the worker's employment/contract must be considered using the following tests. These tests are similar to those used by Canada Revenue Agency:
  1. What degree of control the employer has over the way the work is done or the work methods used.
  2. Whether the tools and equipment and other supplies are owned/ maintained by the employer or worker.
  3. Whether the worker has the opportunity for profits.
  4. Whether the worker faces the risk of financial losses arising from business activities such as damage to equipment, bad debts or inventory delivery delays.
  5. Whether the worker is offering the services as part of his/her larger business enterprise or only to one particular client.
  6. Whether the employer contributes to CPP, EI or other benefits.

**Please note:** Contact the Taxation Division if you require assistance in determining whether payments being made are on account of remuneration to an employee or on account of contract services.

**Who pays the HE Levy**

- Employers that have a permanent establishment in Manitoba are subject to HE Levy on remuneration paid 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.

**Please note:** A group of associated corporations and certain corporate partnerships are considered to be a single employer for purposes of the HE Levy.

For further information on what is a permanent establishment, see Bulletin No. HE 004 – *Permanent Establishment*.

- Remuneration paid in the following situations is not subject to tax:
  - The total remuneration paid by a single employer (or by an associated group) in a calendar year is \$1.5 million or less.
  - 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 No. HE-005 – *Remuneration Paid by a Common Carrier*, for additional information.

**FURTHER INFORMATION**

This bulletin is intended 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:

**Winnipeg Office**

Manitoba Finance  
Taxation Division  
101 – 401 York Avenue  
Winnipeg, Manitoba R3C 0P8  
Telephone (204) 945-5603  
Manitoba Toll Free 1-800-782-0318  
Fax (204) 948-2087

**Westman Regional Office**

Manitoba Finance  
Taxation Division  
314, 340 – 9<sup>th</sup> Street  
Brandon Manitoba R7A 6C2  
Fax (204) 726-6763

E-mail: [MBTax@gov.mb.ca](mailto:MBTax@gov.mb.ca)

**ONLINE SERVICES**

Our Web site at [manitoba.ca/finance/taxation](http://manitoba.ca/finance/taxation) provides tax forms and publications about taxes administered by Taxation Division, and a link to Manitoba's laws and regulations. Forms and publications can also be obtained by contacting the Taxation Division.

Our online service at [manitoba.ca/TAXcess](http://manitoba.ca/TAXcess) provides a simple, secure way to apply for, and to file, pay and view your Taxation Division tax accounts.