



**GOVERNMENT OF
NEWFOUNDLAND
AND LABRADOR**

**DEPARTMENT OF FINANCE
TAXATION AND FISCAL POLICY BRANCH**

Bulletin No. **HAPSET 505**
Issue Date: **January 2001**

TAX INFORMATION BULLETIN
Health & Post Secondary Education Tax

Health and Post Secondary Education Tax (HAPSET), commonly referred to as payroll tax, is payable by an employer with respect to remuneration paid or credited to employees who report for work in Newfoundland.

An employer includes a person, government, association, corporation or partnership (including a limited partnership or joint venture) paying remuneration in relation to a business in the province. A business is an undertaking or activity carried on by an employer whether or not it is carried on for gain or profit. However, an individual who pays remuneration relating to child care or medical care of a patient is considered not to be an employer with respect to those payments, provided such expenses are deductions under the Income Tax Act (Canada) and provided the individual paying the remuneration is not engaged in any other business.

An employee means a natural person and includes an officer or director of an employer who receives remuneration in respect of the performance of the duties of the employment or the office.

Remuneration includes those salaries, wages, bonuses, commissions and allowances or benefits that are paid or credited to an employee, officer or director of an employer and by reason of section 5(1) or section 6 or section 7 of the Income Tax Act (Canada), those amounts paid or credited are required to be included as income earned from office or employment by that employee, officer or director for purposes of that Act. For practical purposes, amounts which constitute "income from office or employment" under the Income Tax Act for employees of the employer, are remuneration under HAPSET if paid by or credited to the employee by the employer.

Rate of Tax

The tax rate, payable by all employers, is **2% of taxable remuneration**. Taxable remuneration is defined below.

Taxable Remuneration

Taxable remuneration equals total remuneration paid by an employer less its allocated deduction (currently \$400,000 per employer each calendar year). However, if an employer is a partner of another employer or is a corporation associated with another corporation, the \$400,000 deduction from remuneration must be allocated among each partner or associated corporation, as the case may be, in accordance with the allocation agreement referenced below. A corporation is associated with another if it is associated within the meaning of section 256 of the Income Tax Act (Canada).

Allocation Agreement

Employers who are associated with another corporation or who are partners in a partnership with other employers who pay remuneration to employees, are required to file an allocation agreement for the purposes of allocating the \$400,000 deduction amount . Failure to file the Allocation Agreement may result in each employer within the group of associated corporations or partnership being denied a deduction amount.

Registered Charities And Private Sector Non-Profit Groups

Employers who are registered charities for purposes of the Income Tax Act (Canada) or considered by the Minister of Finance to be **private sector** non-profit organizations and who maintain separate establishments in the province shall be allocated separate \$400,000 deductions for each establishment in which that charity or organization has employees in the province. A non profit organization is considered to be a private sector non profit organization if more than 50% of its operating budget comes from non government sources.

Registration

An employer who will pay out remuneration in excess of its allocated deduction in any calendar year is required to register with the Department of Finance and submit returns commencing for the month that remuneration exceeds its allocated deduction. Returns are due by the 20th of the month following the month for which the return is filed.

Should you require information regarding any of the tax laws administered by the Division, please contact the office at:

Tax Administration Division
Confederation Building
P.O. Box 8720
St. John's, Nfld.
A1B 4K1
Phone: (709) 729-6297
Fax: (709) 729-2856

Disclaimer: These bulletins are prepared as guidelines and interpretations of the statutes. Where a conflict between the bulletins and statutes arise, the statutes will take precedence.