

Forward, Nicole MAH:EX

From: Mihlar, Fazil JTT:EX
Sent: Thursday, March 8, 2018 9:58 AM
To: Little, Christine JTT:EX
Cc: Jang, Monica JTT:EX
Subject: SBRT call on Wed

Hi Christine:

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and JM will block some time for him to make calls. Thx.

Sent from my iPhone

Louie, Jacqueline JTT:EX

From: Matthen, Sheila GCPE:EX
Sent: Monday, March 5, 2018 11:42 AM
To: Sali, Meghan JTT:EX; Maartman, William EDUC:EX
Cc: Harrison, Veronica EDUC:EX; McColl, John-Michael JTT:EX
Subject: Note
Attachments: 2018.03.05 - QP FINANCE - Budget 2018 EHT MSP Task Force - draft.docx

Good morning,

MCJ may not be in QP today, so your Ministers may be up answering questions on this topic.

Please give me a call if you have any questions.

In sol,

Sheila Matthen
Issues Management | 250-893-5218

EHT – MSP Task Force

Highlights:

- The Opposition has claimed that because the employer payroll tax comes into effect in 2019 and MSP is fully eliminated in 2020, some businesses will be paying double for a year.
- Some businesses are saying that the \$500,000 threshold is too low, and some small businesses will be impacted.
- Media and Opposition have also raised impacts of the EHT on the public sector, including school districts, post-secondary institutions, municipalities and non-profits.

Contrast:

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Solution:

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Background:

- In 2000, the MSP premium for a single individual was \$36/month but by 2016 that amount had risen to \$75/month – more than double.
- Under the previous government, MSP revenues were almost as much as corporate income tax revenues.
- Budget update 2017 announced a 50% cut to MSP premiums effective Jan 1, 2018. This will save individuals up to \$450 per year and families up to \$900 per year.
- Budget update 2017 also raised the income threshold below which households are fully exempt from MSP premiums by \$2,000 meaning that a senior couple with income up to \$35,000, or single parents with two children and income up to \$32,000 will pay no premiums.
- Budget 2018 announces that MSP will be fully eliminated on January 1, 2020.
- When fully eliminated, individuals will save up to \$900 per year and families up to \$1,800.
- The MSP premium elimination will be funded through the implementation of an employer health tax.
- To protect small businesses, the tax will not apply to employers with payroll under \$500,000. For employers with payroll between \$500,000 and \$1.5 million, the tax rate will phase in gradually until it reaches 1.95 per cent at \$1.5 million and above in total payroll.
- The MSP Elimination Task Force released an interim report which noted a variety of measures under consideration including:
 - Raising personal income tax
 - Replacing with a payroll tax
 - Replacing the PST with a value-added tax (like the HST)
 - Raising corporate income taxes
- The Task Force indicated they were leaning towards a combination of a personal income tax surcharge, a small payroll tax, and one or more other measure.

Louie, Jacqueline JTT:EX

From: Chow, George JTT:EX
Sent: Friday, March 2, 2018 11:08 AM
To: s.17
Subject: MSP tax
Attachments: IN_Budget - MSP-Health Tax.docx; ATT00001.txt

CONFIDENTIAL ISSUES NOTE

Ministry of Education

Date: Feb. 22, 2018

Date Updated: Feb 27, 2018

Minister Responsible: Rob Fleming

**MSP Elimination
/Health Tax**

ADVICE AND RECOMMENDED RESPONSE:

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BACKGROUND:

Issue: School districts will likely express concern about the effect of the employer health tax on their budgets. The Vancouver Sun reported that because the employer health tax comes in in 2019 but MSP premiums aren't eliminated until 2020 that the Province is "double-dipping" and hurting businesses.

Budget 2018 will eliminate Medical Service Plan (MSP) premiums effective Jan. 1, 2020.

The B.C. government committed to eliminating MSP premiums within four years. The government took the first step in *Budget 2017 Update* by cutting MSP premiums by 50% starting Jan. 1, 2018. This means school districts will save approximately \$30 million in MSP premiums in school year 2018/19.

In order to continue to deliver the services like health and education, the Province is replacing the revenues from MSP premiums with an employer health tax. The new employer health tax will begin January 1 2019 and cost approximately \$45 million. A net cost of these two will be \$15 million in 2018/19 school year.

This new payroll tax will come into effect Jan. 1, 2019 with the following rate structure:

- Businesses with a payroll of more than \$1.5 million will pay a rate of 1.95% on their total payroll.
- Businesses with a payroll between \$500,000 and \$1.5 million will pay a reduced tax rate.
- Businesses with a payroll under \$500,000 will not pay the tax.

At 1.95%, it is also the lowest rate among provinces with a payroll tax in Canada.

Subject to legislative approval, the proposed tax legislation will include clear rules regarding the frequency of installment payments and defining how payroll amounts are to be aggregated among associated businesses prior to applying deductions and tax rates.

B.C.'s total Budget for education for 2018/19 is \$6.3 billion – which is up approximately \$200 million from 2017/18.

Budget 2018 provides an additional \$409 million over three years (from 2018/2019 to 2020/2021). This includes:

- \$207 million for enrolment growth
- \$72 million for the Classroom Enhancement Fund (CEF) for 200 more teachers.
- \$70 million for independent schools
- \$49 million for the Economic Stability Dividend
- \$9 million for an initial investment in Child Care BC new early learning initiatives
- \$2 million for the Teachers Act Special Account

The Capital Budget includes \$1.8 billion over three years in funding for:

- \$541 for seismic upgrades
- \$693 million for expansions and replacements
- \$508 million for asset rehabilitation and maintenance
- \$15 million for the Playground Equipment Program

An additional \$24 million is being allocated annually to the CEF for 200 more teachers, bringing the total for CEF to \$400 million annually.

In addition to MSP savings in 2018, Boards of Education will save about \$60M through:

- o savings from Municipal Pension Plan contribution reductions (\$5.5 million in 2018/19, increasing to \$8.3 million beginning in 2019/2020)
- o savings in Teacher Pension Plan contribution reductions (\$46.1 million)
- o savings in the Next Generation Network costs (\$8.4 million)

GCPE Contact:		
Program Area Contact:		
File Created:	Feb. 22, 2018	
File Updated:		
File Location:		

Minister's Office	Program Area	ADM	Communications Director
			Corinna Filion

Louie, Jacqueline JTT:EX

From: Louie, Jacqueline JTT:EX
Sent: Friday, March 2, 2018 9:19 AM
To: Chow, George JTT:EX
Subject: IN_Budget - MSP-Health Tax.docx
Attachments: IN_Budget - MSP-Health Tax.docx; ATT00001.htm

FYI for roundtable

Louie, Jacqueline JTT:EX

From: Schollen, Tasha GCPE:EX
Sent: Tuesday, February 27, 2018 10:30 AM
To: Sali, Meghan JTT:EX; McColl, John-Michael JTT:EX
Cc: Densmore, Brad GCPE:EX; Giles, Alison GCPE:EX
Subject: Updated IN on Employer Health Tax and Small Business
Attachments: IN Employer Health Tax & Small Businesses 21 Feb 2018_FINAL.docx

[Updated with changes from FIN>](#)

Tasha Schollen | Communications Director
Ministry of Jobs, Trade and Technology
Government Communications and Public Engagement
Cell: 250-889-1121

**CONFIDENTIAL
ISSUES NOTE**

Ministry of Jobs, Trade and Technology

Date: Feb. 27, 2018

Minister Responsible: Hon. Bruce Ralston

Employer Health Tax & Small Businesses

SUGGESTED RESPONSES:

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BACKGROUND:

The Greater Vancouver Board of Trade (GVBOT) has given the B.C. government's Budget 2018 a C- for its cumulative impact on business. The GVBOT is concerned about government's newly introduced Payroll Tax or "employer health tax," saying that it will place a burden on small businesses and have the unintended effect of causing businesses to either lay off employees or withhold raises. The GVBOT goes on to say that because government is reducing the tax burden on individuals, by transferring a majority of the 2016/17 \$2.6 billion in MSP revenue onto businesses, mid-sized businesses will be impacted the most. The GVBOT also notes "with concern" that the new small business payroll tax comes on top of previously announced minimum wage increase (of 34% over four years), an increase in the general corporate tax rate of 9.1%, a 14% increase to the personal income tax rate of most "skilled professionals", and a previously scheduled increase in the B.C. carbon tax of 16%, moving up a further \$5 to \$35 per tonne of GHGs emitted.

The BC Chamber of Commerce and the Business Council of British Columbia were also critical of the change, calling it a surprise. The Chamber has expressed concern that much of the burden of the collective changes to taxation will fall on the business community, including many small businesses, which they fear will stifle growth and investment in certain sectors. The Canadian Federation of Business supports the \$500,000 threshold for the new tax, but said it should be higher. The BC Restaurant and Food Services Association has also voiced concerns about the new tax.

The new payroll tax comes into effect Jan. 1, 2019, but the MSP charges will be eliminated in Jan. 1, 2020, which means there will be an overlapping year-long period where some businesses will be paying both charges. The total new payroll tax amounts to \$463 million for the last three months of fiscal 2018/2019 year.

The payroll tax will be levied on businesses in B.C. with a payroll over \$500,000. And it will be the lowest payroll tax rate in Canada.

- Small businesses with payrolls less than \$500,000 will not pay any payroll tax.
- Businesses with payrolls between \$500,000 and \$1.5 million will pay a lower portion.
- And businesses with a payroll over \$1.5 million will pay the full rate of 1.95%.
- In 2016/17 MSP premiums provided a total of \$2.6 billion in revenue.

- The new payroll tax is estimated to provide \$1.9 billion in revenue per year in 2019/20 and 2020/21.

With the elimination of MSP premiums, effective Jan. 1, 2020, individuals will be saved up to \$900 annually and save families up to \$1,800 annually. B.C. is the only province that levies MSP premiums. The BC government has committed to eliminating MSP premiums within four years. The first cut, 50%, took effect on Jan. 1, 2018.

Table 1: Payroll Tax Summary

Annual BC Payroll	Annual Tax (\$)	Tax as % of Payroll
\$500,000 or less	\$0	0.0%
\$750,000	\$7,313	0.98%
\$1,000,000	\$14,625	1.46%
\$1,250,000	\$21,938	1.76%
\$1,500,000	\$29,250	1.95%
Over \$1,500,000	\$29,250 + 1.95% of payroll over \$1.5 mill	1.95%

Communications Contact: Andrew Patrick (PAO) / Tasha Schollen (CD)

Program Area Contact: Jordan Bennet (D) / Pat Summers (D) / Jaclynn Hunter (ED) / Christine Little (ADM)

Louie, Jacqueline JTT:EX

From: Densmore, Brad GCPE:EX
Sent: Thursday, February 22, 2018 8:14 AM
To: McColl, John-Michael JTT:EX; Louie, Jacqueline JTT:EX; Sali, Meghan JTT:EX; Schollen, Tasha GCPE:EX; Giles, Alison GCPE:EX
Subject: Re: Payroll IN

Issues call I should say!

From: Densmore, Brad GCPE:EX
Sent: February-22-18 8:10 AM
To: McColl, John-Michael JTT:EX; Louie, Jacqueline JTT:EX; Sali, Meghan JTT:EX; Schollen, Tasha GCPE:EX; Giles, Alison GCPE:EX
Subject: Payroll IN
Attached as per the standup for MOSC

Louie, Jacqueline JTT:EX

From: Densmore, Brad GCPE:EX
Sent: Thursday, February 22, 2018 8:10 AM
To: McColl, John-Michael JTT:EX; Louie, Jacqueline JTT:EX; Sali, Meghan JTT:EX; Schollen, Tasha GCPE:EX; Giles, Alison GCPE:EX
Subject: Payroll IN
Attachments: IN Payroll Tax Small Businesses 21 Feb 2018_FINAL.docx

Attached as per the standup for MOSC

Louie, Jacqueline JTT:EX

From: Schollen, Tasha GCPE:EX
Sent: Wednesday, February 21, 2018 10:25 AM
To: Sali, Meghan JTT:EX; McColl, John-Michael JTT:EX
Cc: Densmore, Brad GCPE:EX; Giles, Alison GCPE:EX; Mihlar, Fazil JTT:EX; Jang, Monica JTT:EX
Subject: IN Payroll Tax Small Businesses 21 Feb 18_FINAL
Attachments: IN Payroll Tax Small Businesses 21 Feb 18_FINAL.docx

Hi, here is our IN for the payroll tax and small biz.

Tasha Schollen | Communications Director
Ministry of Jobs, Trade and Technology
Government Communications and Public Engagement
Cell: 250-889-1121

**CONFIDENTIAL
ISSUES NOTE**

Ministry of Jobs, Trade and Technology

Date: Feb. 21, 2018

Minister Responsible: Hon. Bruce Ralston

Payroll Tax & Small Businesses

SUGGESTED RESPONSES:

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The new payroll tax comes into effect Jan. 1, 2019, but the MSP charges will be eliminated in Jan. 1, 2020, which means there will be an overlapping year-long period where some businesses will be paying both charges. Media reported the total new payroll tax amounts to \$463 million for the last three months of fiscal 2018/2019 year.

The payroll tax will be levied on large businesses in B.C. that are benefiting the most from the elimination of MSP. And it will be the lowest payroll tax rate in Canada.

- Small businesses with payrolls less than \$500,000 will not pay any payroll tax.
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Program Area Contact: Jordan Bennet (D) / Pat Summers (D) / Jaclynn Hunter (ED) / Christine Little (ADM)