

## Employer Health Tax

As announced in the 2017 Ontario Budget tabled on April 27, 2017, the government proposes to examine ways to strengthen the Employer Health Tax exemption sharing rules. [Learn more.](#)

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Employer Health Tax (EHT) is a payroll tax on remuneration paid to employees and former employees.

Effective January 1, 2014, the EHT exemption increased to \$450,000 from \$400,000 of Ontario payroll.

To be able to claim the tax exemption, employers must be eligible employers as defined under the EHT Act. Employers who have a municipal representative on their board of directors, or who are under the control of any level of government, are generally not eligible employers.

Employers normally cannot claim the exemption if their Ontario payroll for the year (including the payroll of any associated employers) is over \$5 million. However, eligible employers who are registered charities can claim the exemption even if their payroll exceeds \$5 million.

Effective January 1, 2017, special rules apply to eligible employers who are registered charities.

### **Read on: registered charities**

## **Do I have to pay EHT?**

You have to pay Employer Health Tax if you are an employer and you:

- have employees who physically report for work at your permanent establishment in Ontario, or
- have employees who are attached to your permanent establishment in Ontario, or
- have employees who do not report to work at any of your permanent establishments but are paid from or through your Ontario permanent establishment, and
- have Ontario payroll in excess of your allowable exemption amount.

### **Who is an employee or an employer?**

### **What is a permanent establishment? [PDF ]**

### **What is considered payroll/remuneration?**

## **Do I need to register for EHT?**

You need to register with the province if you are an employer and you are:

- not eligible for the tax exemption

- eligible for the tax exemption and your Ontario payroll exceeds your allowable exemption amount, or
- an associated employer.

**How to register for Employer Health Tax?**

**Am I an associated employer?**

**Tax rates**

The EHT rates vary from 0.98% on Ontario payroll less than \$200,000, up to 1.95% for payroll in excess of \$400,000.

The amount of EHT you, as an employer, pay is calculated by multiplying your Ontario payroll for the year – after deducting any tax exemption – by the applicable tax rate. The tax rate is based on the Ontario payroll of the employer before deducting any tax exemption.

| <b>Total Ontario remuneration</b> | <b>Rate</b> |
|-----------------------------------|-------------|
| Up to \$200,000.00                | 0.98%       |
| \$200,000.01 to \$230,000.00      | 1.101%      |
| \$230,000.01 to \$260,000.00      | 1.223%      |
| \$260,000.01 to \$290,000.00      | 1.344%      |
| \$290,000.01 to \$320,000.00      | 1.465%      |
| \$320,000.01 to \$350,000.00      | 1.586%      |
| \$350,000.01 to \$380,000.00      | 1.708%      |
| \$380,000.01 to \$400,000.00      | 1.829%      |
| Over \$400,000.00                 | 1.95%       |

- The tax rate for a multiple account employer is based on the combined Ontario payroll of all the employer's accounts.
- The tax rate for an associated employer is based on the Ontario payroll for that employer.

For example, an employer with \$175,000 of Ontario payroll, and who does not have any tax exemption, would have a tax rate of 0.98%, and would pay EHT of \$1,715 for the year.

**Instalment payments: Ontario payroll over \$600,000**

Employers with an annual Ontario payroll **over \$600,000** have to make monthly employer health tax instalment payments.

Employers who are eligible for a tax exemption, and who have Ontario payroll over \$600,000, have to make monthly instalments as soon as their payroll exceeds their allowable exemption amount.

Employers with an annual Ontario payroll of **\$600,000 or less** do not need to make instalment payments.

## **How do I file an EHT return?**

**The Ministry of Finance will mail you a personalized annual return.** If you did not receive a return, you should contact the Ministry of Finance. You should also contact the ministry when your Ontario payroll for the year exceeds your allowable exemption amount.

If you receive an annual return, you must complete it and send it to the ministry, even if no EHT is payable. If you are not an associated employer, once you submit a nil return, the ministry will stop sending you annual returns automatically.

**[You can also file your return online, using ONT-TAXS online.](#)**

## **Special returns (Remuneration paid once a year)**

Employers who pay their entire Ontario payroll in one month need to file a special EHT return within 15 days following the month in which the payroll was paid. Eligible employers are required to file a special return if their Ontario payroll in one month exceeds their available exemption amount.

## **Final returns**

Employers who amalgamate, cease to have a permanent establishment in Ontario, or who are ceasing operations in Ontario, are required to file a final return within 40 days of ceasing operations. For most employers, 'ceasing operations' would likely be the last date of payroll.

## **Due dates**

- Annual returns are due March 15th of the following calendar year.
- Special returns are due on the 15th of the month after the payroll was paid.
- Final returns are due 40 days after your business closes or the amalgamation date.

Note: Financial institutions are not authorized to accept or process employer health tax returns.

**[Read more PDF about annual filing requirements for EHT](#)**

**[How to complete your EHT return](#)**

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## **Recommended for you**

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**[Employer Health Tax Guide for Employers](#)**

**[Understanding Your Employer Health Tax Monthly Account Summary/Notice of Assessment](#)**

**[More about Permanent Establishment \[PDF\]](#)**

**[More about Remuneration \[PDF\]](#)**

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## Forms

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- **[Authorizing or Cancelling a Representative](#)**
- **[Instructions to complete - Associated Employers Exemption Allocation \(for 2010 and subsequent years\)](#)**
- **[Schedule 1 - Multiple Accounts \(for 2009 and prior years\)](#)**
- **[Schedule 2 - Associated Employers Exemption Allocation \(for 2009 and prior years\)](#)**

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