

Client Services Procedure Manual

Procedure: 402.00
Subject: Assessable Earnings

402.01 Introduction

This procedure details items that should or should not be reported as earnings for the purpose of assessment.

Earnings to be assessed must be determined in accordance with the Workplace Health, Safety and Compensation Act (the Act), the Workplace Health, Safety and Compensation Regulations CNLR 1025/96 (the Regulations) and WorkplaceNL's policies and procedures.

402.02 Assessment of Firms

Annually, WorkplaceNL will assess, levy and collect assessments from firms with operations that are covered under the Act. The annual assessment is based on earnings of workers, or on an appropriate basis, as determined by WorkplaceNL.

Assessable earnings include:

1. Regular salary or wages, including retroactive pay increases.
2. Earnings of spouses or family members that have been paid.
3. Casual labour wages.
4. Overtime pay.
5. Vacation pay.
6. Work related and discretionary bonuses.
7. Sick leave earnings - when a worker is receiving sick pay or paid leave for over 13 consecutive weeks, deductions may be made from assessable payroll for the period that is in excess of 13 weeks. In such situations, no deduction is to be made for the first 13 weeks of sick leave.
8. Paid maternity and/or parental leave.
9. Commissions from employment.
10. Employees' share of profit sharing.
11. Pre-retirement paid leave.
12. Honorariums.

13. Allowances and remuneration to mayors and members of municipal councils.
14. Human Resources and Skills Development Canada (HRSDC) program portion of wages and benefits paid to employers, not covered by HRSDC's blanket policy.
15. Department of Advanced Education and Skills program portion of wages and benefits paid to employers, not covered by Department of Advanced Education and Skills' blanket policy.
16. Directors' earnings and directors' fees.
17. Management fees.
18. Contributions that the employer makes to employees' RRSPs.
19. Loan to a director or worker not repaid within 12 months.
20. Dividends from a business where a shareholder of an incorporated business pays them self by taking dividends or a combination of salary and dividends, rather than salary payments only.
21. Trust payments - where a firm pays into a family trust and that trust then pays workers or directors of the firm, the trust payments are assessable.
22. Payments from a holding company - where a holding company's primary operation or course of business is tied to an associated or related operating company, and the workers of the operating company are paid through the holding company, the earnings are assessable.
23. Labour portion of payments relating to contractors.
24. Pay to employees over and above employment insurance benefits to supplement their income when they are temporarily unemployed. Sometimes an employer will pay a worker who is temporarily laid off, a sum representing the difference between the worker's income while in receipt of Employment Insurance benefits and regular earnings when employed.
25. Self-funded leaves of absence arrangements – when earnings are deferred for the purpose of a self-funded leave of absence, the earnings should be reported in the years that the worker receives payment.
26. Other taxable allowances and benefits including, but not limited to, those listed below (generally all taxable benefits are assessable):
 - education allowances - an allowance paid to the employee by the employer to offset the cost of education for his/her child;
 - employer's payment for employee counseling service - a fee paid by the employer to provide services such as financial counseling or income tax preparation for an employee;
 - gifts - either in cash or in kind, given to the employee by the employer;

- employer's share of premium for employee's life insurance;
- tips and gratuities;
- value of holiday trips, other prizes and incentive awards;
- medical expenses of employee paid by the employer - the amount provided or paid by an employer to pay an employee's medical expenses;
- employer paid portion of, or allowance given to an employee, to pay into medical care insurance plans and similar Government of Canada plans. If an employee has to pay premiums or contributions to a provincial authority that administers a hospital or medical care insurance plan, or both, and the employer pays all or part of those payments or contributions, the amount paid is the taxable benefit;
- value of subsidized meals - the benefit is the cost of the meals provided by the employer, minus any payment made by the employee;
- amount paid by the employer to or on behalf of employees for tuition fees, scholarships and bursaries;
- housing, board, lodging and cost of living allowances;
- travel benefits - for example, when a spouse accompanies an employee on a business trip, the amount paid to the employee by the employer to offset the spouse's travel expenses is a benefit;
- automobile allowance/benefits;
- stock option benefits - when an employer sells shares to an employee the benefit is the difference between the fair market value of the shares when the employee acquired them, and the amount paid or to be paid for them; and
- a benefit from interest-free or low-interest loans - the benefit is the saving in interest between the rate given the employee and the regular rate.

27. Any other remuneration which WorkplaceNL determines is subject to assessment.

Other forms of Assessment and Coverage

There are two industries in which assessments are not based on assessable earnings of workers, but on other units. They are:

Logging: pulpwood and saw log harvesting is reported quarterly and is based on cubic meters of timber harvested. The logging permit holder is responsible for the assessment. More information may be found in Procedure 405.00, The Logging Industry; and

Fishing: fish harvesting is assessed based on the landed value of the fish. The entity purchasing the landed fish is responsible for the assessment. More information may be found in Procedure 404.00, The Fishing Industry.

402.03 Non Assessable Earnings and Deductions

Non Assessable Earnings

The following are not assessable and should not be included in determining assessable earnings:

1. The amount paid to an employer by WorkplaceNL for retaining a worker on salary for a period of the worker's disablement. When the employer retains an injured worker on payroll and the WorkplaceNL pays the employer the compensation that the worker is entitled to, instead of paying the injured worker directly, the amount is not assessable.
2. Severance and separation pay (including retirement allowance and redundancy pay). Severance pay is based on length of service and separation pay is to allow a worker to become established in other work.
3. Payments to inactive directors and shareholders of a corporation if no T4 is issued. The definition of inactive directors may be found in Procedure 101.00, Coverage under the Workplace Health, Safety and Compensation Act.
4. Earnings of proprietors or partners. Optional personal coverage is available for these individuals who want coverage. More information can be found in Procedure 103.00, Optional Personal Coverage and Householder Coverage.

Deductions

The following can be deducted from gross wages and salaries reported on the Employer Payroll Statement:

1. Excess earnings for an individual worker that are above the annual maximum assessable earnings set by WorkplaceNL each year. The annual maximum assessable earnings can be found on WorkplaceNL's website at workplacenc.ca.
2. Earnings of a worker employed on a temporary basis in another jurisdiction, where that jurisdiction requires payment of assessment on the worker's earnings while they are employed there.
3. Earnings funded through certain Employment and Social Development Canada (ESDC) programs (such as Canada Summer Jobs and SWASP), where ESDC pays assessments for wage funded workers directly to WorkplaceNL.
4. Earnings funded through the Department of Advanced Education, Skills and Labour programs (such as Job Creation Partnerships, Labour Market Partnerships and Employment Assisted Services), where the Department of Advanced Education, Skills and Labour pays assessments for wage funded workers directly to WorkplaceNL.

402.04 Minimum Assessment

Regulation 24 of the Act provides for a minimum assessment of \$50 per year to be charged to an employer's account. A minimum assessment is charged when an employer reports earnings that result in an assessment of less than \$50.

402.05 Incorrect Reporting

When an employer over-reports assessable payroll, or inadvertently reports non-assessable wages to WorkplaceNL this may result in an over-assessment and/or an overpayment of that employer's account. WorkplaceNL will, upon being informed of the error, retroactively adjust that employer's account. All reporting errors may be subject to audit by WorkplaceNL prior to issuing a refund.

Employers who under-report assessable payroll, or who fail to report assessable wages to WorkplaceNL are subject to a retroactive adjustment for the current year and up to a maximum of five prior years. These under-reporting adjustments are also subject to audit, as well as interest charges.

Reference: Workplace Health, Safety and Compensation Act, Sections 40, 80, 97 and 102
Workplace Health Safety and Compensation Regulations, Sections 8, 10, 24 and 30
Policy ES-02, Assessable Earnings
Procedures: 101.00, Coverage under the Workplace Health, Safety and Compensation Act
103.00, Optional Personal Coverage and Householder Coverage
404.00, The Fishing Industry
405.00, The Logging Industry

Amendment History

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