



**GOVERNMENT OF
NEWFOUNDLAND
AND LABRADOR**

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

**Bulletin No. HAPSET 506
Issue Date: March 2003**

**TAX INFORMATION BULLETIN
HEALTH & POST SECONDARY EDUCATION TAX
Exemption Threshold Adjustments**

Effective from January 1, 2003, employers with payroll between \$500,000 and \$600,000 will no longer be taxable. Employers whose payroll is between \$600,000 and \$700,000 will receive a tax reduction. Employers with payroll of \$700,000 or more, will continue to have a \$500,000 exemption threshold as in 2002.

Employers who are associated with other corporations or who are in partnership with other employers who pay remuneration to employees, are required to file an allocation agreement for the purposes of allocating the exemption threshold. For these employers, the Department will allocate the revised exemption threshold based on the most recently filed allocation agreement.

For the 2002 tax year, employers could deduct \$500,000 from payroll when determining their liability for payroll tax. This is referred to as the exemption threshold. For 2003 and subsequent years:

- Employers with payrolls up to \$600,000 have an exemption threshold of \$600,000.
- For employers with payrolls of \$700,000 or more the exemption limit remains at \$500,000, as it was in 2002.
- For employers with payrolls between \$600,000 and \$700,000 the exemption threshold will be phased down from \$600,000 to \$500,000.

The following table provides examples of how the phase down of the threshold will operate.

Payroll Amount	Exemption Threshold	Taxable Payroll	Tax Rate	Tax Due	Tax Savings
575,000	600,000	-	2%	-	1,500
600,000	600,000	-	2%	-	2,000
625,000	575,000	50,000	2%	1,000	1,500
650,000	550,000	100,000	2%	2,000	1,000
675,000	525,000	150,000	2%	3,000	500
700,000	500,000	200,000	2%	4,000	-
725,000	500,000	225,000	2%	4,500	-

The following formula may be used to determine the exemption threshold available to an employer, or a group of associated employers, with payroll between \$600,000 and \$700,000.

$$\text{Exemption Threshold} = \$600,000 - (\text{Total payroll} - \$600,000)$$

You will be advised of your estimated exemption threshold for 2003.

Employers cumulative payroll for 2002 as filed with the Department will be used as the basis to determine this estimated exemption threshold.

Should you require information regarding any of the tax laws administered by the Tax Administration Division, please contact the office nearest you.

Tax Administration Division
Confederation Building
P.O. Box 8700
St. John's, NF
A1B 4K1
Phone: (709) 729-6297
Fax: (709) 729-2856
Toll Free 1-877-729-6376

Tax Administration Division
Regional Taxation Office
Sir Richard Squires Building
Corner Brook, NF
A2H 6J8
Phone: (709) 637-2469
Fax: (709) 637-2618

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.