

The information in this bulletin will help employers understand the tax exemption requirements for Employer Health Tax (EHT). This bulletin provides general information only. It does not replace the *Employer Health Tax Act* and Regulations.

## Introduction

**Definition** Eligible employers are exempt from EHT on the first \$400,000 of total Ontario remuneration each year. **Only one exemption is available for an associated group of employers.**

**Eligible employers**

Eligible employers generally include the following:

- private sector employers
- organizations that receive financial assistance from any level of government but are not under the control of government
- Crown corporations that are subject to federal income tax under Part I of the federal *Income Tax Act* (ITA).

**Associated employers**

The entire tax exemption amount for the year may be allocated to one member of the associated group or it may be shared among the associated employers.

Associated employers are connected by ownership or by a combination of ownership and relationship among the employers. Individuals are related either through blood, marriage or adoption. The rules for associated corporations under section 256 of the federal ITA are used to determine whether or not employers are associated for EHT purposes. Although these rules refer to corporations, their application is extended under the *EHT Act* to include individuals, partnerships and trusts.

Eligible employers who are members of an associated group of employers are required to enter into an agreement to allocate the tax exemption for the year. Beginning with the 2010 return, only one member is required to complete the Associated Employers Exemption Allocation form and submit the information to the ministry by the return due date. The exemption for all members of the group will be denied if a completed form is not received. Prior to the 2010 return, all members of an associated group were required to complete the form and file a copy with their returns.

For more detailed information, refer to EHT Associated Employers Information Bulletin.

**Multiple account employer**

A multiple account employer has more than one EHT account number set up for the same legal entity.

A multiple account employer who is an eligible employer can allocate the exemption to any of their multiple accounts to the extent that it does not exceed the total exemption allowed for the employer for the year.

Starting with the 2010 EHT annual return, multiple account employers are no longer required to complete Schedule 1- Multiple accounts.

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**Religious or charitable organizations**

Each location of a registered charity may be treated as a separate employer for EHT purposes with each location entitled to claim a separate exemption.

For more detailed information, refer to EHT Information Bulletin entitled Religious and Charitable Organizations.

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**Part-year employers**

An eligible employer that opened, closed, became bankrupt or amalgamated during the year must prorate the exemption amount for the number of days in the calendar year that the part-year employer has payroll and a permanent establishment (PE) in Ontario.

**Example one:**

The employer organization purchased its assets in March, started conducting business at the same time but did not have any payroll until June. The exemption will be prorated from June because it is from that date that the business had payroll and a PE in Ontario.

In the case of bankruptcy, the exemption must be prorated for the number of days in the calendar year up to, but not including, the date of bankruptcy.

When two or more corporations amalgamate, the new amalgamated corporation is required to prorate the exemption from the date of the amalgamation. The previously closed EHT accounts must prorate the exemption amount by the number of days in the calendar year that the businesses were in operation.

If the part-year employer is part of an associated group of employers, the exemption available to the group is based on the exemption available to the employer within the group who has had payroll and a PE in Ontario for the greatest number of days in the calendar year.

**Example two:**

Employers A and B are associated at December 31, 2001. Employer A was in operation throughout the year; employer B was in operation and was an employer since July 1, 2001 (i.e., 184 days).

The group is entitled to the full \$400,000 exemption as employer A has been in business throughout the year. However, the amount that can be allocated to employer B is restricted to the amount that the organization would have been entitled to had it been a stand-alone employer (i.e.,  $184/365 \times 400,000 = \$201,644$ ). If \$201,644 is allocated to employer B, only \$198,356 (i.e.,  $\$400,000 - \$201,644$ ) can be allocated to A.

**Claiming the exemption**

An eligible employer is not required to remit tax instalments until the cumulative remuneration exceeds the employer's allocated exemption amount for the year.

Final adjustments to the exemption amount claimed during the year should be made at the time of filing the annual return.

Members of an associated group, who amalgamated part way through the year, should contact their local Ministry of Revenue tax office for further information.

**Requests for written interpretations**

Binding interpretations concerning EHT can only be made by reviewing all the facts of the situation. Where all relevant facts are provided, requests for written interpretations may be sent to:

Ministry of Revenue  
Tax Advisory Services Branch  
Employer Health Tax  
33 King Street West  
Oshawa ON L1H 8H5

**Related publications**

Other publications which provide further details on this topic include:

- Associated Employers
- Religious or Charitable Organizations

**More information**

To obtain the most current version of this publication, or additional information, visit our website at [Ontario.ca/revenue](http://Ontario.ca/revenue) and enter 512 in the find page field at the bottom of the webpage or contact the Ministry of Revenue at:

- 1 866 ONT-TAXS (1 866 668-8297)
- 1 800 263-7776 teletypewriter (TTY)

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