

## THE HEALTH AND POST SECONDARY EDUCATION TAX LEVY ACT

### REMUNERATION PAID BY A COMMON CARRIER

This bulletin is issued to help employers who are common carriers understand how to calculate the tax payable under The Health and Post Secondary Education Tax Levy Act (Payroll Tax) in the situation where the total remuneration paid to their employees includes remuneration for operating a commercial truck on an interjurisdictional trip.

#### General information

- No tax is payable in respect of remuneration paid by a common carrier to an employee for operating a commercial truck outside of Manitoba or on an interjurisdictional trip. (Hereinafter referred to as an “interjurisdictional employee”)

#### An interjurisdictional trip means:

- a trip by an interjurisdictional employee starting from a point inside Manitoba, where the last pick up or delivery is made, to a point outside Manitoba, or
- a trip by an interjurisdictional employee starting from a point outside Manitoba, to the first point in Manitoba where a pick up or delivery is made, or
- a return trip by an interjurisdictional employee starting from a point inside Manitoba, where the last pick up or delivery was made, before directly leaving Manitoba, until the point where the first pick up or delivery is made upon returning to Manitoba, or
- travel through Manitoba by an interjurisdictional employee where no pick-ups or deliveries are made.

An interjurisdictional trip includes the distance travelled on a repositioning move. A repositioning move is the travel of an unloaded (empty) truck and trailer from the carrier's Manitoba home base directly to the starting point of an interjurisdictional trip and from the end point of an interjurisdictional trip directly to the carrier's Manitoba home base.

A stop for rest, food, or fuel is not considered a pick-up or a delivery.

- Remuneration paid to all other employees of a common carrier are subject to tax, e.g. remuneration paid to employees that operate, buses, aircraft, non-commercial trucks and other equipment interjurisdictionally, or operate trucks and other equipment within Manitoba, or perform administrative, management, maintenance tasks, etc. (Hereinafter referred to as “home-base employees.”)
- See Bulletin No. HE 001 – Information for Employers, if you require general payroll tax information, e.g., tax rates, tax returns, registration requirements, etc.

**Note:** Revisions to content of previous Bulletin (October 2004) have been identified by shading ( ).

**What is a commercial truck?**

- A commercial truck is a motor vehicle with a permanently attached truck body or delivery body, or the combination of a motor vehicle and one or more trailers, that is designed and used for the transportation of goods of members of the public for a charge.

**Please note:** A motor vehicle used to transport a person’s own goods is not a commercial truck for purposes of payroll tax, even if the person makes a separate charge for the delivery, e.g., a motor vehicle that a retailer or manufacturer owns/leases and uses to deliver goods to a purchaser. Therefore, remuneration paid to an employee to operate a vehicle for this purpose, both inside and outside Manitoba, does not qualify for the exemption otherwise provided in respect of “interjurisdictional employees.”

**General exemption/notch reduction for all employers**

- All employers with total remuneration in a year of \$1 million or less are exempted from payroll tax.
- All employers with total remuneration exceeding \$1 million but not exceeding \$2 million, pay tax only on the remuneration exceeding \$1 million at the notch reduction rate of 4.3 per cent.

**Please note:** The general exemption does not apply where the total remuneration paid in a year by an employer exceeds \$2 million. In this case, the total remuneration paid is taxable at the rate of 2.15 per cent, except as per example 1 below.

**How does the general exemption apply to common carriers?**

- “Remuneration” for purposes of the general exemption means total remuneration paid by an employer, including, in the case of a common carrier, the remuneration paid to employees that operate a commercial truck both inside and outside Manitoba.
- Therefore, where a common carrier’s total remuneration for the year is \$2 million or less, the general exemption/notch reduction is proratable between the remuneration paid to “interjurisdictional employees” and to the remuneration paid to “home-base employees,” in proportion to the total remuneration paid.
- Therefore, the prorated exemption applicable to remuneration paid to “home-base employees” is calculated using the following formula:

$$A = B/C \times \$1,000,000$$

Where

- A is the prorated amount of tax exemption
- B is the remuneration paid to “home-base employees”
- C is the total remuneration paid by the employer.

**Examples of calculating the tax payable by a common carrier**

- **Example 1: Where total remuneration paid to all employees exceeds \$2 million**

Remuneration re interjurisdictional employees (non-taxable)	\$4,100,000
Remuneration re home-base employees (taxable)	<u>900,000</u>
Total remuneration paid to all employees	<u>\$5,000,000</u>

- In this example, a proration of the general exemption/notch reduction provisions does not apply, as the total remuneration paid exceeds \$2 million.
- No tax is payable on the remuneration paid to “interjurisdictional employees.”

- However, the total remuneration paid to the “home-base employees” is taxable at the general rate of 2.15 per cent and the tax payable is as follows:

$$\$900,000 \times 2.15\% = \$19,350$$

- **Example 2: Where total remuneration paid to all employees is between \$1 million and \$2 million (notch reduction range)**

Remuneration re interjurisdictional employees (non-taxable)	\$ 600,000
Remuneration re home-base employees (taxable)	700,000
Total remuneration paid to all employees	<u>\$1,300,000</u>

- In this example, the first step is to calculate the proportional general exemption applicable to the remuneration paid to “home-base employees” using the above formula as follows:

$$\$700,000 / \$1,300,000 \times \$1,000,000 = \$538,462$$

- The corresponding notch reduction range (2 times \$538,462) is:

$$\$538,462 \text{ to } \$1,076,924$$

- The tax payable on the remuneration paid to “home-base employees” is as follows:

$$\$700,000 - \$538,462 = \$161,538 \times 4.3\% = \$6,946$$

## FURTHER INFORMATION

This bulletin is intended as a guideline and is not all-inclusive. For the specific wording of the law, please refer to the sections of the Act and Regulations as stated below. Further information may be obtained from:

### Winnipeg Office

Manitoba Finance  
Taxation Division  
101 – 401 York Avenue  
Winnipeg, Manitoba R3C 0P8  
Telephone (204) 945-5603  
Manitoba Toll Free 1-800-782-0318  
Fax (204) 948-2087  
E-mail: [MBTax@gov.mb.ca](mailto:MBTax@gov.mb.ca)  
Web Site: [www.gov.mb.ca/finance/taxation](http://www.gov.mb.ca/finance/taxation)

### Westman Regional Office

Manitoba Finance  
Taxation Division  
349, 340 – 9<sup>th</sup> Street  
Brandon Manitoba R7A 6C2  
Telephone (204) 726-6153  
Manitoba Toll Free 1-800-275-9290  
Fax (204) 726-6763

**Principle References in Legislation:** *The Health and Post Secondary Education Tax Levy Act (C.C.S.M. c. H24)*