

Small business to benefit from new hiring EI credit for 2011 (July 2011)

In an effort to stimulate hiring by small businesses, the federal government proposed, as part of this year's budget, a new hiring credit for small business (HCSB) to take effect for 2011. That proposal, along with the rest of the budget provisions, has now been passed by Parliament.

Under Canada's employment insurance (EI) system, EI premiums must be deducted from an employee's pay and remitted on a regular basis to the federal government. The employer is also required to pay EI premiums, with the employer contribution equivalent to 1.4 times the amount levied on the employee. So, for every dollar in EI premiums paid by employees, the employer must contribute \$1.40.

The new HCSB is available to businesses whose total employer EI premiums during the 2010 calendar year were \$10,000 or less, and whose employer EI premium payments increased from 2010 to 2011. The credit itself is calculated as the difference between employer EI premiums paid in 2010 and those paid in 2011. Essentially, the federal government will pay, through the credit, any increase in premiums paid by the employer in 2011, to a maximum of \$1,000. The actual amount of credit received by a particular employer will be calculated by the Canada Revenue Agency (CRA) when the employer files its 2011 T4 information return, usually early in 2012. In any case, the 2011 T4 information return must, in order to be used to calculate any credit, be filed before January 1, 2015.

A couple of administrative notes: where an employer meets all of the criteria for the HCSB outlined above, but also owes money to the CRA, the amount of any credit will be applied by the Agency towards that outstanding debt. As well, employers are not permitted to reduce their EI premium remittances during 2011 by the amount of any credit which they expect to receive. All EI premium amounts owing must be remitted to the federal government throughout 2011 on the usual schedule, with any credit amount to which the employer is entitled calculated and paid when the 2011 T4 information return is filed in early 2012.

Neither the Department of Finance nor the CRA has issued much detailed information with respect to the administration of the HCSB, but the CRA has posted a Q&A document on its Web site, and that document can be found at <http://www.cra-arc.gc.ca/gncy/bdgt/2011/qa17-eng.html>.