

Provincial Summary¹

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Business owners in Canada are responsible for collecting, remitting, and/or paying several types of taxes based on their business type, location, and business structure. Among the types of taxes are corporate income taxes, personal income taxes, sales taxes, property taxes, and carbon taxes. None, however, is as impactful on businesses growth as payroll taxes. Overall, payroll taxes increase the cost of labour, total business costs and take time away from running a business—limiting the resources required to spur business growth and competitiveness through investments, innovation, and job creation. Ultimately, reducing the amount of taxes on businesses—in particular payroll taxes—would help boost their competitiveness and growth.

Key Findings from CFIB Surveys on Taxation in Saskatchewan

Tax Burden is Affecting Business Growth

84%

of business owners say
tax burden is their top
concern

77%

of business owners say
payroll taxes affects business
growth the most

Reducing Taxes Would Help Businesses Grow

84%

of business owners say
reducing taxes helps growth
the most

The Problem with Payroll Taxes for Businesses Owners



Profit Insensitive

Payroll taxes must be paid, whether a business is profitable or not.



Administrative Burden

Reporting and remitting payroll taxes takes time away from running a business.



Regressive

As small businesses are more labour intensive than larger businesses, payroll taxes place a disproportionate burden on smaller businesses.

Employer Payroll Tax Burden in 2019 – Where does Saskatchewan Stack Up?

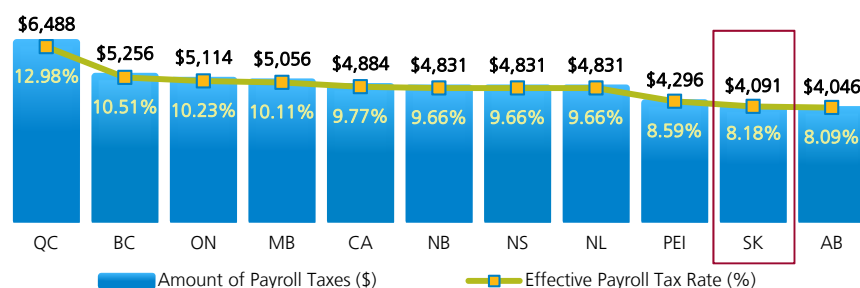
Payroll burden on employers is assessed using the effective payroll tax rate—i.e. payroll taxes as a percentage of salary—on a small business with 50 employees, each earning a typical salary of \$50,000 resulting in a total payroll of \$2.5 million.^{2,3} The findings show that employers in Saskatchewan face a burden of \$4,091 on a \$50,000 salary, or 8.18% effective payroll tax rate (see Figure 1). Presently there are three payroll taxes levied on employers Saskatchewan—Employment Insurance (EI), Canada Pension Plan (CPP), and workers' compensation. EI and CPP are levied by the federal government and they are standard throughout the country. As such, workers' compensation costs which are levied by the province can create a competitive advantage or disadvantage. Employers pay premiums to fund the operations and benefits from Saskatchewan's Workers' Compensation Board (WCB Sask). As such, the board should strive to adequately balance its funding to protect the compensation benefits of injured workers in the long-term, while at the same time preventing the volatility of premiums or overcharging employers.

¹ This summary is based on CFIB's main report on payroll taxes in Canada — [Taxing Payroll: A Barrier to Business Growth and Competitiveness](#).

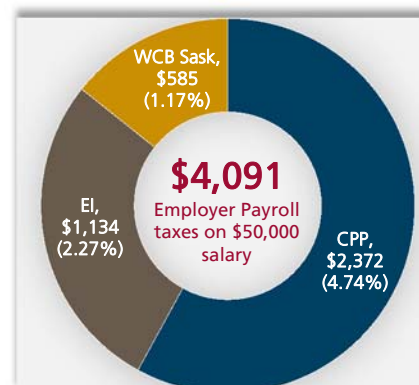
² Small business is defined as having 1 to 99 paid employees. Source: Statistics Canada. *Key Small Business Statistics* - January 2019.

³ Average national wage of \$50,760 was rounded to \$50,000 for simplification. Source: Statistics Canada, Table: 14-10-0204-01 (formerly CANSIM 281-0027). 2017.

Figure 1: Effective Employer Payroll Tax on a \$50,000 salary, by Province in 2019



Note: CFIB calculation, based on a small business with 50 employees and a payroll of \$2.5 million.



Focus on Saskatchewan WCB Financial Accountability

In 2018, Saskatchewan WCB was funded at 128.4% (ratio of total assets to total liabilities).⁴ Where the funded status rises above 122% the board's policy is to refund back to employers the excess monies. The excess surplus, however, is distributed at Saskatchewan WCB's discretion, over a period not to exceed five years until the funded status reaches 120%.

CFIB believes the point at which Saskatchewan WCB provides refunds to employers should be lowered. Saskatchewan entrepreneurs want WCB to take a more reasonable approach and propose that the refund of surplus monies be triggered when the funded status rises above a threshold of 110%. Further, the surplus should be automatically rebated in the year it is realized, and not distributed over a five year period. This approach would give employers some of their own money back so they can focus on growing their business, creating jobs, and investing in new and safer equipment.

If Saskatchewan WCB were to return the funds accumulated beyond a 110% funding ratio at the end of 2018, the total potential refund to Saskatchewan employers would translate into nearly \$282 million. For a Saskatchewan business with five employees, the potential rebate could be \$3,440.⁵

Lowering the Payroll Burden in Saskatchewan

Taxes imposed on small businesses create an uncompetitive business environment for them. Steps need to be taken to provide employers with the opportunity to invest in their business and increase the pay, benefits and training opportunities for their staff. Helping businesses afford competitive job conditions not only has a direct positive outcome for workers but also for the overall economy. With this aim in mind, CFIB has the following recommendations for Saskatchewan WCB in order to implement a fairer and more progressive payroll tax system in Saskatchewan.

- ✓ To avoid volatility in premium costs, workers' compensation boards must practice continued vigilance on administration costs and regularly review the rate-setting process.
- ✓ Funding should be monitored closely and invested in the most prudent manner possible. Funding ratio (total assets over total liabilities) should be maintained between 100% and 110%. Offer surplus distribution to employers, if funding ratio exceeds 110%.
- ✓ A surplus should automatically rebated in the year it is realized, and not distributed over a five year period.
- ✓ Regularly review of the board's efficiencies (e.g. every 5 years).
- ✓ Adopt a short-term waiting period (e.g. three days) to lower claims costs and curb increases to premiums.

Note, for a complete list of CFIB's recommendations pertaining to the general payroll tax system in Canada refer to the full report.⁶

⁴ 2018 Annual Report Saskatchewan Workers' Compensation Board.

⁵ CFIB Calculations.

⁶ This summary is based on CFIB's main report on payroll taxes in Canada — [Taxing Payroll: A Barrier to Business Growth and Competitiveness](#).