



## Employer Health Tax Changes for 2021 – Tax Bulletin

The 2020 Budget announced the Ontario government's proposal to make the 2020 tax year Employer Health Tax (EHT) exemption increase from \$490,000 to \$1 million permanent.

Along with doubling the exemption, the instalment threshold would also be doubled from \$600,000 to \$1.2 million starting with the 2021 tax year.

The proposal was passed by the Legislature and is now law. This notice provides general information and is not a substitute for the legislation.

### **EHT Exemption Increase Overview**

The government is further supporting private-sector employers by making permanent the EHT exemption increase to \$1 million.

If an employer or associated group does not owe any EHT because of the increased exemption amount, they would not need to file an EHT return and would not need to notify the Ministry of Finance.

The exemption threshold is indexed to inflation every five years, with the next adjustment scheduled for 2024. Given the immediate doubling of the exemption threshold, the government has moved the next scheduled adjustment for inflation to January 1, 2029.

### **Example:**

A restaurant with a payroll of \$700,000 would have owed \$4,095 in EHT with the \$490,000 exemption in effect in 2019. Doubling the exemption to \$1 million means that this employer owes no EHT on the same payroll in each of 2020 and 2021. This employer would continue to pay no EHT going forward until the restaurant's annual payroll size exceeded \$1 million.

### **Applying the New Exemption Amount**

If a registered charity already has two or more qualifying charity campuses, it can claim the \$1 million exemption for each qualifying charity campus starting with the 2020 tax year.

Employers, including associated groups of employers, with total Ontario remuneration over \$5 million are not eligible for the increased exemption, as they are not eligible for any exemption.

### **Instalment Threshold Increase Overview**

The government has also doubled the instalment threshold from \$600,000 to \$1.2 million starting with the 2021 tax year. This new instalment threshold applies regardless of whether an employer claims an exemption.

This means that, starting in 2021, all employers should begin remitting monthly instalments when their annual payroll exceeds \$1.2 million.

If your business no longer needs to make instalment payments in 2021 as a result of the increased instalment threshold, you do not need to contact or notify the Ministry of Finance.

### **Example:**

An Ontario building contractor has annual payroll of \$1.5 million and is eligible for the \$1 million exemption. The contractor should begin remitting EHT in instalments once their payroll exceeds the instalment threshold of \$1.2 million for the year.

### **Additional EHT Information**

For more information on the EHT exemption and instalment requirements, visit <https://www.fin.gov.on.ca/en/guides/eh/foremployers.html>.

### **Contact Us**

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