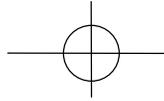


New Hires Program

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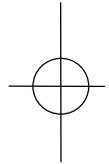
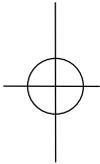
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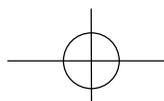
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La version française de cette publication est intitulée *Programme pour l'embauche de nouveaux travailleurs.*



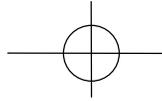
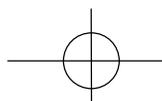
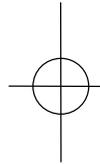
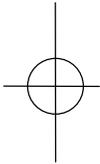
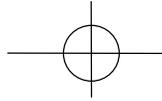


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Introduction

What is the New Hires Program?

The New Hires Program will give small businesses relief from the employer's share of Employment Insurance (EI) premiums to encourage further job creation. Up to \$10,000 in premium relief is available to qualifying businesses with about 100 or less full-time employees in each of the years 1997 and 1998.

Is this booklet for you?

You may be an employer who paid EI premiums of less than \$60,000 in 1996, or you may be a new employer in 1997. If so, you could be eligible for benefits under the New Hires Program. This booklet will help you determine if you are eligible, and help you calculate the amount of the benefit to which you may be entitled.

Note

If you paid \$60,000 or more in EI premiums in 1996, you are not eligible for this program.

Forms and publications

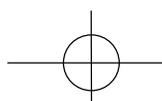
You can use the Form RC89, *Employer's Application for a Refund of Employment Insurance Premiums Under the New Hires Program*, to calculate the benefit to which you may be entitled. We have included a copy of this form in the *Employers' Guide to Payroll Deductions - Basic Information*. To get more copies of this form, and other forms or publications, please contact your tax services office or tax centre. If you have access to the Internet, you can find our publications at the following address: <http://www.rc.gc.ca>

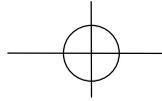
Do you need more information?

This booklet uses plain language to explain the most common tax situations. If, after reading this booklet, you need more information about business or professional activities, please contact the Business Enquiries section of your tax services office. You can find the telephone numbers listed under "Revenue Canada" in the Government of Canada section of the telephone book.

New terminology

Human Resources Development Canada has implemented legislative changes to the Unemployment Insurance Program. As a result, the Government has replaced "Unemployment Insurance" with "Employment Insurance."





A Benefit for Small Businesses

This section provides information on the New Hires Program for small businesses that may be eligible for program benefits. It also provides information for associated employers.

Are you eligible?

Small businesses with employer premiums of less than \$60,000 in 1996 will be eligible to receive benefits under this program. New businesses starting in 1997 may also be eligible. Depending on wage rates, firms with up to about 100 full-time employees will be eligible (the number could be larger in firms with mostly part-time employees).

Up to \$10,000 in premium relief will be provided to eligible small businesses in each of the years 1997 and 1998. The program is designed to be as flexible as possible to recognize the differing circumstances businesses encounter. Therefore, small businesses will have the option of adjusting their premium payments during the year or claiming a rebate at the end of the year when they file their T4 or T4F Summary returns. For more information, see "How to Get Your Benefit" on page 9.

Also, the program gives relief to small businesses with part-time employees if these businesses are paying EI employer premiums for the first time as a result of moving to an hours-based EI system, i.e., a system in which employers pay premiums on every dollar their employees earn, up to the yearly maximum.

In all cases, you will be eligible for the program if you were an employer operating a small business and employing people in 1996, and the two following conditions apply to you:

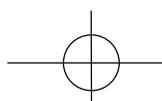
- Your share of 1996 EI premiums, including the premiums for all employers with whom you were associated on December 31, 1996, was less than \$60,000.
- Your share of 1997 EI premiums, including the premiums for all employers with whom you were associated in 1997, was at least \$250 more than the amount of 1996 EI premiums for you and all associated employers.

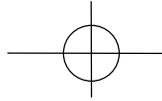
If you are a new employer who starts a business in 1997, you are eligible for the program. If you are an associated employer, see the next section.

We also offer this program to small businesses that operate as a proprietorship, partnership, trust, corporation, or any other type of organization.

Are you part of an associated group of employers?

If you were part of an associated group of employers, you calculate the premium relief on a group basis.





To determine if you were associated with another employer, apply the following rule:

- Employers that are **corporations** which are associated with each other at any time are considered to be associated.

Since employers can also be individuals or partnerships, the rule is expanded for purposes of determining association:

- If an employer is a **partnership**, the employer is considered to be a corporation where all the shares with full voting rights are owned by the members in the same proportion as the member's share of the income or loss of the partnership.
- If the employer is an **individual**, the employer is considered to be a corporation where the individual owns all the shares with full voting rights of the capital stock.

For more information about associated employers, see the guide called *Employers' Guide to Payroll Deductions – Basic Information and the Interpretation Bulletin IT-64, Corporations: Association and Control – After 1988*.

Amount of Benefit Available

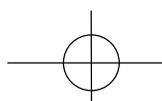
What amount of benefit is available?

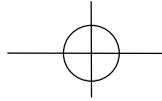
We base the amount of benefit a small business can receive on the following conditions:

- A small business may have Employment Insurance (EI) premiums in 1997 that are \$250 more than those it paid in 1996. If so, the business may be eligible for a maximum benefit of up to \$10,000.
- For 1997, an eligible small business can get a benefit of 100% of the difference (premiums paid in 1997 minus [1996 premiums paid + \$250]). (See the formula on the next page.)
- For 1998, an eligible small business can get a maximum benefit of 25% of the difference (premiums paid in 1998 minus [1996 premiums paid + \$250]). (See the formula on the next page.)

Note

For firms whose EI premiums were between \$50,000 and \$60,000 in 1996, the benefits will be phased down based on each dollar paid.





How to calculate your benefit

The formula for calculating the 1997 benefit is as follows:

$$1997 \text{ premiums} - (1996 \text{ premiums} + \$250) = \text{amount of benefit to a maximum of } \$10,000$$

The formula for calculating the 1998 benefit is as follows:

$$[1998 \text{ premiums} - (1996 \text{ premiums} + \$250)] \times 25\% = \text{amount of benefit to a maximum of } \$10,000$$

Table 1 explains the different benefit levels that are available.

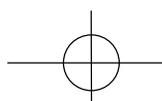
Employer premiums 1996	Employer premiums 1997	Difference	Benefit
0	5,000	5,000	4,750
0	10,500	10,500	10,000
10,000	30,000	20,000	10,000
15,000	20,000	5,000	4,750
20,000	30,000	10,000	9,750
50,000	70,000	20,000	10,000
55,000 *	65,000	10,000	5,000
60,000 *	70,000	10,000	0

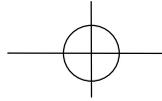
*The business's 1996 employer premium total is more than the \$50,000 threshold, the benefits start to phase-out on every dollar of premiums paid.

Note

If your share of the 1996 employer EI premiums is \$60,000 or more, you cannot claim the benefit.

The following examples show the various situations that will result in a benefit. They may help you determine your eligibility under the New Hires Program.



**Example 1**

A direct mail firm starts operating in 1997. It hires five full-time employees and pays \$5,000 in EI employer premiums. Since the firm paid no premiums in 1996, its cost for premiums is the full \$5,000. The New Hires Program will provide a \$4,750 rebate above the \$250 threshold.

1997 premiums		\$ 5,000
Minus:		
1996 premiums	\$ 0	
Plus: Threshold amount	<u>250</u>	<u>250</u>
Total benefit		\$ <u>4,750</u>

Example 2

A service firm had 30 full-time employees in 1996, and paid \$31,000 in EI employer premiums. In January 1997, the firm hires 15 more full-time employees, raising the premiums by \$14,000 to \$45,000. Under the New Hires Program, the employer will receive the maximum rebate of \$10,000.

1997 premiums		\$ 45,000
Minus:		
1996 premiums	\$ 31,000	
Plus: Threshold amount	<u>250</u>	<u>31,250</u>
Total benefit*		\$ <u>3,750</u>

*The **total benefit is \$10,000**, as it is the maximum amount.

Example 3

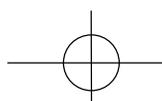
In 1996, a retailer had 10 employees and paid \$4,300 in employer premiums. At the start of 1997, the firm hires five part-time employees which increases its premiums to \$6,000. This means additional premiums of \$1,700. Under the New Hires Program, the employer will receive a rebate of \$1,450.

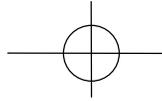
1997 premiums		\$ 6,000
Minus:		
1996 premiums	\$ 4,300	
Plus: Threshold amount	<u>250</u>	<u>4,550</u>
Total benefit		\$ <u>1,450</u>

Example 4

A manufacturing firm with 45 full-time employees in 1996 paid \$52,000 in employer premiums. At the start of 1997, the firm hires 10 more full-time workers increasing its premium amount by \$11,000 to \$63,000. Under the New Hires Program, the employer will receive a rebate of \$8,000.

1997 premiums		\$ 63,000
Minus:		
1996 premiums	\$ 52,000	
Plus: Threshold amount	<u>250</u>	<u>52,250</u>
Total benefit*		\$ <u>10,750</u>





- * The **total benefit is \$8,000** (\$10,000 – \$2,000). The benefit is \$2,000 less than the \$10,000 maximum, as it is phased down on a dollar-for-dollar basis between \$50,000 and \$60,000).

Example 5

A fast food outlet employed 50 part-time employees throughout 1996. Since none of the employees worked more than 14 hours a week, at \$6.94 an hour, their earnings were not insurable under the Unemployment Insurance system and no premiums were payable. Starting in 1997, **first-dollar coverage** means that premiums are now payable for these employees. Under the New Hires Program, their employer will receive assistance to start operating under the new system. Employer premiums for these newly insurable workers total \$10,256. The employer will receive the full \$10,000 rebate.

1997 premiums		\$10,256
Minus:		
1996 premiums	\$ 0	
Plus: Threshold amount	<u>250</u>	<u>250</u>
Total benefit*		<u>\$10,006</u>

- * The **total benefit is \$10,000**, as it is the maximum amount.

How to Get Your Benefit

You can use one of three methods to get your benefit under the New Hires Program. If you are eligible, you can choose the method that is most advantageous to you. We explain the three methods below.

Note

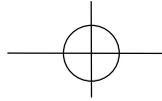
For all three methods, you have to complete the Form RC89, *Employer's Application for a Refund of Employment Insurance Premiums Under the New Hires Program*, to calculate the amount of benefit available to you. We have included a copy of this form in the *Employers' Guide to Payroll Deductions – Basic Information*.

Method 1 – Year end

- Using this method, you have to remit your EI employer premiums during 1997. You can claim a refund or a credit at the end of the calendar year when you file your T4 or T4F Summary return. If you claim a credit, you will need to have it transferred to your 1998 payroll deductions account.

Method 2 – After paying the equivalent of your 1996 employer premiums, plus \$250

- Using this method, you have to remit your 1997 employer premiums until you have reached the 1996 level, plus \$250. Once you have met this level, you



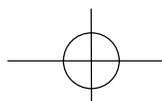
will be eligible for your benefit. You no longer need to remit the employer's share until you reach the benefit ceiling of \$10,000.

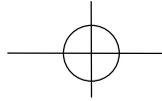
- You have to continue remitting any income tax withheld from employees, together with both employer and employee shares of Canada Pension Plan contributions. The only amount you adjust is the employer's share of EI premiums.
- You will need to reconcile the amounts withheld and remitted, and you will need to complete the application form and include it with your T4 or T4F Summary return.

Month	Employer premiums 1996	Employer premiums 1997	Actual payments 1997 (all amounts are dollars)	Net benefit	Cumulative benefit
January	2,000	4,000	4,000	0	0
February	2,000	4,000	4,000	0	0
March	2,000	4,000	4,000	0	0
April	2,000	4,000	4,000	0	0
May	2,000	4,000	4,000	0	0
June	2,000	4,000	4,000	0	0
July	2,000	4,000	250	3,750	3,750
August	2,000	4,000	0	4,000	7,750
September	2,000	4,000	1,750	2,250	10,000
October	2,000	4,000	4,000	0	0
November	2,000	4,000	4,000	0	0
December	<u>2,000</u>	<u>4,000</u>	<u>4,000</u>	<u>0</u>	<u>0</u>
Totals	<u>24,000</u>	<u>48,000</u>	<u>38,000</u>	<u>10,000</u>	<u>10,000</u>

Method 3 – Monthly comparisons

- This method is based on monthly comparisons of EI employer premiums for the current year with the corresponding amounts and periods for 1996. After absorbing the annual excess amount (1997 remittances minus 1996 remittances plus \$250), you can claim the credit immediately.
- This method will benefit you if you had EI-exempt workers in 1996 and are now paying employer premiums for those workers in 1997. It will also benefit you if you have more workers on your payroll in 1997 than in 1996, due to the change in method of collecting premiums.





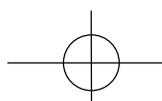
- This method will benefit you if you have the same number or fewer employees, but the 1997 EI employer premiums are higher than those in 1996, due to the fact that salary and wages are higher.

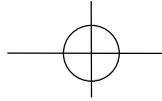
Table 3 gives an example of a credit being absorbed monthly. The ceiling of \$10,000 is reached in November.

Month	Employer premiums 1996	Employer premiums 1997	Actual payments 1997 (all amounts are dollars)	Net benefit	Cumulative benefit
January	2,000	3,000	2,250	750	750
February	2,000	3,000	2,000	1,000	1,750
March	2,000	3,000	2,000	1,000	2,750
April	2,000	3,000	2,000	1,000	3,750
May	2,000	3,000	2,000	1,000	4,750
June	2,000	3,000	2,000	1,000	5,750
July	2,000	3,000	2,000	1,000	6,750
August	2,000	3,000	2,000	1,000	7,750
September	2,000	3,000	2,000	1,000	8,750
October	2,000	3,000	2,000	1,000	9,750
November	2,000	3,000	2,750	250	10,000
December	<u>2,000</u>	<u>3,000</u>	<u>3,000</u>	<u>0</u>	<u>0</u>
Totals	<u>24,000</u>	<u>36,000</u>	<u>26,000</u>	<u>10,000</u>	<u>10,000</u>

The change in method of collecting premiums, i.e., to first-dollar coverage from insured weeks minimums and maximums, may affect your total employer premiums. As a result, you may qualify for a credit during the early part of the year since your employer premiums could be higher than in the same period in 1996. By the end of the year, you may no longer be eligible for a credit, as shown in Table 4. If you take advantage of a credit in the early part of the year, you may have to repay it during the last months of the year.

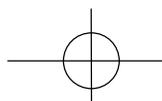
Table 4 gives an example of where you appear to initially qualify for a credit, when in fact you do not. In this example, total premiums are less in 1997 than in 1996, but the payment of the premiums is higher in the early part of 1997 than in 1996. If you claim a credit early in the year but you no longer become entitled to the credit during the year, you will have to repay the amounts you have claimed in the later part of the year.

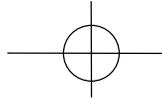




Month	Employer premiums 1996	Employer premiums 1997	Actual payments 1997 (all amounts are dollars)	Net benefit	Cumulative benefit
January	2,000	5,000	2,250	2,750	2,750
February	2,000	6,000	2,000	4,000	6,750
March	2,000	1,000	2,000	-1,000	5,750
April	2,000	1,000	2,000	-1,000	4,750
May	2,000	1,000	2,000	-1,000	3,750
June	2,000	1,000	2,000	-1,000	2,750
July	2,000	1,000	2,000	-1,000	1,750
August	2,000	1,000	2,000	-1,000	750
September	2,000	1,000	1,750	-750	0
October	2,000	1,000	1,000	0	0
November	2,000	1,000	1,000	0	0
December	<u>2,000</u>	<u>1,000</u>	<u>1,000</u>	<u>0</u>	<u>0</u>
Totals	<u>24,000</u>	<u>21,000</u>	<u>21,000</u>	<u>0</u>	<u>0</u>

Using this method you will need to reconcile the amounts withheld and remitted, and you will need to complete the application form and include it with your T4 or T4F Summary return.





Questions and Answers

Q. Does a business have to keep track of which employees it hired in 1997 to determine benefits?

- A. No, you do not have to keep track of employees to calculate the benefit. Calculate the benefit simply by subtracting premiums paid in 1996 from premiums paid in 1997. If this amount is more than \$250, you can receive a refund or credit up to the maximum of \$10,000.

The benefit in 1998 is 25% of the increase in premiums you paid compared to premiums paid in 1996, plus \$250. Again, the maximum benefit is \$10,000.

Q. When can a business start receiving benefits?

- A. You can claim a rebate at the end of the calendar year using Method 1, or you can adjust remittances to Revenue Canada during the year, using Methods 2 or 3.

Q. What happens with a new business starting in 1997?

- A. In such cases, the 1996 EI employer premiums will be zero. A business will receive a benefit equal to its 1997 employer premiums, above the \$250 threshold, up to the maximum benefit of \$10,000. In 1998, it will receive a benefit equal to 25% of its 1998 employer premiums, above the \$250 threshold and up to the maximum of \$10,000.

Q. What happens if an existing business is bought or reorganized?

- A. It could still be eligible for benefits under the program. However, to determine eligibility and benefits, the 1996 employer premiums of that business would be included with the 1996 employer premiums of any associated business.

Q. Will a firm affected by the first-dollar calculation of EI premiums be helped by the program?

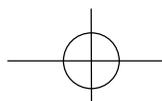
- A. Yes, all firms that experience an increase in their employer premiums may be eligible for help. A firm that paid little or no premiums for part-time workers in 1996 and whose 1997 EI premiums increase significantly, meets this test.

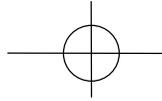
Q. Are registered charities eligible under this program?

- A. Yes, registered charities are eligible if their 1996 employer premiums were less than \$60,000.

Q. Are EI employee premiums affected by the program?

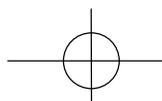
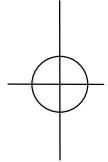
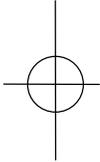
- A. No, the withholding and remitting of EI employee premiums are not affected by this program.





Q. What happens under Method 3 if my 1997 employer premiums are higher in the beginning of the year and then decline? Can I pay at the 1996 level and then switch to actual 1997 levels if it is to my advantage?

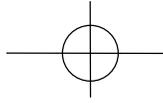
A. This situation is illustrated in Table 4, on page 12. Using Method 3, the business remits the 1996 amounts (plus the \$250) in January and February 1997, when its employment levels are higher than in 1996. Employment then declines in March. The company has to pay back the benefit it received in the first two months of the year by continuing to remit monthly premiums based on the 1996 schedule. It could switch over to the 1997 payment schedule in September after repaying the cumulative benefit.



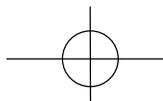
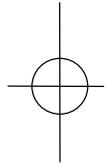
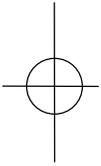
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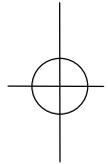
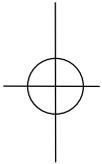
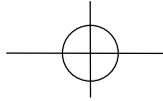
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