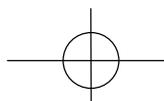
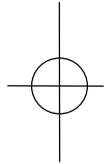
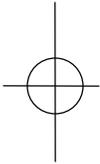
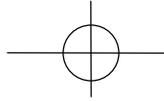


Federal Youth Hires Program

Employment Insurance Premium Relief for Employers

RC4113(E)





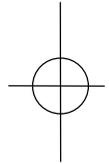
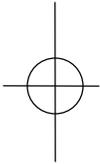
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Your opinion counts

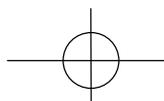
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Please send your comments to:

Client Services Directorate
Revenue Canada
Room 8000
400 Cumberland Street
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La version française de cette publication est intitulée *Programme fédéral pour l'embauche de jeunes travailleurs*.



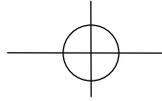
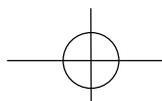
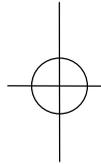
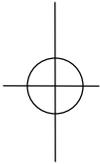
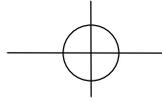


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What is the Federal Youth Hires Program?

To provide incentive for employers to hire youths between the ages of 18 to 24 (target group), a new program was announced as part of the February 24, 1998, federal budget. The Federal Youth Hires Program will provide two years of relief from Employment Insurance (EI) premiums for employers hiring additional youths between the ages of 18 to 24 in 1999 and 2000. Any increase in the insurable earnings for the target group over the base amount will be exempt from employer EI premiums in the 1999 and 2000 calendar years. This will help employers reduce payroll costs.

In January 2000, Revenue Canada will calculate the 1998 total insurable earnings for employees aged 18 to 24 for each employer, based on information provided in their 1998 T4 and T4F information returns. We will also calculate any premium relief to which you are entitled for 1999 and 2000 when we process your 1999 and 2000 T4 and T4F information returns.

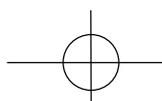
Is this booklet for you?

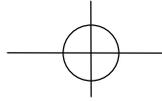
If you employ youths aged 18 to 24 in the 1999 or 2000 calendar years, you could be eligible under the Federal Youth Hires Program. This booklet will help you determine if you are eligible, and help you calculate the amount of employer EI premium relief to which you may be entitled.

If you have access to the Internet, you can find this booklet at:
<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 address and telephone numbers listed under "Revenue Canada" in the Government of Canada section of the telephone book.





Employer EI Premium Relief

This section explains how the Federal Youth Hires Program works. It also provides information for associated employers.

Are you eligible?

We offer this program to employers that operate as a proprietorship, partnership, trust, corporation, or any other type of organization. Unlike its predecessor, the New Hires Program, all employers who hire youths aged 18 to 24 are eligible for employer EI premium relief under this program, regardless of size. The amount of the premium relief in each of the years will depend on the increase in insurable earnings for the target group compared to the 1998 base year. There will be no maximum premium relief amount.

The program is designed to be as flexible as possible to encourage employers to hire young workers. Employers will have the option of adjusting their premium payments during the year, or claiming premium relief after the end of the calendar year when they file their T4 or T4F information returns. If you are a new employer who starts a business in 1999 or 2000, you are also eligible for the program.

Are you part of an associated group of employers?

If you are part of an associated group of employers, you calculate the premium relief as if all employers in the group were a single employer.

Under this program, employers are associated if:

- they are associated with each other under the *Income Tax Act*; or
- one employer acquires a business, or part of a business, from the other employer by purchase, sale, amalgamation, merger, or by any other means.

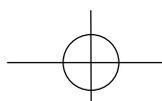
When determining if you are associated with another employer under the *Income Tax Act*, note that employers who are individuals or partnerships are considered to be corporations under the Federal Youth Hires Program.

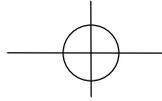
For a **partnership**, the employer is considered to be a corporation where all the shares with full voting rights are owned by the members in the same proportion as the member's share of the income or loss of the partnership.

For an **individual**, the employer is considered to be a corporation where the individual owns all the shares with full voting rights of the corporation's capital stock.

The allocation of the premium relief between associated employers is determined in the following way:

- When a written agreement exists, the allocation of the premium relief is determined by the terms of this agreement, if it is signed by all the associated employers and filed with the Minister of Revenue.





- When a written agreement does not exist, the allocation of the premium relief is determined by the following formula:

$$\frac{A \times B}{C}$$

A = the premium refund relief;

B = the amount paid in insurable earnings for the target group by the associated employer in the year;

C = the total amount paid in insurable earnings for the target group by all the associated employers in the year.

Example 1

A sole proprietor incorporated his business operation on May 9, 1999, and later submits a request for a refund of his employer EI premiums. The proprietorship and the corporation will be considered associated under the program.

Example 2

Company A is a holding company which operates four entities. Company A has one Business Number but makes separate remittances for each entity. In 1999, Company B acquires Entity 1 and later applies for premium relief. Company A and Company B are associated under the program. When calculating Company B's entitlement to premium relief, the collective amount of premiums paid by Company A must be taken into account.

For more information about associated employers under the *Income Tax Act*, see Interpretation Bulletin IT-64, *Corporations: Association and Control – After 1988*.

How to Calculate Your Premium Relief

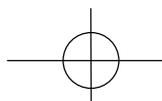
To calculate the amount of premium relief to which you will be entitled in 1999 and 2000, you must know your base amount for 1998.

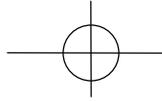
The 1998 base amount is the total of all insurable earnings you paid in 1998, for which employer EI premiums were required to be remitted for employees who were aged 18 to 24 (the target group) at any time during the year 1998.

Note

You have to withhold EI premiums from each dollar of insurable earnings up to the yearly maximum.

For 1999, the premium relief is based on the 1999 insurable earnings you paid for which employer EI premiums were required to be remitted for employees aged 18 to 24 at any time in 1999 **minus** the 1998 base amount.





For 2000, the premium relief is based on the 2000 insurable earnings you paid for which employer EI premiums were required to be remitted for employees aged 18 to 24 at any time in 2000 **minus** the 1998 base amount.

The formula for calculating the premium relief in each of the years is as follows:

■ For 1999

(1999 insurable earnings minus 1998 base amount) × 1999 EI premium rate × 1.4 = amount of premium relief for the target group

■ For 2000

(2000 insurable earnings minus 1998 base amount) × 2000 EI premium rate × 1.4 = amount of premium relief for the target group

Note

Only the insurable earnings paid by the employer for which premiums were deductible should be used in the above formulas (for the target group employees).

An employer rate of 1.4 will be used in the calculation of premium relief regardless of whether an employer has a reduced rate for EI purposes.

The following examples will illustrate premium relief calculations. We have assumed for the purposes of our calculations that the EI premium rate is 2.7% for both 1999 and 2000.

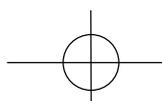
Example 3

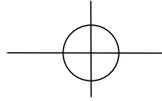
A direct mail firm starts operating in 1999. It hires five employees, all aged 18 to 24, and pays them \$95,000 in insurable earnings which are subject to the deduction of EI premiums. Since the firm had no insurable earnings for this age group in 1998, its 1998 base amount is "0" and the 1999 insurable earnings are the entire \$95,000. Under the program the company will receive premium relief of \$3,591.

1999 insurable earnings	\$95,000
Minus: 1998 base amount	\$ <u>0</u>
	\$95,000
Multiplied by: EI premium rate (2.7%).....	\$ 2,565
Multiplied by: 1.4	\$ 3,591
Premium relief	<u>\$ 3,591</u>

Example 4

A manufacturing firm had 20 full-time employees in 1998, and paid \$700,000 in insurable earnings subject to the deduction of EI premiums. Three of these employees were aged 18 to 24 and received \$75,000 in insurable earnings. In January 1999, the firm hires 10 more full-time employees, all aged 18 to 24, resulting in the payment of a total of \$340,000 in insurable earnings for 1999 to this target group. Under the program, the employer will receive premium relief of \$10,017.





1999 insurable earnings	\$340,000
Minus: 1998 base amount	<u>\$ 75,000</u>
	\$265,000
Multiplied by: EI premium rate (2.7%).....	\$ 7,155
Multiplied by: 1.4	\$ 10,017
Premium relief	<u>\$ 10,017</u>

Example 5

In 1998, a retailer had 10 employees and paid \$200,000 in insurable earnings subject to the deduction of EI premiums, \$110,000 of which was paid for youths aged 18 to 24. During 1999, the retailer hired five part-time employees aged 18 to 24 but laid off two full-time employees in the same age group. In total, the 1999 insurable earnings for employees aged 18 to 24 decreased to \$90,000. Under the program, the employer will not receive any premium relief.

1999 insurable earnings	\$ 90,000
Minus: 1998 base amount	<u>\$110,000</u>
	\$ 0
Premium relief	<u>\$ 0</u>

Example 6

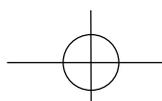
In 2000, the firm in example 5 was able to hire six more employees, three of them aged 18 to 24. As a result, the 2000 insurable earnings subject to the deduction of EI premiums for the youth target group increased to \$130,000. Under the program, the employer will receive premium relief of \$756.

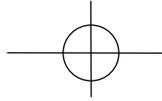
2000 insurable earnings	\$130,000
Minus: 1998 base amount	<u>\$110,000</u>
	\$ 20,000
Multiplied by: EI premium rate (2.7%).....	\$ 540
Multiplied by: 1.4	\$ 756
Premium relief	<u>\$ 756</u>

Example 7

In 1999, Mr. and Mrs. Roy opened an employer account and hired a 23-year-old nanny to look after their three children. In the past, the children had gone to a daycare centre. The Roys paid the nanny insurable earnings of \$22,000 subject to the deduction of EI premiums by the Roys. Under the program, the Roys will receive premium relief of \$832.

1999 insurable earnings	\$22,000
Minus: 1998 base amount	<u>\$ 0</u>
	\$22,000
Multiplied by: EI premium rate (2.7%).....	\$ 594
Multiplied by: 1.4	\$ 832
Premium relief	<u>\$ 832</u>





Example 8

A law firm and financial consulting firm are associated under the Federal Youth Hires Program. In 1998, the law firm paid insurable earnings of \$41,000 subject to the deduction of EI premiums for two employees aged 20 and 21. In 1999, employees aged 18 to 24 received \$51,000 in insurable earnings. The financial consulting firm paid employees aged 18 to 24 insurable earnings of \$45,000 in 1998 and \$95,000 in 1999. Under the program, the two firms will receive total premium relief of \$2,268. As discussed in the section on associated employers, on page 5, the premium relief can be allocated according to a filed written agreement between the two firms, or prorated, as shown below.

1999 insurable earnings (\$51,000 + \$95,000)	\$146,000
Minus: 1998 base amount (\$41,000 + \$45,000).....	<u>\$ 86,000</u>
	\$ 60,000
Multiplied by: EI premium rate (2.7%).....	\$ 1,620
Multiplied by: 1.4	\$ 2,268
Total premium relief	<u>\$ 2,268</u>

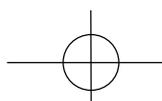
If no agreement was filed, the prorated amounts would be calculated as follows:

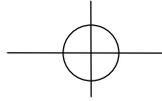
	Law firm	Financial consulting firm
Calculation	$\frac{\$2,268 \times \$51,000}{\$146,000}$	$\frac{\$2,268 \times \$95,000}{\$146,000}$
Prorated premium relief	\$792.25	\$1,475.75

Example 9

A sole proprietor incorporated his business operation on March 15, 1999, and the corporation later submits a request for a refund of premiums. The proprietorship paid insurable earnings of \$2,500 in 1998 and \$19,800 in 1999 to employees aged 18 to 24. In 1999, the corporation paid insurable earnings subject to the deduction of EI premiums totalling \$62,000 to employees aged 18 to 24. The proprietorship and the corporation will be considered associated under the program – the proprietorship and corporation will receive total premium relief of \$2,997.

1999 insurable earnings (\$19,800 + \$62,000)	\$ 81,800
Minus: 1998 base amount.....	<u>\$ 2,500</u>
	\$ 79,300
Multiplied by: EI premium rate (2.7%).....	\$ 2,141
Multiplied by: 1.4	\$ 2,997
Total premium relief	<u>\$ 2,997</u>



**Note**

The corporation would only be entitled to the difference between the amount the employer received on filing the final T4 return for the proprietorship and the total premium of \$2,997.

How to Get Your Premium Relief

In January 2000, Revenue Canada will calculate employers' 1998 total insurable earnings for their employees aged 18 to 24, based on information provided by employers in their 1998 T4 and T4F information returns. Employers will be informed of this 1998 base amount, which will be used to calculate the amount of premium relief they will receive. Employers who want to use the expected premium relief in 1999 have to calculate for themselves the 1998 EI insurable earnings for their employees aged 18 to 24 (see method 2 below). They can stop paying employer EI premiums for the target group once they reach the 1998 base amount.

You have the choice of two methods to get your premium relief. You can choose the method that is most advantageous to you. We explain the two methods below.

Note

At the time of printing, the process for applying for the premium relief was not finalized. More details about this will be available at a later date.

Method 1 – Year end

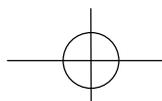
Using this method, you remit your employer EI premiums during 1999 or 2000 and you claim the premium relief after the end of the calendar year when you file your T4 or T4F information return. Any credit will be automatically transferred to the current-year balance in your payroll deductions account unless you request otherwise.

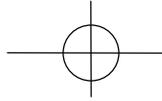
Method 2 – After paying the equivalent of your 1998 insurable earnings for the target group

You will need to calculate the 1998 EI insurable earnings for the target group to take advantage of this method. We refer to it as the 1998 "base amount," which we define on page 6.

Using this method, you remit your 1999 (or 2000) employer premiums until your insurable earnings for the target group have reached the 1998 level (base amount). Once you have reached this level, you will be eligible for your premium relief. You no longer need to remit the employer's share of EI premiums for the rest of the year.

You have to continue remitting any employee EI premiums and income tax withheld from employees' remuneration, 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.

Note

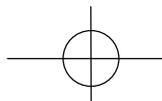
For both 1999 and 2000, you will need to reconcile the amounts withheld and remitted.

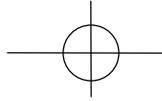
Table 1
Method 2 sample based on the example 4 scenario
(1998 insurable earnings base amount = \$75,000)

Month	Target group 1999 insurable earnings	Target group 1999 cumulative earnings	Target group 1999 employer EI premiums	Target group 1999 actual employer EI premiums payments*	Cumulative premium relief
January	22,000	22,000	832	832	0
February	25,000	47,000	945	945	0
March	25,000	72,000	945	945	0
April	28,000	100,000	1,058	113**	945
May	28,000	128,000	1,058	0	2,003
June	30,000	158,000	1,134	0	3,137
July	30,000	188,000	1,134	0	4,271
August	31,000	219,000	1,172	0	5,443
September	30,000	249,000	1,134	0	6,577
October	27,000	276,000	1,020	0	7,597
November	32,000	308,000	1,210	0	8,807
December	<u>32,000</u>	<u>340,000</u>	<u>1,210</u>	<u>0</u>	<u>10,017</u>
Total	<u>340,000</u>	<u>340,000</u>	<u>12,852</u>	<u>2,835</u>	<u>10,017</u>

* Results are rounded off to the nearest dollar

**Calculation: $[(\$75,000 - \$72,000) \times 2.7\% \times 1.4 = \$113]$





Questions and Answers

Q. Are all employers eligible to participate in the program?

- A. Yes, all current employers, as well as any new employers in 1999 and 2000, are eligible to participate in the program.

Q. Are registered charities or other non-business employers, such as employers of nannies, eligible for premium relief under this program?

- A. Yes, provided they otherwise qualify.

Q. Are employee EI premiums affected by the program?

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

Q. Is the premium relief based on the total employer EI premiums paid in 1998 for employees aged 18 to 24?

- A. No, the premium relief is based on the total 1998 insurable earnings of all employees in that age group for which premiums were deductible.

Q. How do I receive the premium relief?

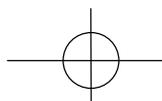
- A. There are two methods. In method 1, the employer applies for the premium relief for each of the years 1999 and 2000 when filing the T4 or T4F information returns. When we process the return, we will credit any premium relief to the payroll deductions account. In method 2, the employer can use the expected premium relief in 1999 and 2000 by ceasing to pay employer EI premiums for the target group once the 1998 base amount is reached. Employers who want to use this method in 1999 have to calculate the 1998 EI insurable earnings for their employees aged 18 to 24, since we will not be able to provide this amount until January 2000.

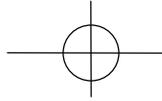
Q. How will I know what the insurable earnings in 1998 were for employees aged 18 to 24? Will I have to keep track of those employees individually?

- A. If you want to take advantage of this initiative during the year using method 2, you will need to know the 1998 EI insurable earnings for the target group. If you claim premium relief after the end of the calendar year using Method 1, Revenue Canada will calculate the amount for you in January 2000.

Q. What happens if an individual turns 18 or 25 in the year? Would his or her earnings still be included in the program?

- A. Yes. As long as an individual is 18 to 24 years of age sometime in 1998, 1999 or 2000, the earnings would be included in the program for that year's calculations.





Q. What happens if I start a new business in 1999 or 2000?

A. In such cases, as long as the new business is not an associated employer, the 1998 EI insurable earnings for the target group will be zero. This situation is illustrated in example 3 on page 7.

Q. What happens if a business is sold or restructured?

A. The business would still qualify for premium relief. However, to calculate the premium relief, the insurable earnings paid by the business in 1998 must be added to the insurable earnings of the associated businesses.

Q. Do I have to apply for premium relief?

A. Yes. You have to file an application in prescribed form with us within three years of the calendar year to which premium relief applies. We will provide more details about this at a later date.

Q. How do I treat this premium relief for tax purposes?

A. Usually, you would reduce the amount of your 1999 or 2000 expense for EI premiums by the amount of premium relief. If you didn't do this, you have to include premium relief in your income in the year that you received it.

Q. I was unable to hire any new employees in this age group in 1999. Does this make me ineligible to apply?

A. No. As long as there has been an increase in the 1999 insurable earnings for which premiums were deductible of youth aged 18 to 24 compared to the 1998 base amount, you may be entitled to premium relief.

Q. Our organization gets most of its funding from government. Are we eligible?

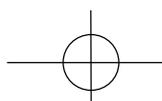
A. Yes, as long as you otherwise qualify.

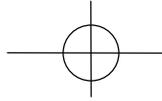
Q. I bought an existing unincorporated business on February 10, 1999. Can I claim premium relief?

A. Yes. However, you have to calculate your premium relief using the rules for associated employers.

Q. I bought the shares of a corporation on April 23, 1998. Am I considered to be a new employer for the purposes of calculating the premium relief?

A. No. The corporation is the employer. The fact that you acquired the shares in 1998 does not affect the calculation of the premium relief available to the corporation unless the acquisition changes the group of employers, if any, that the corporation is associated with in 1998.





Q. XYZ Co. owns all of the issued shares of A Co., and 55% of the shares of B Co. All of the corporations have employees aged 18 to 24. Are A Co., B Co., and XYZ Co. associated employers?

A. Yes. Since XYZ Co. controls the shares in A Co. and B Co., all three companies are associated.

Q. I am a partner in a law practice, and I am entitled to 60% of the income of the partnership. I also own a financial consulting company. Would the law practice and the financial consulting company be considered associated employers for the purposes of the program? If so, how do I calculate my 1999 premium relief?

A. The partnership is considered to be a corporation in which you own 60% of the voting shares. This is also the case for the financial consulting company, in which you are considered to own 100% of its voting shares. Since you control both companies, the companies are considered to be associated. You will calculate the premium relief using the rules for associated employers. Information for associated employers is provided on page 5.

Q. I operated a graphic arts business as a sole proprietor from 1995 to 1999. On June 20, 1999, I incorporated the business. Am I eligible for premium relief? If so, how do I calculate the amount?

A. Yes, you would be eligible, providing you otherwise qualify. You would calculate your premium relief using the rules for associated employers. Information for associated employers is provided on page 5.

Q. I have a reduced employer EI rate. Will this affect the calculation of my premium relief?

A. No. All employers are subject to an employer EI rate of 1.4 for the purposes of this program.

