

POLICY NUMBER: POL-14

**Chapter:
EMPLOYER SERVICES**

**Subject:
ASSESSABLE PAYROLL AND ASSESSMENT BILLING**

**Effective Date:
November 15, 1994**

**Last Update:
February 14, 2024**

PURPOSE STATEMENT:

The purpose of this policy is to explain how an employer reports payroll to the Workers Compensation Board (WCB) and how WCB assessments are billed.

REFERENCE:

*Workers Compensation Act R.S.P.E.I.1988, Cap. W-7.1, Section 46, 47, 63, 64, 65, 68, 69(1), 72
73, 76, 78*

Workers Compensation Act R.S.P.E.I.1988, Cap. W-7.1, General Regulations Section 4

Workers Compensation Board Policy, POL-19, Employer Registration

Workers Compensation Board Policy, POL-23, Setting Assessment Rates

Workers Compensation Board Policy, POL-42, Employer Classification

Workers Compensation Board Policy, POL-45, Audit of Employer Accounts

Workers Compensation Board Policy, POL-74, Worker

DEFINITION:

In this policy:

“Assessable payroll” means the portion of an employer’s payroll subject to assessment.

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“Independent operator” means an individual who is self-employed and does not employ workers.

“Maximum annual earnings” means the maximum annual earnings amount for compensation and assessment purposes, as determined by the Workers Compensation Board each year.

“Non-resident employer” includes a body corporate or firm in which:

- a) the head office is not in the province,
- b) the chief place of business is not in the province, or
- c) the payroll or wages records with respect to work done in the province are not kept in the province.

“Service charge” means a penalty levied on employer accounts for a default in payment of assessment.

“Worker” means a person who enters into or works under a contract of service or apprenticeship, written or oral, express or implied; a learner or student; a volunteer firefighter; a person in any industry while they are actually engaged in rescuing or protecting or attempting to rescue or protect life or property; and any other individual the WCB determines is a worker.

POLICY:

Requirement to Report Payroll of Workers and Pay Assessments

1. Registered employers are required to report the payroll of all of their workers to the Workers Compensation Board (WCB).
2. Payroll information is used to determine the assessments the employer must pay to the WCB. Assessments are collected to meet the cost of all compensation claims and the cost of administering the workers compensation system.

An employer’s assessments are calculated based on the employer’s assessable payroll of their workers and the employer’s assessment rate, as set out in WCB policy, POL-23, Setting Assessment Rates. The assessment amount is the assessment rate multiplied by every one hundred dollars (\$100) of the employer’s assessable payroll.

Workers

3. For the purpose of reporting payroll, workers are considered to be individuals, including family members, who enter into or work under a contract of service or apprenticeship with an employer. Generally, this means that there is a written or verbal employer-employee relationship that may be explicit or implied by the nature of the working relationship, where the worker agrees to work for an employer in return for wages, salary or other forms of payment.
4. The following individuals are not considered to be workers and are not included in an employer's assessable payroll:
 - Proprietors and partners of a non-incorporated business.
 - Owners or directors of a corporation.
 - Independent operators.

These individuals are not covered as workers but may apply for voluntary coverage, as set out in WCB policy, POL-22, Personal Coverage. Assessments for personal coverage are processed separately from the employer's payroll reporting and assessment billing.

5. More information about workers and the circumstances under which a person may be considered a worker is set out in WCB policy, POL-74, Worker.

Reporting Assessable Payroll

6. The following are included in assessable payroll and must be reported to the WCB:
 - Regular employment wages/salaries (gross) for all workers, up to the maximum annual earnings for the registration year.
 - Other taxable payments made to a worker by the employer including commissions, gratuities, holiday pay, vacation pay, sick pay, overtime pay, bonuses, shift differentials and piecework fees.
 - Taxable benefits and credits paid to a worker for labour under a contract of service including car allowances, employer-supplied accommodations, meal allowances, room and board.

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- All other taxable benefits paid by the employer, as defined by the Canada Revenue Agency as employment.

Subcontractors

7. The only circumstance where the employer must include the labour portion of amounts paid to sub-contractors is when:
- The subcontractor has workers, and
 - The subcontractor does not have an account in good standing with the WCB.

This is because the assessments must be paid for all workers.

8. Employers hiring subcontractors can verify their account status with a WCB clearance letter.

Supportive Business Activities

9. Wages paid to a worker engaged in supportive business activities as defined by WCB policy, POL-42, Employer Classification, are included in the employer's assessable payroll.

Multiple Business Activities

10. A single employer may be classified as having multiple business activities as outlined in WCB policy, POL-42, Employer Classification.

Assessable payroll for each classification assigned must include wages for non-office personnel who intermingle between two or more activities based on a record of actual hours worked for respective classifications.

Not Included in Assessable Payroll

11. The following are not included in an employer's assessable payroll and are therefore not subject to assessment:
- Wages paid to workers that exceed the maximum annual earnings.

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- Award payments (e.g. for an idea or suggestion).
- Employer contributions to non-taxable benefits.
- Employer contributions to RRSPs.
- Gifts in lieu of cash or payments in the form of merchandise, as defined by Canada Revenue Agency.
- Long term service awards/severance.
- Tuition reimbursements from employer.
- Uniforms.
- Profit sharing, royalties, stocks or dividends resulting from employer stock option/purchase plan.
- Payments made to individuals who are not workers.

Assessment Billing

12. An employer's assessment is required to be paid in full within 30 days of the statement of account date.
13. Assessments are based on the employer's assessable payroll for the calendar year or any period of operation by the employer within the calendar year.

The assessable payroll amount used to calculate the employer's assessment billing is either an annual estimate, or if the employer qualifies for the Monthly Assessment Payment Option (MAPO), in a monthly report of the actual payroll.

Assessment Based On Annual Estimate of Assessable Payroll

14. At the time of initial registration and for each subsequent annual registration renewal, the employer must submit:
 - An estimate of assessable payroll for the current calendar year, and
 - The actual assessable payroll for the previous year.
15. Upon receipt of the employer's registration or renewal, the WCB will calculate the employer's assessment and provide an annual assessment billing, which includes:

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- The assessment for the current calendar year based on estimated assessable payroll, and
 - Any adjustments, if applicable, to reconcile estimated assessable payroll to actual payroll for the previous calendar year.
16. Where the annual assessment amount is \$1000 or more, the employer's assessment will be divided into two equal billings. The first billing will be processed upon registration or renewal. The second billing will be deferred until August of the current year.
17. If an employer's estimated assessable payroll changes throughout the year, the employer may submit a revised estimate.

Employers will be advised, on or before October 1st of each year, that the deadline for revising the estimate of assessable payroll is November 1st of the same year.

The assessment will be adjusted based on the revised estimated assessable payroll, if received by November 1st.

Assessment Based On Actual Monthly Payroll

18. Employers may apply for a monthly assessment payment option (MAPO) based on actual payroll.
19. To qualify for the MAPO program an employer must have an account in good standing with the WCB.
20. Employers participating in the MAPO program must submit:
- A registration renewal each year with the actual payroll for the prior year, and
 - A monthly report of actual assessable payroll and the corresponding assessment payment by the 15th of each month for the prior month.
21. An employer who has qualified for the MAPO program will continue to participate in the program each year until the employer:
- Advises the WCB in writing that it no longer wishes to participate in the program, or

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- No longer qualifies for the program.

Assessments for Employers Commencing Operations after March 31st (Seasonal Employers)

22. Deferred assessment billing will be considered when the employer:
- Neither commences operations, nor has workers employed between January 1st and March 31st of each year, or
 - Has only administrative personnel, which are incidental to its primary industry, employed between January 1st and March 31st of each year.
23. An assessment billing for eligible employers will be deferred to the first day of the month in which the employer's business operations start in that year.
24. An employer who had its payroll estimated by the WCB for a calendar year, as outlined in WCB policy, POL-19, Employer Registration, may lose its eligibility for deferred assessments for that year.

Minimum Annual Assessment

25. Registered employers who are residents of Prince Edward Island will pay a minimum assessment of \$50 regardless of actual assessable payroll.
26. Registered employers who are non-residents of Prince Edward Island will pay a minimum assessment of \$100 regardless of actual assessable payroll.
27. A registered employer who is assigned multiple operations, and is subject to assessments for at least one of the assigned operations, will not be charged the minimum annual assessment when an actual assessable payroll of \$0.00 is reported for any of the remaining operations.

Reconciliation of Closed Accounts

28. All outstanding assessment balances will be reconciled prior to an employer being closed out. Effective the date the employer was closed out, service charges will not apply to an outstanding assessment balance.

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29. Upon close-out of the unincorporated business, the assessable payroll for the incorporated business will be calculated effective the date of incorporation.
30. An employer who has multiple assessment operations and subsequently discontinues one or more of the operations, will have any assessment credit balance applied to other outstanding assessment balances before any assessment refund is issued as a result of being closed out.

Refund of Employer Assessment

31. Assessment payments will be refunded to an employer if the following circumstances result in a credit balance to the employer's account:
 - The employer ceases operations, has been closed-out as outlined in WCB policy, POL-19, Employer Registration, and final reconciliation of the employer account is being completed,
 - Results of an assessment audit indicate the employer has overpaid assessments payable, as set out in WCB policy, POL-45, Audit of Employer Accounts,
 - The employer submits a duplicate payment or the employer makes an administrative error in the payment of assessment, or
 - The rate of assessment for an employer changes resulting in a reduction in assessment payable for the employer.
32. Consideration will be given to a request for a refund of assessment payments where the employer submits a revised estimate of payroll which results in an adjustment to the employer's assessment. Prior to issuing a refund, the amount will be applied to any outstanding account balance.
33. An assessment credit balance below \$10 will not be refunded unless the employer has been closed out as outlined in WCB policy, POL-19, Employer Registration, and a final reconciliation has been completed.

Consequences of Non-compliance

Monthly Assessment Payment Program

34. An employer participating in the MAPO program must submit its actual assessable payroll information and the corresponding assessment payment no later than the 15th day of each month. Where the employer has failed to meet its reporting and payment obligations, the employer will be notified in writing of the risk of disqualification from the program.
35. An employer who fails to submit its actual assessable payroll and assessment payment on time for two consecutive months may be disqualified from the MAPO program.
36. An employer who is no longer participating in the MAPO program will be required to pay assessments based on estimated assessable payroll on an annual basis.

No Report of Assessable Payroll

37. Assessable payroll will be estimated by the WCB using the employer's assessable payroll for the previous year plus 25%, where the employer fails to report an estimate of payroll.

If the employer does not have an assessable payroll for the previous year (for example, new employer), a determination will be made using factors that include, but are not limited to, the following:

- Number of workers employed,
 - Nature of the business,
 - Maximum annual earnings for the year of assessment, and
 - Comparison to existing business with similar characteristics.
38. The estimate of assessable payroll is final and conclusive, unless it is revised based on verified payroll information provided by the employer or an audit of employer payroll records by the WCB.

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39. Where the WCB estimates an employer's assessable payroll, the employer will be charged a late registration penalty, as set out in WCB policy, POL-19, Employer Registration.

Underestimating Assessable Payroll

40. If the employer's estimate of payroll is 25% below the actual assessable payroll for the year, an underestimating penalty will be applied.
41. The underestimating penalty will be equal to 10% of the difference between:
- The actual assessable payroll, and
 - 125% of the estimate of assessable payroll.

Penalties less than \$50 will not be applied.

Late Payment of Assessment

42. An employer's assessment which is not paid within 30 days from the statement of account date is subject to a service charge. The service charge is calculated at a rate of 1.5% per month compounded on any overdue portion of the assessment.
43. If an employer is a corporation, a director of the corporation at the time the assessment is payable is liable with the corporation to pay any assessment owing.

Account Defaults

44. Necessary steps will be taken to collect all outstanding amounts, including any interest that accrues, where an employer defaults in the payment of assessment.

These steps may include sending the account for collection services and filing a judgment against the employer and its directors, if any, with the Supreme Court of Prince Edward Island. Defaults on assessments may have an impact on the employer's credit rating.

45. Costs associated with the collection of the assessment, including the amount of any fees paid to a collection service or costs to register a judgement, will be charged to the employer's account.

46. An employer assessment is a first lien on all property used or produced by the employer in connection with its business operations, subject to any enactment respecting liens to secure wages of a worker. This means that if there is a judgement, property cannot be sold until the judgement is satisfied.

Interjurisdictional Agreement General Principles on Assessments

47. The WCB is part of the national Interjurisdictional Agreement on Workers' Compensation based on the following general principles:
- Each Canadian workers compensation jurisdiction assesses employers for the work performed in that jurisdiction only.
 - Assessments are based on assessment rates in the jurisdiction in which the employer is subject to assessment.
 - For assessment purposes, where a worker, usually resident and employed in one jurisdiction, is sent by the employer to work in another jurisdiction, the worker will continue to be covered under the jurisdiction of origin until reaching the jurisdiction of destination and will similarly be covered by the jurisdiction of origin on leaving the jurisdiction of destination and the worker's earnings while travelling will be assessed accordingly.

HISTORY:

February 14, 2024 – Non-substantive changes to reflect Canada Revenue Agency criteria regarding taxable benefits.

January 1, 2023 – Non-substantive changes to reflect *Workers Compensation Act* amendments.

December 9, 2021 - Non-substantive changes following amendments to WCB policy, POL-19 Employer Registration.

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July 12, 2019 - Non-substantive changes have been made to this policy, previously titled Assessable Payroll, to reorganize content for improved readability. Content from POL-13, Employer Assessment Billing has been incorporated and that policy has been rescinded.

June 20, 2017 - Non-substantive changes to clarify the types of remuneration subject to assessment.

September 26, 2016 - Non-substantive changes. Reviewed by Chief Executive Officer and Director; no other revisions required.

January 26, 2010 - Amended to add information on the general principles on assessments of the Interjurisdictional Agreement on Workers' Compensation.

June 22, 2006 - Amended to incorporate additional information on minimum annual assessment.

March 30, 2006 - Updated to clarify assessable payroll status for wages paid to family members, wages paid to sub-contractors, wages paid to workers intermingled across multiple business activities and wages paid to workers engaged in supportive business activities.

September 22, 2005 - The policy was updated as a result of the 60 month policy review process.