



**JANUARY 2003**

**EMPLOYER BURDEN CONTINUES TO RISE FOR EVERY SHOP IN 2003**

The “Employer Burden”, which is legislated by Federal and Provincial Governments, is still ignored by many shop owners in our industry, yet the drain on profits and strapped cash flow will feel even heavier this year. Shops must pass these under publicized costs on to the consumer.

By law, a shop must pay 4.0% Vacation Pay, 4.95% in Canada Pension Plan premiums (a 5.3% INCREASE over 2002), 2.94% in Employment Insurance premiums, 3.16% for 8 Statutory Holidays, and 3.72% in Workplace Safety Insurance (a 6.9% INCREASE -- your peer rating may vary) for a minimum total of 18.77% in Employer Burden for each employee. If the total shop gross payroll is over \$400,000 per calendar year, including Management wages, then an additional burden of up to 1.95% for every dollar over the \$400,000 level must be paid, as an Employer Health Levy, for a total of 20.72%.

The maximum Canada Pension Plan deduction limit this year for an employee is \$1,801.80, which is a 7.7% INCREASE over 2002. The Pensionable Earnings limit has been raised an additional \$800 over 2002 to \$39,900. Remember that for every dollar the employee must contribute, the shop must match it dollar for dollar.

The maximum Employment Insurance deduction limit this year is \$819.00 (only a \$39 drop over 2002) which represents a 4.5% decrease. The shop must contribute \$1.40 for every dollar the employee contributes.

Stop deducting CPP and EI when the employee has reached their maximum contribution limit for the year. The employee will get back any over contribution on their personal tax return when filed the following year, but the business won't receive its contribution portion on any overpayment, unless you apply for it by amending the T-4. You can amend up to 3 previous years. Note.... check your 2002 limits NOW before the 2002 T-4's are prepared. The 2002 CPP limit was \$1,673.20 and the EI maximum for 2002 was \$858.00.

To calculate your shop burden total, do not forget to add any additional benefits that you provide your employees such as group insurance benefits, enhanced vacation plans, sick leave benefits, tool allowances, uniforms, registered pension plans, etc. All benefits dramatically add to the cost of your payroll. As a “rule of thumb” most shops are safe to work with 27% as their burden number. For example, a technician who is being paid \$23 per hour is actually costing the shop \$29.21 per hour ( $\$23 \times 27\% = \$6.21$  per hour in total burden). Confirm with your Accountant today your specific burden number to ensure you are on the right track for 2003.

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