

Employers must register within 21 days of first paying remuneration to an employee. Once registered, employers will be notified individually of their account number and how often they must remit.

WITHHOLDING

Employers are required to withhold 2% of gross remuneration paid from each employee at the time the employee is paid.

Examples of the types of remuneration that are taxable and non-taxable for payroll tax purposes are listed in Schedules A and B. This list may not be complete in all circumstances. Please contact the Taxation Division of the Department of Finance for rulings on other types of remuneration or employment income.

Remuneration, which is exempt from the Payroll Tax includes:

- a) Remuneration of individuals of religious orders who have taken vows of poverty.

To be eligible for this exemption, the employee must be eligible for an exemption under subsection 110(2) of the *Income Tax Act* (Canada); and

- b) Remuneration of less than \$5,000 per annum earned in Nunavut if an employee normally works outside Nunavut.

An employer must treat an employee as one who normally works outside Nunavut if the employee works more than one half of the employment term in the same position outside Nunavut.

If an employer does not keep track of the amount of time an employee works in Nunavut, the following calculation may be used to determine the remuneration paid for work performed in Nunavut by an employee who normally works outside of Nunavut.

The total remuneration paid to the employee for the year

Multiplied by

The number of days worked (including any portion of a day) in Nunavut

Divided by

The total number of days the employee worked for that employer during the year

An employer must withhold payroll tax from an employee who normally works outside Nunavut when it can reasonably be determined that the \$5,000 threshold for the year will be exceeded.

If an employee's remuneration for work performed in Nunavut will not exceed the \$5,000 threshold and an employer has withheld and remitted payroll tax, the tax will be refunded if the employer files an amended annual return.

Where an employer has not withheld tax for an extended period for employees normally working outside Nunavut and where withholding the amount due in a lump sum would cause extreme hardship for an employee, the employer may apply to arrange for withholdings to be made over a number of pay periods.

REMITTANCES

Reporting periods are assigned to individual employers based on the gross annual remuneration paid to all their employees working in Nunavut.

REPORTING PERIODS FOR EMPLOYERS

Estimated Total Amount of Annual Remuneration	Reporting Period
An amount exceeding \$1,000,000	Monthly, ending the last day of the month
An amount exceeding \$600,000 but not exceeding \$1,000,000	Quarterly, ending March 31, June 30, September 30, and December 31
An amount exceeding \$200,000 but not exceeding \$600,000	Semi-annually, ending June 30 and December 31
An amount not exceeding \$200,000	Annually, ending December 31
Seasonal	Annually, ending December 31

An employer may request a more frequent reporting period than that assigned.

Remittances of payroll taxes deducted from employees in a reporting period must be received by the Government of Nunavut on or before the 20th day of the month following the end of the reporting period.

An individualized remittance return will be sent to each employer one month before the scheduled remittance due date. The employer must enter the total amount of remuneration paid to all employees working in Nunavut and the total amount of payroll tax deducted from these employees, for the period on the return.

All remittances must be accompanied by a remittance return. If an individualized remittance return is not received on time or is lost, the employer is still required to remit the tax due on or before the due date. Blank copies of these returns are available from the Taxation Division of the Department of Finance.

The amount due and return portion of the remittance return must be mailed to:

Government of Nunavut
Department of Finance
P.O. Box 2260
Iqaluit, NU X0A 0H0

Or delivered to:

Department of Finance
Taxation Division
2nd Floor, Parnaivik Building
Iqaluit, Nunavut

Cheques must be made payable to the Government of Nunavut.

AMENDED REMITTANCE RETURN

Employers must file an amended remittance return as soon as possible after discovering an overpayment, an error or an omission.

An amended remittance return must include:

- a) the corrected information;
- b) the reason for the amendment;
- c) the reporting period to which the amendment applies; and
- d) a payment, if additional taxes owing.

Employers will be provided with a supply of amendment returns.

ANNUAL RETURNS

All employers must file an annual return for the year on or before February 28th of the following year. If there was no remuneration paid for employment in Nunavut for that year, a nil annual return must still be submitted.

For each employee who was required to pay tax, employers must list the employee's name, social insurance number, the total amount of remuneration paid, the total amount of remuneration paid on which tax is owing and the amount of tax collected.

Annual return forms will be provided to employers in December of each year.

REFUNDS

Employers or employees may apply for refunds of overpayments in circumstances where an amended remittance return is not applicable. Once verified, refunds will be made to the applicant within 20 days.

Employers shall, without delay, refund to an employee any excess amount collected. In any event, refunds shall be made to employees no later than February 28th of the following year.

Refund applications must include sufficient information to allow the refund requested to be verified.

ASSESSMENTS, OBJECTIONS AND APPEALS

The Minister may assess an employer or an employee for tax, penalty or interest. Assessments shall be served personally or by registered mail.

An employer or an employee who is assessed may file an objection. The objection must set out the reasons for the objection and must be filed within 90 days of the assessment.

After the Minister has confirmed or changed the assessment or 90 days has elapsed after the filing of the objection, an employer or an employee may appeal to the Nunavut Court of Justice.

The Nunavut Court of Justice may dismiss, allow, change or refer the assessment back to the Minister. The Court may also order a refund or payment of any tax, interest, penalties or costs as the Court considers appropriate.

PENALTIES

Penalties may be imposed for offences under the *Payroll Tax Act* including but not limited to:

- a) failure to register
- b) failure to collect;
- c) failure to remit or pay;
- d) failure to file a return;
- e) failure to file a return upon demand;
- f) failure to provide information or documents;
- g) making false statements or an omission on a return.

Penalties for offences range from \$100 to \$250 and/or a percentage of the amount due from 5% to 25%. A second offense in a 12-month period could result in a greater penalty being imposed.

Interest will be charged at 18% per annum on all amounts outstanding.

In addition to penalties assessed, an employer may be charged with an offence and upon summary conviction, fines ranging from \$1,000 to \$25,000 could be levied, a term of imprisonment not exceeding 12 months could be ordered and/or 50% to 200% of the tax due could be levied.

NEED HELP?

If this guide does not answer your questions about withholding, remitting or reporting payroll tax, please contact the Taxation Division of the Government of Nunavut at one of the following numbers.

Iqaluit Office (867) 975-6887 / (867) 975-6859 or Toll Free: 1-800-316-3324
Iqaluit Facsimile (867) 975-5845
E-mail payrolltax@gov.nu.ca

Written inquiries may be sent to:

Government of Nunavut
Department of Finance – Taxation Division
P.O. Box 2260
Iqaluit, NU X0A 0H0

It is the responsibility of the Department of Finance, Taxation Division, to provide assistance where necessary and to ensure compliance with the Act.

As a taxpayer or collector of payroll taxes, you have a right to fair and courteous treatment, including an impartial review of disputed amounts.

SCHEDULE A

TAXABLE ITEMS – PAYROLL TAX

Income from:

- salaries and wages
- bonuses
- commissions
- honoraria
- the value of board and lodging
- housing and settlement allowances
- vacation travel assistance
- personal or living expenses except as noted in Schedule B
- gifts in cash or kind from the employer
- the benefit provided by employer-provided interest free/low interest loans
- the value of any product or service provided free or at any unreasonably low cost
- employer-paid incentive awards/prizes
- employer-paid tuition fees
- directors/management fees
- allocations under profit sharing plans
- standby charges and related operation benefits gained from an employer-supplied automobile
- employment insurance benefits
NOTE: not unemployment insurance benefits of the federal government
- salary deferral arrangement payments
- portion of employer-provided life insurance premiums relating to policies with a face value in excess of \$25,000
- employee stock options
- contributions by employers to registered retirement savings plans (RRSP)
- severance pay and retiring allowances

SCHEDULE B

NON-TAXABLE ITEMS – PAYROLL TAX

Income from:

- pensions:
 - Old Age Security payments
 - Canada or Quebec Pension Plan benefit
 - Other pensions or superannuation

- other sources:
 - self-employment
 - family allowance payments
 - unemployment insurance benefits
 - taxable amount of dividends from Canadian corporations
 - interest and other investment income
 - partnership income (limited or non-active partners only)
 - rental income
 - taxable capital gains
 - alimony or separation allowance
 - registered retirement savings plan benefits
 - other income

- employer contributions to:
 - registered pension funds or plans
 - group sickness or accident plans
 - private health services plans
 - deferred profit sharing plans
 - group term life insurance policies with a face value of less than \$25,000
 - employee benefit plans
 - employee trusts

- value of housing provided to clergy
- reasonable traveling allowance for:
 - o employees engaged in selling property or negotiating contracts on behalf of the employer
 - o clergy
 - o allowances for the use of a motor vehicle received by an employee for traveling in the performance of employment duties

- reasonable allowances in respect of an employee's child for costs related to schooling in an area away from where the employee is required to live by virtue of employment.
- reimbursement to employees of actual expenses laid out on behalf of the employer
- volunteer firemen's expense allowance if \$500 or less
- gratuities (not paid by employer)
- superannuation or pension benefits
- traveling, personal or living expense allowance of member of the House of Commons and the Senate
- discounts on merchandise
- subsidized meals in staff lunch rooms and cafeterias
- transportation to job sites in vehicles supplied by the employer
- recreational facilities provided by the employer free of charge or for a nominal charge
- dividends