



WORKING TO MAKE A DIFFERENCE
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Assessment's top issues for CGA practitioners

1. **WorkSafeBC registration requirements (on-line registration visit www.worksafebc.com – Register for Coverage**
 - Lack of awareness of registration requirements and when to register
 - Information sharing with Canada Revenue Agency
 - Practitioners need to understand policies to appropriately represent their clients with regard to WorkSafeBC
2. **Coverage Under the Act (AP1-1-2 to AP1-1-7)**
 - Workers versus Independent Firms: distinguishing between contracts of service (workers) and contracts for service (independent operators/firms).
3. **Classification of employers based on industry in which employer operates (AP 1-37-1 to (AP1-37-3)**
 - Practitioners don't always know or understand employer's specific business operation
 - Audit generally conducted at the accountant's office
4. **Proration of administrative, common, and management payroll (AP1-38-3(f))**
 - Lack of understanding of the policy and how to apply it when prorating payroll
5. **Definition of assessable payroll (AP1-38-2 and AP1-38-3)**
 - Especially shareholders and their spouses
 - Define what constitutes 'activity'
 - As it relates to subcontractors' status and the calculation of excess earnings
6. **Understanding of how corporate reorganizations impact WorkSafeBC premiums, including: (AP1-42-1 to AP1-42-3)**
 - Share sales Amalgamations
 - Affiliations Asset sales
7. **Practitioners photocopying remittance forms and payroll reports**
 - Can lead to payroll information and payments being applied to wrong accounts
8. **Accountants do not use enough self-serve options (for on-line payroll reporting and payments visit www.worksafebc.com**
 - For example: Client Payroll Reporting, which simplifies transactions
9. **WorkSafeBC not considered in tax planning activities**
 - Need to understand impact of income splitting for wage loss benefit purposes
10. **Increase awareness of ways to reduce rates and lower premiums for employers**
 - Examples include certificates of recognition obtained through the Partners Program; also return-to-work programs, safety programs

ASSESSMENT POLICY – AP1-38-3(f)

SUBJECT: ADMINISTRATION/MANAGEMENT PAYROLL

An employer’s administration and/or management payroll must be reported and assessed in the classification assigned to the employer.

The administration, management or other common payroll must be prorated in the ratio of “net assessable direct payroll” if:

- an employer is assigned two or more classifications; or
- two or more separate companies have common controlling shareholders but with differing classifications or assessment rates.

This applies to personnel who support more than one classification or regularly move back and forth between classifications. “Net assessable direct payroll” is the payroll that is directly applicable to a specific classification, including the earnings of any labour contractors, after deducting any excess earnings that are attributable to the individuals included. Where an employer maintains formal cost accounting procedures that allocate the overhead payrolls to cost or profit centres and this allocation is reasonable, it is acceptable as an alternative to prorating according to “net assessable direct payroll”.

The following is a simplistic example of this system of proration:

Assume – A company is involved in separate manufacturing and construction operations, and is classified accordingly.

The company maintains three (3) separate payrolls as follows:

	Manufacturing	Construction	Administration
Gross	\$2,500,000	\$4,500,000	\$900,000
Excess	500,000	1,500,000	300,000
Net	\$2,000,000	\$3,000,000	\$600,000

To prorate the administration payroll, you must first determine the ratio of Net Assessable Direct Payroll.

		<u>Ratio</u>
Manufacturing Direct Assessable Payroll	\$2,000,000	40% *
Construction Direct Assessable Payroll	<u>\$3,000,000</u>	<u>60% +</u>
TOTAL	\$5,000,000	100%

Then apply these ratios and prorate the administration payroll accordingly:

	<u>Gross</u>	<u>Excess</u>
To Manufacturing classification	\$360,000 (40%) *	\$120,000
To Construction classification	<u>\$540,000</u> (60%) +	<u>\$180,000</u>
TOTAL	\$900,000	\$300,000