Human Resources Legislative Update

Federal Consultations On Employee Profit Sharing Plan Tax Rules

Date: September 1, 2011

On August 30, 2011, the federal government released a paper outlining proposed tax rules governing Employee Profit Sharing Plans ("EPSPs") for public consultation, in furtherance of initiatives first announced in its 2011 Budget.

Specifically, the government is seeking stakeholder input on the following issues:

- eligibility of non-arm's length employees / "related persons" to participate in an EPSP;
- the role of minor children and the exclusion of EPSP allocations from the tax on split income provisions;
- limitations on employer contributions (e.g. a certain percentage of an employee's salary or wages paid directly by the employer for the year); and
- withholding requirements for, and general tax treatment of, EPSPs.

Interested persons and stakeholders may submit comments electronically by October 25, 2011.