CALCULATION OF WAGE LOSS BENEFITS

How does the WCB calculate my loss of income?

The calculation of your wage loss benefits is completed in three steps:

Step 1:
Your weekly gross earnings before your date of injury are converted to a weekly net earnings amount by applying probable deductions to those earnings. Probable deductions can include:

- income tax, calculated using your income from employment and Employment Insurance (EI) benefits, your basic personal tax credits or exemptions, and where appropriate, tax credits or exemptions for a dependant under the *Income Tax Act* as of the date of injury
- if you qualify to claim tax deductions for child care expenses, child support payments and/or spousal support payments, they will be used in the calculation of your probable income tax; this information is important for the calculation of your benefits and must agree with the information you report to the Canada Revenue Agency (CRA)
- Canada Pension Plan (CPP) contributions
- Employment Insurance (EI) premiums
- any other deductions the WCB establishes by regulation.

NOTE: These basic deductions are only used to establish your net income. No payment is actually made on your behalf for income tax, CPP contributions or EI premiums.

Step 2:
Your weekly net earnings amount is then used to determine your weekly wage loss benefits.

Workers compensation wage loss benefits are based on the greater of one of the following calculations:

- 90% of your net loss of earnings, or
- 100% of your net loss of earnings if your actual earnings before the injury were less than or equal to the minimum annual earnings established by the WCB in effect on your injury date, or
- 100% of the minimum annual earnings established by the WCB in effect on your injury date if your actual earnings were greater than the minimum annual earnings, but the minimum annual earnings provide you with a higher benefit.

The minimum annual earnings in effect as of October 1, 2018 are $23,608 and this amount remains the same as of January 1 2019

There is no maximum insurable earnings limit for regular workers.

Step 3:
Probable income tax rebates are then applied to the weekly loss of earnings amount to arrive at your actual weekly benefit rate.

When calculating your loss of earning capacity, the WCB also considers the length of time you may receive wage loss benefits during the year and how much lower your income tax, CPP contributions or EI premiums are as a result.

The reason this is taken into account is that an individual's taxes are based on progressive rates. If your annual income is a combination of taxable employment income and tax-free wage loss benefits, the taxable employment income will be subjected to a lower tax rate than if the entire year is comprised of taxable income. Your loss of earning capacity is recalculated based on those considerations. We take this tax adjustment into account when calculating your loss of earning capacity. This is called the adjustment for sheltering.

Sheltering results in a reduction of your loss of earning capacity. Because of this, your weekly wage loss benefit is also reduced. This is a closer reflection of your yearly loss of earning capacity.

How do you arrive at the amounts of probable income tax?

The following tax credits and reduction amounts are used in our calculations:

- basic personal amount
- spouse or common-law partner amount (if not working)
- amount for an eligible dependant (if you are single with a dependant(s))
- amount for infirm dependants age 18 or older.

The following tax deductions are also used in our calculations if you are personally eligible to claim them on your current year's income tax return:

- child care expenses
- child support payments
- spousal support payments.

Please note the following:

The code you use on your TD1 form cannot be used as the basis for reporting tax credits.

The tax credits and/or tax deductions as of the date of the injury will remain in place for the first two years, even if your status changes during that time.

One exception is if your information is unavailable at the time the claim is accepted. Your calculation will be based on "single with no dependents" until the information is received. Payments will be adjusted at that time, retroactive to the date of the injury. This ensures that the lack of information does not delay payments on a claim.

If you are unwilling to supply the tax information, you will be classed as single and no adjustment will be made for a two year period.

Support payments do not qualify in determining dependants. However, these payments will be used to reduce the amount of income subject to the income tax calculation.

Are there any exceptions to the procedure used to calculate loss of earning capacity?

Yes, 'apprentices', 'youthful workers' and 'declared workers' are exceptions. In certain cases, *The Workers Compensation Act* allows us to look to the future to establish average earnings based on your probable loss of earning capacity. This approach can only be applied in the exceptional circumstances found with apprentices and youthful workers (someone under 28 who sustains a long term loss of earning capacity).

Declared workers are any persons or class of persons declared to be workers employed by the government and covered under *The Workers Compensation Act*. Benefits in this case will be based on no less than half the Industrial Average Wage at the time of the injury.

Note: All sections relating to calculation of benefits apply to workplace injuries and related recurrent injuries occurring on or after January 1, 2006. All injuries occurring before 2006 and related recurrent injuries will continue to be paid according to the legislation, policies and procedures that predate Bill 25 – *The Workers Compensation Amendment Act*, passed in 2005.

For additional information about the calculation of benefits, please call your adjudicator or case manager.

SAMPLE BENEFIT CALCULATIONS

Single, no Dependants Benefit Calculations				
Gross Weekly Wage	**Gross Annual Wage**	**100% Net Actual (Weekly)**	**90% Net Sheltered (Weekly)**	**100% Net Sheltered (Weekly)**
$ 150.00	$ 7,800.00	$ 143.42	n/a	$ 142.59
$ 200.00	$ 10,400.00	$ 190.11	n/a	$ 189.28
$ 440.00	$ 22,880.00	$ 360.93	n/a	$ 345.85
$ 600.00	$ 31,200.00	$ 471.79	$412.00	
$ 900.00	$ 46,800.00	$ 673.86	$591.03	
$ 1,200.00	$ 62,400.00	$ 866.52	$ 758.30	

* based on minimum annual earnings

Married, Spouse not Working, Two Dependants				
Gross Weekly Wage	**Gross Annual Wage**	**100% Net Actual (Weekly)**	**90% Net Sheltered (Weekly)**	**100% Net Sheltered (Weekly)**
$ 150.00	$ 7,800.00	$ 143.42	n/a	$ 142.59
$ 200.00	$ 10,400.00	$ 190.11	n/a	$ 189.28
$ 440.00	$ 22,880.00	$ 414.25	n/a	$ 413.42
$ 600.00	$ 31,200.00	$ 539.01	$ 467.71	n/a
$ 900.00	$ 46,800.00	$ 738.16	$ 632.47	n/a
$ 1,200.00	$ 62,400.00	$ 927.90	$ 797.10	n/a

* based on minimum annual earnings

It is extremely important that you report the correct tax information to the Workers Compensation Board because of the significant difference it makes in the benefit calculation.