

BENEFIT

CHAMBERS OF COMMERCE
GROUP INSURANCE PLAN®

facts:

Federal Taxation of Your Chambers Plan Premiums and Benefits

Are Employer Paid Premiums Taxable to the Employee?

Employer paid premiums for any of the benefits listed in the box below are considered a taxable benefit to the employee.

To account for this taxable benefit, any premiums paid by the employer must be added to the employee's income. This can be done by accounting for the premiums on each paycheck, or by adding a lump sum amount to each individual's T4 at the end of the year.

Plan administrators using *my-benefits*® can use the *Taxable Benefit Report* to quickly and easily determine these amounts. The report summarizes the billed premiums for all benefits and can assist you in determining the amounts required to be added to an employee's income.

Employer Paid Premiums Taxable to Employees

Life / Dependent Life / Optional Life
Accidental Death & Dismemberment
Critical Illness

Are Claim Payments a Taxable Benefit to Employees?

Most group insurance benefits received by employees are not taxable in the hands of the employees, with the possible **exception of disability benefits**.

Disability Benefits received **ARE NOT** subject to income tax...

When the **employee pays** the entire disability premium.

Disability Benefits received **ARE** subject to income tax...

If the **employer pays** any portion of the disability premium.

Many employers make a point of setting up the company's benefit program so employees pay 100% of the disability premium. This not only offsets the employer's cost of running the program, it offers employees the advantage of non-taxable benefits in the future.

In order for the disability benefits to be non-taxable, Canada Revenue Agency (CRA) looks at two things – that there is a legal obligation for employees to pay the full premium, and second, that in actual practice the employee IS paying the premium.

When you apply for coverage under the Chambers Plan, you choose either a taxable or non-taxable disability plan, and benefits are calculated accordingly. This would address the legal obligation issue. To satisfy the practice issue, employers need to show the disability premium is being accounted for in the payroll records (i.e. payroll deductions).

Employers can change the tax status of their disability plans at any time, but only on a go forward basis. Employers cannot make retroactive changes to the tax status of a plan. The obligation for employees to pay 100% of the disability premiums must be in place when the premiums are paid in order for the plan to be deemed a non-taxable plan.

Your tax advisor or accountant can best guide you on how these rules may apply to your firm's specific situation.

It's for your benefit. |  |  | 1 877 277.0677

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 **Chambers Plan**
Employee Benefits