Federal Taxation of Your Chambers Plan Premiums and Bene ts

Are Claim Payments a Taxable Bene t to
Employees?
Most group insurance bene ts received by employees are not
taxable in the hands of the employees, with the possible exception of
disability bene ts.

Disability Bene ts received ARE NOT subject to income tax… When the employee pays the entire disability premium.

Disability Bene ts 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 bene t program so employees pay 100% of the disability premium. This
not only o sets the employer’s cost of running the program, it o ers employees the advantage of non-taxable bene ts in the future.

In order for the disability bene ts 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 bene ts 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)evenue (v)14 (enue)-3</M_

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.

Are Employer Paid Premiums Taxable to the Employee?
Employer paid premiums for any of
the bene ts listed in the box below
are considered a taxable bene t to
the employee.

To account for this taxable bene t, 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-bene ts®
can use the Taxable Bene t Report to
quickly and easily determine these
amounts. The report summarizes the billed premiums for all bene ts 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

Your tax advisor or accountant can best guide you on how these rules may apply to your rm’s speci c situation.

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It’s for your bene t. 1 877 277.0677