

# 2012 Federal Budget- Proposed Changes to the Tax Treatment of Group Accident and Sickness Plans

Starting in January 2013, employer contributions for certain group accident and sickness insurance plans may become a taxable benefit to employees across Canada.

## What accident and sickness insurance plans are impacted?

- Wage loss replacement plans where the benefits are not payable on a periodic basis.

The wording released in the Budget Plan on March 29, 2012 is fairly general and does not identify specific products. There is a possibility that the change could apply to:

- Accidental Death and Dismemberment (AD&D) benefits, and
- Critical Illness (CI) benefits.

## What accident and sickness insurance plans are not impacted?

- Wage loss replacement plans paid on a periodic basis (e.g. Short Term Disability (STD) or Long Term Disability (LTD) plans), and
- Private health services plans (including Health, Drug and Dental plans).

## When are the changes effective?

If passed, these changes will apply to Employer contributions starting in 2013. However, if Employer contributions made on or after March 29, 2012, and before 2013, relate to insurance coverage after 2012, the employer contributions will be included in the employee's income for 2013.

## Important notes

- We are monitoring the proposed changes, the impact to specific products and the potential tax implications. We will provide further information as it becomes available.
- This Bulletin is based on our understanding of the Budget Plan as of the date of publication. To learn more, visit the Government of Canada website for more specific details.

## Contact us

If you have any questions, please contact us at 604-688-5559 or [info@immixgroup.ca](mailto:info@immixgroup.ca) for more information.

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