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## TAX CONSIDERATIONS FOR PERSONAL DISABILITY COVERAGE

### INCOME REPLACEMENT (Superior Program and Acci-Jet Program)

Insured	Policyholder	Premiums	Benefits	ROP (return of premiums upon death) if applicable
<b>Self-employed worker and other individuals (personal use)</b>				
Self-employed worker	Policyholder/Payer/Beneficiary	Non-deductible <sup>1</sup>	Non-taxable <sup>2</sup>	Non-taxable <sup>2</sup>
Other Individuals	Policyholder/Payer/Beneficiary	Non-deductible <sup>1</sup>	Non-taxable <sup>2</sup>	Non-taxable <sup>2</sup>
<b>Employee/Not grouped contracts<sup>3</sup></b>				
Employee	Policyholder/Payer/Beneficiary	Non-deductible <sup>1</sup>	Non-taxable <sup>2</sup>	Non-taxable <sup>2</sup>
Employer Employee	Policyholder/Payer Beneficiary	Deductible for the employer Benefit taxable to the employee	Non-taxable <sup>2</sup>	Non-taxable <sup>2</sup>
<b>Employee/Grouped contracts<sup>3</sup></b>				
Employee	Policyholder/Payer/Beneficiary	Non-deductible <sup>1</sup>	Non-taxable <sup>2</sup>	Non-taxable <sup>2</sup>
Employer Employee	Policyholder/Payer Beneficiary	Deductible for the employer No taxable benefit for the employee	Taxable <sup>4</sup>	Non-taxable to the employer ND for the employee
<b>Shareholder of a corporation<sup>5</sup></b>				
Shareholder	Policyholder/Payer/Beneficiary	Non-deductible <sup>1</sup>	Non-taxable <sup>2</sup>	Non-taxable <sup>2</sup>
Corporation	Policyholder/Payer/Beneficiary	Non-deductible for the corporation <sup>6</sup> No taxable benefit for the shareholder	Non-taxable for the corporation <sup>2</sup>	Non-taxable for the corporation <sup>2</sup> ND for the shareholder
Corporation Shareholder	Policyholder/Payer Beneficiary	Non-deductible for the corporation Benefit taxable to the shareholder	Non-taxable <sup>2</sup>	ND



## OVERHEAD (Superior Program and Acci-Jet Program)

Insured	Policyholder	Premiums	Benefits	ROP (return of premiums upon death) if applicable
<b>Self-employed worker and corporation<sup>7</sup></b>				
Self-employed worker	Policyholder/Payer/Beneficiary	Deductible <sup>8</sup>	Taxable <sup>9</sup>	Non-taxable <sup>2</sup>
Corporation	Policyholder/Payer/Beneficiary	Deductible <sup>8</sup>	Taxable <sup>9</sup>	Non-taxable <sup>2</sup>

Note: Group disability coverage is subject to different tax rules that are not discussed here.

1 Personal or living expenses, paragraph 18(1)(h) of the Income Tax Act (ITA).

2 Does not constitute income within the meaning of the ITA.

3 Generally applicable rules:

- Premiums deducted at source (DAS) and paid to the insurer by the employer are treated as having been paid by the employee.
- In the case of an employee who is also a shareholder of the corporation, it must be determined whether the benefit was conferred on them as an employee or as a shareholder. It is a question of fact. If applicable, please refer to the section "Shareholders of a corporation".
- Grouped contracts: In the event that the employer pays only a portion of the premium, the benefit is taxable to the employee. However, at the time of disability, they will be able to deduct from the benefit they receive the amount they paid personally for the premiums.

4 Group Plan (paragraph 6(1)(f) of the ITA), source deductions will be made.

5 Generally applicable rules:

- Benefits paid to the corporation are not credited to the capital dividend account (CDA). If the shareholder is not the beneficiary, the benefits are paid to the shareholder by way of a taxable dividend.
- In the case of an employee who is also a shareholder of the employer corporation, it must be determined whether the benefit was conferred on them as an employee or as a shareholder. It is a question of fact. If so, please refer to the "Employees" section.
- Situations that may give rise to a benefit taxable to the shareholder are disadvantageous. In this case, the premiums are not deductible for the corporation and the shareholder must be taxed on the amount of the premium paid by the corporation (double taxation).

6 Not an expense for the purpose of earning income.

7 Generally applicable rules:

- Benefits are taxable. However, the fact that it is possible to deduct the expenses that the benefit compensates cancels out the effect of that taxation.

8 Expenses incurred for the purpose of earning income, paragraph 18(1)(a) of the ITA.

9 Constitutes income within the meaning of subsection 9(1) of the ITA.