

SOLO™ Healthcare

TAX ADVANTAGES

FOR ADVISORS ONLY –
ALL PROVINCES
EXCEPT QUEBEC

For self-employed workers¹

A self-employed worker can deduct premiums paid for individual health insurance products like **SOLO Healthcare** as a **business expense*** when calculating their net business income for tax purposes. The maximum deduction is generally \$1,500 each for themselves, their insured spouse/common law-partner and each insured person aged 18 or over who is a member of their household. \$750 is added for each insured person under the age of 18 who is a member of the individual's household. The balance of the premium that is not deductible qualifies for the **Medical Expense Tax Credit**. This tax credit, reduces the amount of income tax a self-employed worker would otherwise have to pay.

A self-employed worker can claim, within certain limits, medical expenses that themselves, their spouse/common-law partner or dependents have incurred that exceeded the limit established by tax laws. Only the portion not reimbursed by an insurance plan can be claimed as a medical expense.

The benefits paid are not taxable.

* REMINDER

Tax deduction are expenses that can be used to reduce taxable income. The amount of tax savings depends on the individual's marginal tax rate. If self-employment is the primary source of income, insurance premiums are deductible as a business expense, subject to certain conditions.

When adding these savings to amounts clients could save on medical and dental expenses every year, they'll be surprised to see how affordable individual health insurance products are.

TAX ADVANTAGES

Example for self employed workers

Louis is a freelance graphic designer in Ontario whose taxable income is \$50,000. Louis is a single parent with Health Plus (Enhanced Plan) + Drugs and Dental (Basic Plan).

ANNUAL SOLO HEALTHCARE PREMIUM

+ Health Plus (Enhanced Plan)	
+ Drugs and Dental (Basic Plan)	\$2,774
Tax savings ²	(\$822)
Net premium cost	\$1,952

ANNUAL EXPENSES REIMBURSED BY SOLO HEALTHCARE

Drugs	\$124
Eye exam and glasses	\$320
Dental care	\$400
Magnetic resonance imaging	\$608
Chiropractor (10 visits)	\$300
Orthotics for one child	\$200
Total healthcare expenses	\$1,952
What Louis pays	\$0

Note: These figures are an example only and do not represent all situations. The premium reflects 2019 rates. The purpose of this document is to provide general tax information only, which should not be considered as tax advice. Clients should consult a tax advisor about their particular situation. Even though steps have been taken to ensure the accuracy of this tax information, Desjardins Insurance does not make any statements and does not guarantee that the information provided is up to date, complete and accurate.

For employees

The premiums paid by an employee for individual health insurance products like **SOLO Healthcare**, are considered medical expenses eligible for the Medical Expense Tax Credit. This tax credit reduces the amount of income tax the employee would otherwise have to pay.

Employees can also claim **tax credit*** within certain limits, for eligible medical expenses that themselves, their spouse/ common-law partner or dependents have incurred that exceeded the limit established by tax laws. Only the portion not reimbursed by an insurance plan can be claimed.

* REMINDER

Tax credits reduce income tax and may be refundable or non-refundable. The Medical Expense Tax Credit is usually non-refundable, except when certain specific conditions are met.

For employers³

For the purposes of the Income Tax Act, premiums paid by an individual health insurance product like **SOLO Healthcare**, are a tax-free benefit for the employee.

Benefits paid to employees are not taxable, but employers can deduct premiums paid from their income.

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¹ The paragraphs that apply to self-employed workers also apply to sole proprietors and partners in a partnership.

² Tax savings (Louis's marginal tax rate is 29.65%, and he can deduct 100% of the premiums from his net business income): $29.65\% \times \$2,774 = \822 . Calculation based on the tax rate in effect as at December 31, 2018.

³ If an individual is both an employee and a shareholder of an incorporated business, it must be determined whether the premiums paid for individual health insurance products are treated as an employee benefit or a shareholder benefit. If they receive the benefit as a shareholder, the incorporated business cannot deduct the premiums from its business income, and these premiums are considered a taxable benefit.

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