

SOLO™ Disability Insurance

Tax implications

FOR ADVISORS ONLY

	SOLO DISABILITY INSURANCE					
	SOLO DISABILITY INCOME			SOLO ESSENTIAL DISABILITY INCOME	SOLO LOAN INSURANCE	
	Individual coverage	Corporate owner	Grouped policies (WLRP)	Individual coverage	Personal loan	Business loan
Policyowner and premium payer¹	Insured person	Incorporated business	Employer	Insured person	Insured person	Incorporated business
Premiums deductible? (as a business expense)	NO ²	YES or NO ⁴	YES ⁵	NO ²	NO	NO ⁷
Beneficiary of the monthly insurance amount	Insured person	Insured person	Insured person	Insured person	Insured person	Incorporated business
Monthly insurance amount taxable?	NO ³	NO	YES ⁶	NO ³	NO	NO ⁸
Additional coverage Return of premium						
Offered?	YES	NO	NO	NO	NO	NO
Beneficiary	Insured person	N/A	N/A	N/A	N/A	N/A
Taxable income?	NO ³	N/A	N/A	N/A	N/A	N/A

The information provided in this document is general in nature and should not be construed as legal or tax advice. The client member will have to consult his tax advisor or accountant to evaluate his particular situation. Although reasonable steps have been taken to ensure the accuracy of this information, Desjardins Insurance makes no representations or warranty as to the accuracy of such information, which may no longer be complete, accurate and up to date.

™ Trademark owned by Desjardins Financial Security.

- ¹ The policyowner and the premium payer of SOLO Disability Income and SOLO Loan Insurance contracts may be an incorporated business. In the case of SOLO Disability Income Insurance contracts, the beneficiary of the monthly insurance amount is always the insured person. For SOLO Loan Insurance contract, where the policyowner is the incorporated business, the beneficiary of the monthly insurance amount is also the incorporated business.
- ² **Premiums paid for an individual disability income insurance policy are considered personal and living expenses.** When premiums are paid by the employer, payment has to be made on behalf of the employee and the premium must be considered a taxable benefit for the employee or be withheld on the employee's pay. When the premium is considered a taxable benefit, it is deductible for the employer provided the insured person receives the benefit as an employee, not as a shareholder. Whether the insured person receives the benefit as an employee or a shareholder is a question of fact.
- ³ **When the insured person pays all the premiums, the monthly insurance amounts (benefits) the insured person receives are not taxable.** When the employer pays the premiums on behalf of the insured person, (i.e., withholding premiums from his pay or considering premiums as a taxable benefit to the employee), the monthly insurance amounts received by the insured person are not taxable.
- ⁴ The tax consequences differ depending on whether the benefit (premiums payment) is received by the insured person as a shareholder or as an employee. Whether the insured person receives the benefit as an employee or a shareholder is a question of fact. When the benefit (premium payments) is received by the insured person as a shareholder, the premiums are non-deductible for the incorporated business and considered a taxable benefit for the shareholder. When the benefit is received by the insured person as an employee, the premiums are deductible for the incorporated business and considered a taxable benefit for the employee. It is not advantageous for an incorporated business to pay the premiums under a SOLO Disability Income Insurance contract for a shareholder.
- ⁵ The premium is a deductible expense for the employer and is not a taxable benefit for the employee (the insured person), provided the benefit is received by the insured person as an employee, not as a shareholder. Whether the insured person receives the benefit as an employee or a shareholder is a question of fact.
- ⁶ Monthly insurance amounts are paid to the insured person and are taxable. Desjardins Insurance deducts the income taxes (federal and provincial) at source and produces the tax slips.
- ⁷ The premium is not deductible because the contract was not acquired for the purpose of earning business or property income and the insurance is not covered by the comments in the CRA's Archived interpretation bulletin IT-223 on Overhead expense insurance vs. income insurance.
- ⁸ Any Insurance amounts paid under SOLO Loan Insurance are not taxable.