

SOLO™ Disability Insurance

Tax implications by target market

FOR ADVISORS ONLY

	SELF-EMPLOYED INDIVIDUAL (SOLE PROPRIETOR)		
	SOLO DISABILITY INCOME	SOLO ESSENTIAL DISABILITY INCOME	SOLO LOAN INSURANCE
Policyowner	Individual	Individual	Individual
Insured person	Individual	Individual	Individual
Premium payor	Individual	Individual	Individual
Beneficiary of the monthly insurance amount	Individual	Individual	Individual
Premium	Non-deductible ¹	Non-deductible ¹	Non-deductible ²
Monthly disability amount	Non-taxable	Non-taxable	Non-taxable ²
Additional coverage <i>Return of premium</i>	Non-taxable	Not available	Not available

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	OWNER OF AN INCORPORATED BUSINESS (SHAREHOLDER OF A COMPANY)		
	SOLO DISABILITY INCOME	SOLO ESSENTIAL DISABILITY INCOME	SOLO LOAN INSURANCE
Policyowner	Shareholder	Shareholder	Company
Insured person	Shareholder	Shareholder	Shareholder
Premium payor	Shareholder	Shareholder	Company
Beneficiary of the monthly insurance amount	Shareholder	Shareholder	Company
Premium	Non-deductible ¹	Non-deductible ¹	Non-deductible ²
Monthly disability amount	Non-taxable	Non-taxable	Non-taxable ²
Additional coverage <i>Return of premium</i>	Non-taxable	Not available	Not available
OR	SOLO LOAN INSURANCE		
Policyowner	Shareholder		
Insured person	Shareholder		
Premium payor	Shareholder		
Beneficiary of the monthly insurance amount	Shareholder		
Premium	Non-deductible ²		
Monthly disability amount	Non-taxable ²		
Additional coverage <i>Return of premium</i>	Not available		
OR	SOLO DISABILITY INCOME (NOT PART OF A GROUP PLAN)		
Policyowner	Shareholder or Company		
Insured person	Shareholder		
Premium payor	Company		
Beneficiary of the monthly insurance amount	Shareholder		
Premium	<ul style="list-style-type: none"> • Non-deductible for the company and considered a taxable benefit for the shareholder³, or • Deductible for the company and considered a taxable benefit for the employee⁴. 		
Monthly disability amount	Non-taxable		
Additional coverage <i>Return of premium</i>	Non-taxable ⁵		

For a **SOLO Disability Income insurance** contract, **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, it is not advantageous for a company to pay the premiums under a SOLO Disability Income insurance contract for a shareholder.

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	EMPLOYEE		
	SOLO DISABILITY INCOME	SOLO ESSENTIAL DISABILITY INCOME	SOLO LOAN INSURANCE
Policyowner	Employee	Employee	Employee
Insured person	Employee	Employee	Employee
Premium payor	Employee	Employee	Employee
Beneficiary of the monthly insurance amount	Employee	Employee	Employee
Premium	Non-deductible ¹	Non-deductible ¹	Non-deductible ¹
Monthly disability amount	Non-taxable ⁶	Non-taxable ⁶	Non-taxable ⁶
Additional coverage <i>Return of premium</i>	Non-taxable ⁶	Not available	Not available
OR	SOLO DISABILITY INCOME		SOLO ESSENTIAL DISABILITY INCOME
Policyowner	Employee		Employee
Insured person	Employee		Employee
Premium payor	Employer (in whole or in part) on behalf of the employee		Employer (in whole or in part) on behalf of the employee
Beneficiary of the monthly insurance amount	Employee		Employee
Premium	Deductible for the employer ⁷ and taxable benefit for the employee		Deductible for the employer ⁷ and taxable benefit for the employee
Monthly disability amount	Non-taxable ⁷		Non-taxable ⁷
Additional coverage <i>Return of premium</i>	Non-taxable ⁵		Not available
OR	SOLO DISABILITY INCOME (NOT PART OF A GROUP PLAN)		
Policyowner	Employer (Company)		
Insured person	Employee		
Premium payor	Employer (Company)		
Beneficiary of the monthly insurance amount	Employee		
Premium	Deductible for the company and considered a taxable benefit for the employee ⁴		
Monthly disability amount	Non-taxable ⁷		
Additional coverage <i>Return of premium</i>	Not available		
OR	SOLO DISABILITY INCOME (WAGE LOSS REPLACEMENT PLAN – WLRP)¹⁰		
Policyowner	Employer		
Insured person	Employee		
Premium payor	Employer (in whole or in part)		
Beneficiary of the monthly insurance amount	Employee		
Premium	Deductible for the employer ⁸ and non-taxable benefit for the employee		
Monthly disability amount	Taxable ⁹		
Additional coverage <i>Return of premium</i>	Not available		

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

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

² Canada Revenue Agency (CRA) Technical Interpretation #2011-0428931E5. 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 dealing with overhead insurance. The monthly insurance amount is not taxable.

³ CRA Technical Interpretation #2002-0176485; CRA Technical Interpretation #2006-0214141E5. Paragraph 18(1)(a) ITA prevents the corporation from claiming a deduction for the premium paid and subsection 15(1) ITA applies for the benefit to the shareholder.

⁴ If the insured person has received the benefit as an employee, then the premium will be deductible for the company. Whether the insured person receives the benefit as an employee or a shareholder is a question of fact.

⁵ Not available if the owner is a company. The tax authorities have not issued an opinion on this specific issue. Tax treatment remains uncertain. Clients have to consult their tax advisor or accountant.

⁶ Paragraph 16 in the CRA's Archived Interpretation Bulletin IT-428.

⁷ Paragraphs 16 and 20 in the CRA's Archived Interpretation Bulletin IT-428. When the premium is paid by the employer on behalf of the employee (considered as a taxable benefit or deducted from his pay), the insurance amounts paid to the insured person are not taxable because paragraph 6(1)f) of the ITA does not apply.

⁸ The premium is a business expense deductible by the employer and is not a taxable benefit to the employee (insured person) provided that the benefit is received by the insured as an employee and not as a shareholder. Whether the insured person receives the benefit as an employee or a shareholder is a question of fact.

⁹ The monthly insurance amounts are taxable under paragraph 6(1)(f) of the ITA. The portion of the premium paid by the employee may be deductible from the insurance amounts received.

¹⁰ As indicated by the CRA, a plan is a wage-loss replacement plan when **all** of the following conditions are met:

- It is a group plan, in that it covers more than one employee.
- The plan is funded, in whole, or in part, by the employer.
- The purpose of the plan is to indemnify employees against a loss of employment income as a result of sickness, accident or maternity.
- Benefits are paid on a periodic basis, not as a lump-sum.
- It follows insurance principles that funds are accumulated, normally in the hands of a trustee or in a trust account, and are calculated to be sufficient to meet anticipated claims.