



Info Note

June 2010

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Harmonized Sales Tax – Legislative Changes

Ontario and British Columbia have adopted measures to implement the Harmonized Sales Tax (HST) that will take effect in these provinces on July 1, 2010. Also, certain application rules have been changed or clarified, which has resulted in changes to the existing HST in the other provinces where this tax already applies (Nova Scotia, New Brunswick and Newfoundland and Labrador) and to the QST in Quebec.

Implications for group insurance plans

A. Insured benefits:

Insurance premiums and administrative fees for benefits with risks assumed by the insurer are not subject to GST, HST or QST.

These changes will therefore have no impact on:

- fully insured plans
- administrative services only plans (**ASOs**) with risk (**with insurance in excess of the stop-loss limit**)

B. Self-insured benefits:

Administrative services for **ASOs without risk (without insurance in excess of the stop-loss limit)**, including Health Spending Account and Cost Plus agreements, will be taxable for GST, HST and QST purposes.

Here is an overview of the changes:

Rules

- The location of the provider's offices will no longer be a factor in determining whether or not to apply the GST, HST and QST. The province where the DFS offices are located, and from which services are delivered, will no longer be taken into consideration.
- Applicable taxes (GST, HST or QST) will be determined based solely on the recipient's province. For ASOs, we will use the plan member's address given that, in most cases, their province of residence is the same as the recipient's.

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Rates

- **In Ontario:**
 - The 8% tax on insurance premiums will no longer apply to administrative fees for ASOs **without risk**. These fees will be subject to HST.
 - The new 13% HST consists of a 5% federal tax and an 8% provincial tax.
- **In British Columbia:**
 - The new 12% HST consists of a 5% federal tax and a 7% provincial tax.
- **In Nova Scotia:**
 - The HST will increase to 15%. The 15% HST consists of a 5% federal tax and 10% provincial tax.

The following table summarizes how **the GST, HST and QST will be applied to ASOs "without risk" (without insurance in excess of the stop-loss limit).**

Summary Table: Application of GST, HST and QST to ASOs "without risk"			
Province of residence		Taxes before July 1	Taxes effective July 1
Prince Edward Island		5% GST	5% GST
New Brunswick	Administered in NB	13% HST	13% HST
	In another province	5% GST	
Newfoundland and Labrador	Administered in NL	13% HST	13% HST
	In another province	5% GST	
Nova Scotia	Administered in NS	13% HST	15% HST ¹
	In another province	5% GST	
Quebec	Administered in Quebec	5% GST and 7.5% QST	5% GST and 7.5% QST
	In another province	5% GST	
Ontario		5% GST	New 13% HST
Manitoba		5% GST	5% GST
Saskatchewan		5% GST	5% GST
Alberta		5% GST	5% GST
British Columbia		5% GST	New 12% HST

¹ New rate effective July 1, 2010

Communication with clients

We will notify ASO plan administrators of how the various taxes will apply as of July 1 by enclosing a notice with their next account statement. We will explain that the first changes concerning the benefits paid in July will appear on their August account statement.

If you have any questions, please feel free to contact your account executive or service representative.

Sales, Group and Business Insurance