

Winter 2013

## Group AD&D & Critical Illness

The federal government intends to proceed with amendments to the Income Tax Act, as outlined in the 2012 budget. They have proposed to amend the Act to change the taxability status of employer contributions to Accidental Death & Dismemberment (AD&D) and Critical Illness (CI) benefits. Bill C-45 has been tabled to make this amendment. It is expected to be law by the end of 2012.

Effective January 1, 2013, if an employer makes a contribution to an employee group benefits plan with respect to AD&D and CI, benefits will effectively be taxed similarly to how Life and Dependent Life insurance are now taxed. When the employer makes a contribution, the amount of the contribution is to be included in the income of the individuals covered under the plan. These contributions are to be included in an employee's T4 starting with the tax year 2013 and on the T4s prepared in early 2014. Although the final legislation is still being considered, employers should note they may have to report contributions and, consequently, should be prepared to account for this for the tax year 2013.

Note: If an employer makes any contribution in 2012 towards premiums earmarked for 2013, these premiums are not to be reported on the employee's 2012 T4. They must be reported on the 2013 T4, which would typically be prepared in early 2014. As with Life insurance, it is not the insurance company's responsibility to report this. The employer (or the employer's payroll provider) is required to record these contributions and report them on the appropriate T4.



If you have questions or comments, please contact your Group Benefits Consultant at Cowan Insurance Group.

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