

## HST Update

As of July 1, 2010, the Harmonized Sales Tax (HST) will come into effect in Ontario and British Columbia. Below we have provided information about how the HST will impact employee benefits.

### Impact on Group Insurance

Group insurance premiums themselves are exempt from GST and will continue to be exempt under the new HST legislation. There are certain fees associated with group plans that are currently subject to GST. In Ontario and B.C. these fees will now also attract HST. Typically this would include specific fees charged by insurance companies, consultants and Third-Party Administrators (TPAs), often for Administrative Services Only (ASO) services, fee-for-service charges and anything not connected to an insured premium.

Although group insurance premiums are exempt from GST, premiums paid for employees residing in Ontario are subject to Ontario retail sales tax at the rate of 8%. Under the new legislation, insurance premiums that are currently subject to Ontario retail sales tax will continue to be subject to tax at the rate of 8%.

In B.C., the impact of the HST will essentially be the same as in Ontario; however, in B.C., group insurance premiums are exempt from provincial retail sales tax.

### Impact on Investment Funds

Expenses charged to investment funds and all investment management and advisory fees will be subject to the HST in Ontario, British Columbia, Nova Scotia, New Brunswick and Newfoundland and Labrador. While the HST is new in Ontario and B.C., new rules now make the tax applicable to all funds in the existing HST provinces.

| Province(s)/Territories  | HST Rate                                      |
|--|---|
| British Columbia   | 12% (5% federal and 7% provincial component)  |
| Ontario, New Brunswick, Newfoundland and Labrador                          | 13% (5% federal and 8% provincial component)  |
| Nova Scotia  | 15% (5% federal and 10% provincial component) |
| Alberta, Manitoba, Prince Edward Island, Quebec, Saskatchewan, Territories | 5% federal GST only                           |

The HST will apply to GST-taxable services that are charged to investment funds as well as to any investment management or advisory fees that are paid outside of the fund. These fees are currently subject to 5% GST. The HST will also apply to other services already subject to GST, for example annual trustee fees for RRSPs and DPSPs.

The HST means a higher tax rate will apply to group benefits services and investment funds effective July 1, 2010. This will increase the costs for sponsors and members directly, where such costs are paid by either the sponsor or the member. It should be noted that the HST will be eligible for the same input tax credit as the GST (subject to some exceptions) whereas retail sales tax cannot be claimed as an input tax credit.

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