

Have you heard? Manitoba's introducing a tax on group insurance premiums...

Effective July 15, 2012, group life insurance premiums will be taxable in Manitoba.

Currently, Manitoba levies a 7% Retail Sales Tax (RST) on most goods and certain services, but no taxes are applicable on insurance products.

When Manitoba's 2012 budget was tabled, the province announced it was introducing a tax on a number of insurance products as of July 1, 2012.

Many issues were identified by insurers at the time. The Canadian Life and Health Insurance Association –CLHIA– embarked on a round of discussions with the government of Manitoba, to get more clarity on these issues.

What we know for sure at this point is that all group life insurance premiums will become taxable this July. Therefore, from July 15, 2012, the following group benefits will be taxable at 7% in Manitoba:

- Participant's life insurance
- Participant's optional life
- Dependents' life
- Dependents' optional life
- Spouse's optional life

Some insurance products are excluded from the application of the Manitoban tax. Mainly:

- Administration fees charged by an insurer to administer a self insured group life insurance policy.
- Insurance contracts covering Status Indians residing on a reserve or that are entered into by Status Indians or Indian Bands on their property situated on a reserve.

Some issues are still being discussed between the CLHIA and the government of Manitoba. Mainly:

1. The description of the types of insurance that would be subject to the application of the tax.
2. The exclusions from the application of the tax appear to impose it on disability, critical illness and accidental death & dismemberment insurance sold on a group or individual basis, and all forms of creditor group insurance.
3. The 30 day grace period for premium payment required to be provided under *The Insurance Act* means that the Manitoba tax could have to be remitted before it may actually be collected.

How will this work, from July 15?

It's our understanding, based on the information we have gathered so far through the CLHIA, that the 7% RST will only be charged on group life insurance premiums where the insured person is a resident of Manitoba.

On our end, we're modifying our administrative system as well as our billing process. We make our best efforts toward getting this done for July 15, 2012.

In the meantime, we'll monitor the situation until the remaining issues are resolved.

Need more information? Please visit the following sources:

- ▶ [Information Bulletin # 112](#)
- ▶ [Information Bulletin # 061](#)
- ▶ [Provincial Sales Tax / Harmonized Sales Tax \(PST/HST\)](#)
- ▶ [Publications about tax in Manitoba](#)