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Insurance industry

Key tax rates and updates

Tax changes, rates, deadlines and other useful information for the insurance industry in Canada.

2018

Insurance industry:

Key tax rates and updates

This booklet is available at:
www.pwc.com/ca/insurancekeytaxrates

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Insurance help—Who to contact

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Some cautions
Rates and other information are current to September 10, 2018, but may change as a result of legislation or regulations issued after that date.

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Recent tax changes: Selected highlights

Corporate income tax rates for 2018

Combined federal and provincial/territorial corporate income tax rates are listed on page 15.

Status of changes for accounting purposes

Income tax changes will be recognized for accounting purposes:

- in Canada if they are considered substantively enacted
- in the United States if they are enacted

Tables on pages 5 to 8 show whether corporate tax rate changes effective after 2016 are recognized for accounting purposes. All information is current to September 10, 2018.

Federal changes

Segregated funds

- Insurers are allowed to effect tax-deferred mergers of segregated funds (i.e. life insurance policies that have many of the characteristics of mutual fund trusts) if carried out after 2017.
- Segregated funds are permitted to apply non-capital losses arising in taxation years beginning after 2017 to other taxation years beginning after 2017. Use of these losses will be subject to the normal limitation for carrying forward and back non-capital losses and will be restricted following a segregated fund merger.

Merger of two related segregated fund trusts

A recent Canada Revenue Agency (CRA) advance income tax ruling (2016-0625301R3) deals with whether the transfer of properties of one related segregated fund trust of a taxpayer to another related segregated fund trust of a taxpayer was a "qualifying disposition" under subsection 107.4(1) of the *Income Tax Act*. The purpose of the transfer was to reduce the overall administrative costs and enhance administrative convenience by merging the segregated fund trusts, given that they held identical property and had identical investment objectives. The ruling confirmed that, in this case, the transfer would be considered a "qualifying disposition."

Insurers of farming and fishing property

For taxation years beginning after 2018, the tax exemption for insurers of farming and fishing property that is based on the proportion of their (and their affiliated insurers') gross premium income earned from insuring property used in farming or fishing is eliminated.

Voluntary Disclosures Program (VDP)

The VDP has been significantly tightened for applications received by the CRA after February 28, 2018. See our *Tax Insights* "Revised Voluntary Disclosures Program applies March 1, 2018: Act fast" at **www.pwc.com/ca/taxinsights**.

Foreign affiliates

- The filing deadline for T1134 information returns for foreign affiliates is advanced by nine months (i.e. due six months after a corporation's year-end instead of 15 months), for taxation years beginning after 2019.
- For taxation years of a taxpayer's foreign affiliate beginning after February 26, 2018:
  - a new rule related to the investment business definition will deem activities related to certain income accruing under a tracking arrangement to be a separate business of an affiliate
  - a foreign affiliate will be deemed to be a controlled foreign affiliate of the taxpayer if foreign accrual property income attributable to specific activities of the foreign affiliate accrues to the benefit of the taxpayer under a tracking arrangement
  - minimum capital requirements added to the trading or dealing in indebtedness rules must be met to qualify for the regulated foreign financial institution exception
  - the reassessment period for a taxpayer is extended by three years for income arising in connection with a foreign affiliate of the taxpayer

Trusts

Starting 2021 taxation years, new rules require a trust to report the identity of all its trustees, beneficiaries and settlors, and each person who has the ability to exert control over certain trustee decisions. This will create a new T3 return filing obligation for certain trusts. Penalties will apply for non-compliance.

Stop-loss rules on share repurchase transactions

For share repurchases occurring after February 26, 2018, the tax-loss otherwise realized on certain share repurchase transactions (in which the shares are held as mark-to-market property) is reduced by the dividend deemed to have been received on that repurchase when the dividend is eligible for the intercorporate dividend deduction.

Tiered partnerships

Clarifications ensure that the at-risk rules apply to a partnership that is itself a limited partner in another partnership, for taxation years ending after February 26, 2018.

Reassessment period

Changes:

- add a "stop-the-clock" rule that extends the reassessment period of a taxpayer when a requirement for information (excluding foreign-based information, for which an existing "stop-the-clock" rule already applies) or compliance order is being contested in court, for challenges instituted after royal assent of the enacting legislation
- extend the reassessment period by three years to the extent the reassessment relates to a loss carryback previously claimed, when a reassessment is made to the loss as a consequence of a transaction involving a non-arm's length non-resident, for taxation years in which a carried back loss is claimed, if that loss arises in a taxation year ending after February 26, 2018

Sharing information for criminal matters

Upon royal assent of the enacting legislation:

- the CRA can use the legal tools available under the *Mutual Legal Assistance Criminal Matters Act* to facilitate the sharing of information related to tax offences under Canada's tax treaties, Tax Information Exchange Agreements and the *Convention on Mutual Administrative Assistance in Tax Matters*
- tax information can be shared with Canadian mutual legal assistance partners for acts that, if committed in Canada, would constitute terrorism, organized crime, money laundering, criminal proceeds or designated substance offences

Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting

Canada has taken steps towards ratifying this multilateral instrument (MLI). The MLI is an instrument modifying existing bilateral tax treaties between participating jurisdictions, to implement treaty-based measures developed by the Base Erosion and Profit Shifting Project. See our *Tax Insights* "Canada moves to implement the multilateral instrument" at **www.pwc.com/ca/taxinsights**.

Tax Information Exchange Agreements (TIEAs)

Canada is negotiating five TIEAs; one has been signed, but is not yet in force; and 24 have entered into force (one on behalf of five jurisdictions).

Automobile deductions and benefits

The 2018 prescribed rates for purposes of determining tax-exempt allowances and operating cost benefits for automobiles are 1¢ per kilometre higher than for 2017. All other 2018 prescribed rates will remain at their 2017 levels. For more information, see *Car expenses and benefits – A tax guide* at **www.pwc.com/ca/carexpenses**.

Payment of investment management fees

The CRA is considering whether, starting January 1, 2019 (extended from January 1, 2018), the payment of investment management fees in respect of registered plans, such as registered retirement savings plans (RRSPs), registered retirement income funds (RRIFs) or tax-free savings accounts (TFSAs), by a plan annuitant or holder will, in most cases, create an "advantage."

Retirement savings plans and deferred profit sharing plans

Contribution limits for retirement savings plans and profit sharing plans are increasing:

<table>
<tr><th></th><th>Registered retirement savings plans (RRSPs)/ Pooled registered pension plans (PRPPs)</th><th>Saskatchewan pension plan ("specified pension plan")</th><th>Defined contribution registered pension plans (RPPs)</th><th>Deferred profit sharing plans (DPSPs)</th></tr>
<tr><td>2017</td><td>$26,010</td><td rowspan="2">$6,000</td><td>$26,230</td><td>$13,115</td></tr>
<tr><td>2018</td><td>$26,230</td><td>$26,500</td><td>$13,250</td></tr>
<tr><td>2019</td><td>$26,500</td><td rowspan="2" colspan="3">Indexed</td></tr>
<tr><td>2020</td><td>Indexed</td></tr>
</table>

Defined benefit registered pension plans (RPPs)
The maximum pension benefit that can be paid from these plans is increasing:

	Pension benefit (per year of service)
2017	$2,914
2018	$2,944
2019	Indexed

Quebec Pension Plan (QPP)
Starting 2019, employee contributions that relate to the enhanced portion of the QPP will be deductible. A tax credit will continue to be provided on employee contributions to the base QPP for federal income tax purposes. See page 7.

Goods and Services Tax/ Harmonized Sales Tax (GST/HST)
Increased enforcement

The CRA has increased its enforcement activities to ensure financial institutions comply with annual GST/HST information return reporting requirements, e.g. relating to the Financial Institution GST/HST Annual Information Return (Form GST111) and the GST/HST and Quebec Sales Tax Annual Information Return for Selected Listed Financial Institutions (Form RC7291). Significant failure-to-file penalties have been imposed on insurers that are a de minimis financial institution as a result of having financial revenues that exceed certain thresholds. See our *Tax Insights* “GST/HST & QST alert for financial institutions: Penalties are being assessed for failing to file Annual Information Returns” at **www.pwc.com/ca/taxinsights**.

Voluntary Disclosures Program (VDP)

In December 2017, the CRA released GST/HST Memorandum 16-5 “Voluntary Disclosures Program.” The memorandum significantly tightens the VDP for applications received by the CRA after February 28, 2018. Key changes to the VDP for GST/HST include:

- introducing three categories of disclosure: GST/HST wash transactions, General Program and Limited Program (generally, VDP applications by corporations with gross revenue exceeding $250 million in at least two of their last five taxation years, and any related entities, will be considered under the Limited Program)
- basing a taxpayer’s penalty and interest relief on several criteria (e.g. the nature of the non-compliance, the number of years at issue and the taxpayer’s level of sophistication)
- providing potential relief from penalties to eligible taxpayers who fail to file information returns (e.g. Form GST111)

Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)
On March 8, 2018, Canada signed the CPTPP, a free trade agreement with 10 other countries (Australia, Brunei Darussalam, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam). The CPTPP is not yet in force. It is currently undergoing ratification and implementation processes in each of the member countries. See our *Tax Insights* “Signed, sealed and on its way: the Comprehensive and Progressive Agreement for Trans-Pacific Partnership” at **www.pwc.com/ca/taxinsights**.

Provincial changes

British Columbia

General corporate income tax rate

British Columbia's general corporate income tax rate increased:

		Rate	Recognized for accounting purposes?	
			Canada	US
Effective date	Before January 1, 2018	11%	Yes	
	January 1, 2018	12%		

Employer Health Tax (EHT)

Starting January 1, 2019, an EHT will apply in British Columbia as follows:

	Rate	Payroll	Payroll tax
Employer health tax	0%	$0 to $500,000	$0
	2.925%	$500,000 to $1,500,000	(Payroll - $500,000) x 2.925%
	1.95%	over $1,500,000	Payroll x 1.95%

Manitoba

Insurance corporations tax

Beginning with the 2018 insurance corporations tax return, insurance businesses must file and pay their insurance corporations tax:

- by March 20 (instead of March 31) of the following year
- electronically using Manitoba's online tax system, TAXcess

Newfoundland and Labrador

Health and Post-Secondary Education Tax

Starting January 1, 2019, the exemption threshold for this payroll tax will increase from $1.2 million to $1.3 million of payroll costs.

Retail sales tax: automobile insurance premiums

The retail sales tax that applies on automobile insurance premiums is declining:

		Rate
Effective date	Before January 1, 2019	15%
	January 1, 2019	13%
	January 1, 2020	12%
	January 1, 2021	11%
	January 1, 2022	10%

Tax review

Newfoundland and Labrador has launched a comprehensive review of its tax system. Recommendations are expected to be considered for the 2019-2020 budget.

Ontario

Commercialization of intellectual property
Ontario is reviewing various tax initiatives (e.g. "patent box" regimes that provide preferential corporate income tax rates, refunds of taxes paid, tax deductions and exemptions) to help retain the economic and social benefits of intellectual property developed in Ontario.

Employer Health Tax (EHT)
Effective January 1, 2019, Ontario intends to follow the eligibility criteria for the federal small business deduction for the EHT exemption. As a result, the exemption will be available only to individuals, charities, not-for-profit organizations, private trusts and partnerships, and Canadian-controlled private corporations.

Tax avoidance
Ontario will parallel the federal measure that addresses the use of structured share repurchase transactions by certain Canadian financial institutions to realize artificial tax losses (see page 2).

Quebec

General corporate income tax rate
Quebec's general corporate income tax rate is decreasing:

		Rate	Recognized for accounting purposes?	
			Canada	US
Effective date	Before January 1, 2017	11.9%	Yes	
	January 1, 2017	11.8%		
	January 1, 2018	11.7%		
	January 1, 2019	11.6%		
	January 1, 2020	11.5%		

Compensation tax for insurers
Quebec's compensation tax on insurance premiums will decline and be eliminated, as follows:

		Rate
Effective date	Before April 1, 2022	0.48%
	April 1, 2022	0.3%
	April 1, 2024	Nil

Additional 60% capital cost allowance (CCA)
Businesses that acquire new manufacturing and processing or computer equipment after March 27, 2018, and before April 1, 2020, can deduct an additional 60% (up from 35%, which applied only to property acquired before April 1, 2019) of the CCA deducted in respect of the property, for two years if certain conditions are met.

Health Services Fund (HSF)

The total payroll threshold above which the top 4.26% HSF rate applies is increasing:

		Payroll threshold
Effective date	Before January 1, 2018	$5 million
	January 1, 2018	$5.5 million
	January 1, 2019	$6 million
	January 1, 2021	$6.5 million
	January 1, 2022	$7 million
	After December 31, 2022	Indexed

Refundable tax credit for on-the-job training periods

For eligible expenditures incurred after March 27, 2018, relating to eligible training periods beginning after March 27, 2018, enhancements to this credit:

- allow eligible employers to claim the enhanced credits for eligible trainees that are Aboriginals, or are located at a work location in the resource regions
- increase the weekly expenditure limits and maximum hourly rates that can be claimed for each eligible trainee

Quebec Pension Plan (QPP)

Enhancements to the QPP mean that annual QPP contributions will increase for employers and employees:

- 2019 to 2023 – a higher contribution rate will be phased in (from 5.4%* before 2019 to 6.4%* in 2023) on earnings below the Yearly Maximum Pensionable Earnings (YMPE), which is $55,900 in 2018
- 2024 – an enhanced contribution rate of 4%* will apply to earnings between the YMPE and the Yearly Additional Maximum Pensionable Earnings; enhanced QPP contributions will be deductible

  *Rate applies to both employers and employees.

Tax evasion and tax avoidance

- Quebec's "Tax Fairness Action Plan" contains 14 actions that address tax havens, aggressive tax planning, transfer pricing and e-commerce with suppliers having no significant presence in Quebec, among other things. See our *Tax Insights* "Quebec action plan targets international aggressive tax planning and e-commerce sales" at **www.pwc.com/ca/taxinsights**.
- New initiatives to fight tax evasion will:
  - eliminate some loopholes, by paralleling certain federal measures, such as the stop-loss rule on share repurchase transactions (see page 2)
  - reward tax informants, and require a review of Revenu Québec's voluntary disclosure program

Quebec Sales Tax (QST)
Suppliers that are not residents of, and have no physical or significant presence in, Quebec, and that make digital and certain other supplies to "specified Quebec consumers" may be required to register for QST under a new specified registration system, starting:

- January 1, 2019, for non-residents of Canada
- September 1, 2019, for residents of Canada that reside outside Quebec

See our *Tax Insights* at **www.pwc.com/ca/taxinsights**:

- "2018 Québec budget: New QST registration rules for digital supplies by non-resident suppliers"
- "New QST registration rules: Implications to asset managers providing services to Quebec residents"

Saskatchewan

General corporate income tax rate
Saskatchewan's general corporate income tax rate was to have further decreased on July 1, 2019, but this reduction was canceled. Instead, the rate that applied before July 1, 2017 was restored on January 1, 2018, as follows:

<table>
<tr><th colspan="2" rowspan="2"></th><th rowspan="2">Rate</th><th colspan="2">Recognized for accounting purposes?</th></tr>
<tr><th>Canada</th><th>US</th></tr>
<tr><td rowspan="3">Effective date</td><td>Before July 1, 2017</td><td>12%</td><td colspan="2" rowspan="3">Yes</td></tr>
<tr><td>July 1, 2017</td><td>11.5%</td></tr>
<tr><td>January 1, 2018</td><td>12%</td></tr>
</table>

Provincial Sales Tax (PST)
Certain insurance premiums are exempt from the 6% PST, retroactive to August 1, 2017 (the date insurance premiums became taxable in Saskatchewan). See our *Tax Insights* "Saskatchewan PST alert: Province reverses position on taxation of certain insurance premiums at **www.pwc.com/ca/taxinsights**.

Yukon

General corporate income tax rate
Yukon's general corporate income tax rate decreased:

<table>
<tr><th colspan="2" rowspan="2"></th><th rowspan="2">Rate</th><th colspan="2">Recognized for accounting purposes?</th></tr>
<tr><th>Canada</th><th>US</th></tr>
<tr><td rowspan="2">Effective date</td><td>Before July 1, 2017</td><td>15%</td><td colspan="2" rowspan="2">Yes</td></tr>
<tr><td>July 1, 2017</td><td>12%</td></tr>
</table>

Alberta, New Brunswick, Northwest Territories, Nova Scotia, Nunavut and Prince Edward Island

No significant changes were made to the rules that apply to insurers in Alberta, New Brunswick, Northwest Territories, Nova Scotia, Nunavut or Prince Edward Island.

Recent tax cases

The following recent tax cases may be of interest.

Life insurer not entitled to bump in cost base of "designated insurance property"

In **SCDA (2005) Inc. v. The Queen**, 2017 FCA 177, the Federal Court of Appeal (FCA) upheld the Tax Court of Canada's (TCC's) decision in **The Standard Life Assurance Company of Canada v. The Queen**, 2015 TCC 97. The TCC had agreed with the Minister that the taxpayer was not entitled to a bump in cost base of its "designated insurance property" in the 2006 and 2007 taxation years, resulting in a significant increase in the taxpayer's taxable income. The taxpayer, a Canadian life insurance company, argued that it met the requirements for the bump in cost base. The basis for the taxpayer's argument was that, for 2006 and 2007, it carried on an insurance business in both Canada and Bermuda (through a branch), and that the statutory interpretation of "designated insurance property" was met.

The TCC found that the taxpayer did not factually carry on business in Bermuda in 2006 or 2007 and the statutory interpretation of "designated insurance property" was not met.

To reach its decision, the FCA focused on the interpretation of subsection 138(11.3) of the *Income Tax Act*. The FCA determined that subsection 138(11.3) would not entitle a Canadian resident insurer to a bump in cost base of its "designated insurance property" and thus would not trigger a tax-free disposition of assets in the Canadian resident insurer's first year of carrying on an insurance business in another country. As a result, the FCA dismissed the taxpayer's appeal based on its interpretation of subsection 138(11.3).

Hedging for tax purposes

In **Her Majesty the Queen v. James S. A. MacDonald**, 2018 FCA 128, the FCA ruled that:

- an intention to hedge is not a condition precedent for hedging, and
- a derivatives contract will constitute a hedge if:
  - the assets owned by a taxpayer are exposed to market fluctuation risk, and
  - the derivative contract has the objective effect of neutralizing or mitigating that risk

The FCA reversed the TCC's decision that derivative transactions undertaken by the taxpayer did not represent hedges for tax purposes. See our *Tax Insights* "FCA's decision in MacDonald: The objective approach to hedging" at **www.pwc.com/ca/taxinsights**.

Physical presence not required for imposition of sales and use tax

In **South Dakota v. Wayfair, Inc. et al.**, No. 17-494, the Supreme Court of the United States ruled in favour of South Dakota, upholding the state's legislation requiring out-of-state online retailers to collect and remit sales tax on sales to customers in the state based solely on the retailers' exceeding certain economic thresholds in the state. As a result, the state can require retailers to collect and remit sales tax even if they do not have a physical presence (i.e. property or employees) in the state. The court found that "substantial nexus" exists between out-of-state retailers and South Dakota by virtue of economic and virtual contacts with the state.

For more information:

- see our *Tax Insights* at **www.pwc.com/us**:
  - "Supreme Court 'Wayfair' decision triggers US state tax consequences for US inbound companies"
  - "Wayfair: The many consequences to the insurance industry"
- visit **www.pwc.com/us/en/services/tax/state-local-tax/wayfair-physical-presence-standard.html**

Key tax dates

The following Canadian tax dates for insurance companies are based on a December 31 fiscal year end. Deadlines falling on holidays or weekends may be extended to the next business day. (Filing dates for miscellaneous matters affecting insurers in Canada, such as provincial taxes, licences, fees, permits and municipal taxes, are not covered.)

Federal tax dates		**Payments**		**Returns**
		Instalments	**Balance**	
Corporate income tax; Financial institutions capital tax	Some Canadian-controlled private corporations	Last day of each month[1]	March 31	June 30
	All other insurers		February 28	
Life insurer's investment income tax	T2142			
Branch tax	T2 Sch 20	June 30		
Non-resident tax	T2016			
Transactions with non-residents	NR4[2]	n/a		March 31
	Related-party transactions: T106			6 months after year end
Foreign property reporting	T1135, T1141 and T1142			
	T1134			15 months after year end[5]
Federal excise tax – insurance premiums[3]		April 30		
Insurers not registered for GST that import taxable supplies		1 month after month of importation		
Financial institution GST/HST annual information return[4]	GST111/RC7291[4]	n/a		6 months after year end

Provincial tax dates		**Payments**		**Returns**
		Instalments	**Balance**	
Corporate income tax (Alberta; Quebec)	Some Alberta Canadian-controlled private corporations	Last day of each month[1]	March 31	June 30
	All other insurers		February 28	
Capital tax	Life insurers in Ontario	Same as federal corporate income tax		
	Life insurers in Quebec	Same as provincial corporate income tax		

1. Canadian-controlled private corporations can pay federal and Quebec instalments quarterly (rather than monthly) if certain conditions are met.
2. The payer in a transaction with a non-resident is required to remit withholding tax on or before the 15th of the month following the month the amount was paid or credited to the non-resident.
3. The tax applies to premiums for the insurance of Canadian risks, other than premiums for life insurance, personal accident insurance, sickness insurance or marine insurance. Premiums in respect of reinsurance contracts or for insurance that is not available within Canada are also not subject to the tax. The policyholder is responsible for remitting the tax by April 30 of the year following the calendar year in which the premiums were paid or became payable.
4. Financial institutions that have total revenues exceeding $1 million and are:
   - GST/HST registrants (but not QST registrants) must file Form GST111
   - GST/HST and QST registrants must file Form RC7291

   A QST registrant (that is not a GST/HST registrant) that meets the criteria must file Form FP-2111-V with Revenu Québec. Significant penalties can apply for non-compliance.
5. For taxation years beginning after 2019, the filing deadline for T1134 returns will be six months after year end.

Canadian premium and fire tax – Rates and deadlines

Rates[1]: Premium tax: Life, accident and sickness	Rates[1]: Premium tax: Property and casualty	Rates[1]: Fire tax[2]		Deadlines: Instalments: Premium tax	Deadlines: Instalments: Fire tax	Deadlines: Return and balance due
3%	4%	Nil	**Alberta**	Not required		75 days after year end
2%	4% or 4.4%[3]	Nil	**British Columbia**	If prior year's tax payable exceeds $25,000, 15th of June, September and December		March 31
2%	3%	1.25%	**Manitoba**	Not required[4]		March 20[4]
2%	3%	1%	**New Brunswick**	Last day of June, September and December		March 15
5%		Nil[6]	**Newfoundland and Labrador**	Varies[5]		March 20
3%	3% or 4%[6]	Nil[6]	**NWT & Nunavut**	Not required		March 15
3%	4%	1.25%	**Nova Scotia**	60 days after end of each quarter		Premium: 60 days after last quarter Fire: March 31
2%	3% or 3.5%[7]	Nil	**Ontario**	Varies[7]		Return: 6 months after year end Balance due: Same as federal income tax (page 11)
3.75%	4%	Nil	**Prince Edward Island**	Last day of each quarter		3 months after year end
3.48%[8]		Nil	**Quebec**	Same as provincial income tax (page 11)		
3%	4%	1%	**Saskatchewan**[9]	Not required		March 15
2%	2% or 3%[10]	Nil[10]	**Yukon**	Not required		March 15

1. The rates in the table apply to licensed insurers. Different rates may apply to unlicensed insurers in some jurisdictions.
2. Fire tax rates are levied under *Fire Prevention Act* or similar legislation of each jurisdiction. For Northwest Territories, Nunavut and Yukon, footnotes 6 and 10 set out rates levied under other legislation relating to fire insurance premiums.
3. British Columbia's premium tax rate on property insurance and automobile insurance is 4.4%. A rate of 4% applies to most other types of insurance.
4. In Manitoba, starting January 1, 2018:
   - instalments on premium tax remittances are no longer required
   - the premium tax return filing and balance due payment deadline was changed from March 31 to March 20
5. Newfoundland and Labrador's instalment deadlines are shown in the table to the right.
6. Northwest Territories and Nunavut impose an additional 1% tax on gross premiums in respect of fire insurance.
7. Ontario levies a premium tax rate of 3.5% on property insurance. Ontario's instalment deadlines are shown in the table to the right.
8. Quebec rates include 0.48% compensation tax on insurance premiums. For changes to the compensation tax rate, see page 6.
9. Saskatchewan imposes an additional 1% tax on gross premiums in respect of motor vehicle insurance. Its premium tax rate on hail insurance is 3%.
10. Yukon imposes an additional 1% tax on gross premiums in respect of fire insurance and property damage insurance.

Newfoundland and Labrador: Previous year's tax	Newfoundland and Labrador: Instalment deadlines
≥ $1,000,000	20th day of each following month
≥ $500,000 but < $1,000,000	20th of April, July, October and January
≥ $100,000 but < $500,000	20th of July and January
< $100,000	Not required

Ontario: Current or previous year's tax	Ontario: Instalment deadlines
≥ $10,000[a]	One month after month end[b]
≥ $2,000 but < $10,000	Three months after quarter end[b]
< $2,000	Not required

a. This threshold must be met in both the current and previous year.
b. For taxation years that do not end on the last day of a month, instalments are due by the same day of the following month or quarter.

Sales tax – Rates and deadlines

(see page 14 for additional sales tax that applies to insurance premiums)

	Tax	Rate	Filing conditions		Balance and returns			If Selected Listed Financial Institution (SLFI)		
					Reporting period	Form	Due	GST/HST	GST/HST and QST	Due
Federal	GST[1]	5%	Default (Registrant)[2]		Fiscal year[3]	GST34 (RC7200 if QST registered)[4]	6 months after	GST494 and GST111[5]	RC7294 and RC7291[5]	6 months after
			Elected (Registrant)		Fiscal quarter		1 month after			
					Fiscal month					
Alberta	No provincial sales tax									
British Columbia	PST	7%	Annual tax	≤ $3,000	Fiscal quarter, semi-annual or year	FIN400	1 month after	n/a		
				> $3,000 to $6,000	Fiscal quarter or semi-annual					
				> $6,000 to $12,000	Fiscal month or quarter					
				> $12,000	Fiscal month					
Manitoba	PST	8%	Monthly tax	< $500	Calendar year	R.T.4 MG	20 days after			
				$500 to $4,999	Calendar quarter					
				≥ $5,000	Calendar month					
New Brunswick	HST[6]	15%	Same as federal GST							
Newfoundland and Labrador										
Northwest Territories	No territorial sales tax									
Nova Scotia	HST[6]	15%	Same as federal GST							
Nunavut	No territorial sales tax									
Ontario	HST[6]	13%	Same as federal GST							
Prince Edward Island		15%								
Quebec	QST	9.975%								
Saskatchewan	PST	6%	Annual tax	< $3,600	Calendar year	214 PST	20 days after	n/a		
				$3,600 to $7,200	Calendar quarter					
				> $7,200	Calendar month					
Yukon	No territorial sales tax									

GST = Goods and Services Tax
PST = Provincial Sales Tax
HST = Harmonized Sales Tax
QST = Quebec Sales Tax

1. Instead of the GST, a 5% First Nations Goods and Services Tax applies in certain First Nations.
2. Some non-registrants may also have filing obligations and the reporting period is a calendar month.
3. An annual filer is required to make GST/HST and/or QST quarterly instalments (equal to ¼ of “net tax”) within one month after the end of each fiscal quarter. Instalments are waived if the “net tax” (on line 109 of the GST/HST return or line 209 of the QST return) is less than $3,000.
4. Non-registered insurers must file Form GST62 if GST/HST SLFI or Form RC7262 if GST/HST and QST SLFI.
5. Every registered insurer that has revenue greater than $1,000,000 must file an information return (Form GST111 or Form RC7291).
6. The HST rate includes the 5% GST.

Additional sales tax on insurance premiums – Rates and deadlines

	Tax	Rate	Tax on	Balance and returns	
				Reporting period	**Due**
Federal	Excise Tax	10%	Insurance premiums paid to a non-resident insurer or a non-licensed insurer, with certain exceptions (e.g. life, personal accident, sickness, marine)	Calendar year	April 30 of following year
Alberta	No insurance premium sales tax				
British Columbia	No insurance premium sales tax				
Manitoba	Retail Sales Tax	8%	Certain insurance premiums	Calendar year	March 20 of following year
New Brunswick	No insurance premium sales tax				
Newfoundland and Labrador	Retail Sales Tax	15%	Property and casualty insurance policies with certain exceptions	Calendar month	20th day of following month
Northwest Territories	No insurance premium sales tax				
Nova Scotia	No insurance premium sales tax				
Nunavut	No insurance premium sales tax				
Ontario	Retail Sales Tax	8%	Certain types of insurance (e.g. house insurance, group insurance)	Every 6 months (if annual tax < $333)	23rd day of following month
				Every 3 months (if annual tax $333 to $666)	
				Every 2 months (if annual tax $666 to $1,000)	
				Every month (if annual tax ≥ $1,000)	
Prince Edward Island	No insurance premium sales tax				
Quebec	Quebec Sales Tax on insurance premiums	9%	Automobile premiums and other insurance premiums with certain exceptions (e.g. individual life and health)	Fiscal year (if annual tax < $1,500)	3 months after year end
				Fiscal quarter (if annual tax $1,500 to $12,000)	1 month after quarter end
				Fiscal month (if annual tax ≥ $12,000)	1 month after month end
Saskatchewan	Provincial Sales Tax	6%	Certain insurance premiums[1]	Calendar year (if annual tax < $3,600)	January 20 of following year
				Calendar quarter (if annual tax $3,600 to $7,200)	20th day after quarter end
				Calendar month (if annual tax > $7,200)	20th day after month end
Yukon	No insurance premiums tax				

1. Saskatchewan's 6% PST does not apply to the following insurance premiums (retroactive to August 1, 2017, with refund provisions available to return PST collected and remitted while the tax was in effect):
   - individual and group life insurance
   - individual and group health, disability, accident and sickness insurance
   - agriculture insurance, including crop and livestock insurance, hail insurance and margin/income insurance

   See page 8 for more information.

Corporate income tax rates for 2018

The following rates, which have been pro-rated for a December 31, 2018 year end, apply to insurance companies. For Canadian-controlled private property and casualty insurers, lower rates may apply on up to $500,000 of active business income ($450,000 in Manitoba and $600,000 in Saskatchewan).

Basic federal rate	38%
Provincial abatement	-10%
General rate reduction	-13%
Total federal rate	**15%**

	Provincial/ Territorial	**Provincial/Territorial + 15% federal**
Alberta	12%	27%
British Columbia	12%[1]	27%
Manitoba	12%	27%
New Brunswick	14%	29%
Newfoundland and Labrador	15% H	30%
Northwest Territories	11.5%	26.5%
Nova Scotia	16%	31%
Nunavut	12%	27%
Ontario[2]	11.5%	26.5%
Prince Edward Island	16%	31%
Quebec	11.7%[1] H	26.7%
Saskatchewan	12%[1]	27%
Yukon	12%[1]	27%

H Tax holidays are available to certain corporations.

1. Recent and future income tax changes are outlined on pages 5 to 8.
2. Ontario corporations that, on an associated basis, have gross revenues of $100 million or more and total assets of $50 million or more, may have a corporate minimum tax (CMT) liability based on adjusted book income. CMT is payable to the extent that it exceeds the regular Ontario income tax liability.

Capital tax rates for 2018

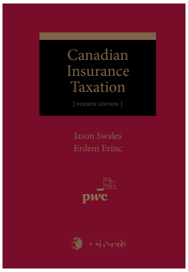
Jurisdiction			Life[1]	Non-life[1]
Federal	Part VI financial institutions capital tax[2]	On first $1 billion taxable capital	Nil	No capital tax
		On taxable capital > $1 billion	1.25%	No capital tax
Alberta			No capital tax	No capital tax
British Columbia			No capital tax	No capital tax
Manitoba			No capital tax	No capital tax
New Brunswick			No capital tax	No capital tax
Newfoundland and Labrador			No capital tax	No capital tax
Northwest Territories			No capital tax	No capital tax
Nova Scotia			No capital tax	No capital tax
Nunavut			No capital tax	No capital tax
Ontario[3] and Quebec[4]	On taxable capital ≤ $10 million		Nil	No capital tax
	On taxable capital > $10 million and ≤ $50 million		0.625%	No capital tax
	On taxable capital > $50 million and ≤ $100 million		0.9375%	No capital tax
	On taxable capital > $100 million and ≤ $200 million		1.25%	No capital tax
	On taxable capital > $200 million and ≤ $300 million		0.625%	No capital tax
	On taxable capital > $300 million		0.3125%	No capital tax
Prince Edward Island			No capital tax	No capital tax
Saskatchewan			No capital tax	No capital tax
Yukon			No capital tax	No capital tax

1. All rates in this table are for a December 31, 2018 year end. When applying the thresholds, taxable capital of all companies in a group is considered.
2. The federal Part VI tax is reduced by the corporation's federal income tax liability. Any unused federal income tax liability can be applied to reduce the Part VI tax for the previous three years and the next seven.
3. Ontario capital tax may be reduced by the Ontario income tax and corporate minimum tax payable for the year.
4. Quebec capital tax may be reduced by the Quebec income tax payable for the year.

Publications

PwC issues numerous thought-leadership publications for Canadian and international insurance and financial services industries. For the latest insights in the insurance industry, visit our *Insurance speak* blog at **www.pwc.com/ca/insurancespeak**.

Canadian Insurance Taxation (Fourth Edition)

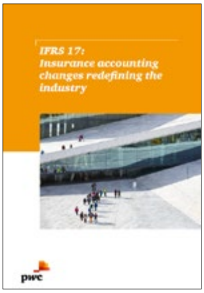


The fourth edition helps insurers identify potential tax problems, make better business decisions and be more effective when discussing these matters with professional advisers. This 427-page book reflects the existing and proposed tax and accounting rules as of August 31, 2015. It discusses several new topics to help insurers keep up with an ever-changing and multifaceted environment. To order this publication, visit **www.pwc.com/ca/canadian-insurance-taxation**.

Redefining insurance accounting: Are you prepared for IFRS 17?

The new International Financial Reporting Standard (IFRS 17) for insurance contract accounting (previously known as IFRS 4 Phase II) is now final, and will be effective January 1, 2021. This report provides an overview of the key features and challenges of IFRS 17, as well as suggestions on how insurers can approach the implementation of the new standard. To download it, visit **www.pwc.com/ca/en/industries/insurance/ifrs17.html**.

IFRS 17: Insurance accounting changes redefining the industry



Implementing IFRS 17 will be a major and costly effort. This report explains how the implementation of IFRS 17 will affect virtually all functions supporting or feeding into the financial reporting system, either directly or remotely. This includes operational and business processes, product designs and pricing changes for most insurers. To learn more, visit **www.pwc.com/ca/en/industries/insurance/ifrs17.html**.

The insurance industry in 2018 – top issues: An annual report

This comprehensive report focuses on the changes in the industry and perspectives on how insurers can make disruption work to their advantage. Topics include digital transformation, the deals environment, and the operational impacts of the 2017 *Tax Cuts and Jobs Act* (US tax reform). To download it, visit **www.pwc.com/us/insurance**.

21st CEO Survey – Key findings from the insurance industry

PwC's 21st CEO Survey finds that the mood of insurance CEOs is increasingly positive in the face of significant disruption in their industry. However, they are concerned about the pace of technological change and the ability to keep up in that area. Other difficulties facing the industry include attracting digital talent and the growing need to create strategic alliances or partnerships to achieve intended capability levels. For the key insurance industry findings and other CEO survey publications, visit **www.pwc.com/ceosurvey**.

A new risk governance model for the insurance industry:

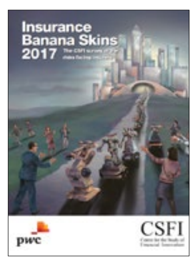
Part 1 - The case for improvement

Part 2 - Improving the three lines of defense model

A survey of board members and chief risk officers on risk strategy and organization topics revealed that over 40% saw a "major strategic disruption" as the next significant threat to the insurance industry, ahead of another financial crisis. Many insurers, especially life insurers, have significantly reduced their market risk-taking, shifting more of their risk profile away from market and credit risk and toward insurance risk. Virtually all survey respondents agreed that, in the future, enterprise risk management should focus more on using risk knowledge to improve insurance company performance.

In this series of articles, Part 1 addresses why the "three lines of defense" model used by financial services companies to organize and govern risk management may need to change. Regardless of how useful this model has been, the risks currently facing the insurance industry are different than they were ten or fifteen years ago and they continue to change. Part 2 identifies where improvements are needed and suggests enhancements to the model. Read more at **www.pwc.com/us/insurance**.

Insurance Banana Skins 2017: The CSFI survey of the risks facing insurers



This survey of the leading members of the insurance industry identifies potential sources of risks to the industry and ranks them by severity. It provides insights on current risks, future trends and insurers' preparedness to respond to the risk environment. To download a copy, visit **www.pwc.com/insurancebananaskins**.

Insurance Banana Skins 2017: The Canadian perspective

The Insurance Banana Skins survey features 38 responses from Canadian insurers. Change management, technology, cyber risk, competition and human talent topped the list of concerns for Canadian insurers. To find out what insurers can do to address these risks, download a copy at **www.pwc.com/ca/insurancespeak**.

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