



## When does Part I tax apply to insurance premiums?

Part I of the *Excise Tax Act* imposes a 10% tax on insurance premiums against risks in Canada that are placed with:

- an insurer authorized under the laws of Canada or a province to transact the business of insurance, if the contract is entered into or renewed through a broker or agent **outside** Canada; **or**
- an insurer not authorized under the laws of Canada or a province to transact the business of insurance.

### What insurance is exempt from Part I tax?

The 10% tax imposed under Part I of the *Excise Tax Act* does not apply to the following contracts of insurance:

- life insurance
- personal accident insurance
- sickness insurance
- insurance against marine risks

### Who has to pay the tax?

Canadian residents, including corporations, that have purchased taxable insurance must file Form **B243**, *Excise Tax Return - Insured*, and account for a 10% tax on each taxable premium.

The client or insured person has to complete Form **B243** even if a broker or agent has paid the tax on his or her behalf.

The 10% tax is due to the Canada Revenue Agency (CRA) on or before April 30 each year for taxable contracts of insurance entered into or renewed during the immediately preceding calendar year.

All **brokers** and **agents** who place or assist in placing the taxable contracts of insurance described above have to report the details of those contracts to the CRA no later than March 15 of each year on Form **B241**, *Excise Tax Return - Broker*. The CRA will mail a copy of this return to all known brokers or agents placing such insurance. Any broker or agent who is required to file this form but has not received a copy by mail must contact the CRA to obtain a copy of the form and ensure that it is filed by March 15. If the return is mailed to the CRA, the return must be postmarked on or before March 15.

Every **insurer** that enters into or renews a contract of insurance through a broker or agent outside Canada and on which the net premiums are taxable is required to file a return using Form **B241**. This return is due on March 15 each year and must report taxable contracts of insurance entered into or renewed during the immediately preceding calendar year. If the return is sent by mail to the CRA, the return must be postmarked on or before March 15.

# Completing the excise tax return

## Information required from brokers and agents

Complete Form **B241** and include:

- the Business Number of each client (if available) being reported on Form **B241** in the "Business Number of Insured" column; and
- the risk/type of taxable policy that the insured has purchased. The CRA will be confirming the availability of various classes of insurance within the Canadian market.

Ensure that policy numbers are reported on Form **B241**, rather than binder numbers.

## Information required from insurers

Complete Form **B241** and include for each taxable contract of insurance entered into or renewed through a broker or agent outside of Canada during the immediately preceding year:

- the Business Number of each client (if available) being reported on Form **B241** in the "Business Number of Insured" column;
- the name and address of the person resident in Canada by whom or on whose behalf the contract was entered into or renewed;
- policy numbers, rather than binder numbers;
- the name and address of the broker or agent outside Canada through whom the contract was entered into or renewed;
- the risk/type of taxable policy that the insured has purchased. The CRA will be confirming the availability of various classes of insurance within the Canadian market; and
- the net premium paid or payable during that year in Canadian funds.

Contracts of insurance against nuclear risk and any other contracts of insurance that are not, in the opinion of the Commissioner, available in Canada, must still be reported to the CRA. In these situations, an application for exemption must be made. For more information, see "Applying for an exemption from the tax on insurance premiums" below.

## Information required from the insured person

Include the following information on Form **B243** by April 30 each year following the year in which your insurance premiums were paid or payable:

- your CRA Business Number, if you have one; and
- policy numbers, rather than binder numbers.

Contracts of life insurance, personal accident insurance, sickness insurance, and insurance against marine risks are not subject to the 10% tax. Do not report these contracts of insurance on Form **B243**.

## Applying for an exemption from the tax on insurance premiums

Where a contract of insurance (including insurance against nuclear risk) would normally be subject to the 10% premium tax but is not available in Canada, you can apply for an exemption using Form **E638**, Application for Exemption From Premium Taxes Imposed under the *Excise Tax Act* - Part I, outlining the type of insurance purchased and the reasons why it could not be obtained in Canada.

Use Form **E638A**, Statement of Availability or Declaration from Authorized Insurers - Tax on Insurance Premiums (Part I of the *Excise Tax Act*), to detail why the insurance purchased could not be obtained in Canada. This form has to be completed by at least five authorized Canadian insurers to support your claim for an exemption from the tax imposed under Part I of the *Excise Tax Act*. Submit this form with Form **E638**. The CRA recommends that you submit your application for exemption at the same time as you submit Form **B243**, *Excise Tax Return - Insured*.

The CRA will consider an exemption only if:

- the particular class of insurance was not available from insurers authorized under the laws of Canada or of any province to transact the business of insurance; or
- there was a lack of market capacity at that particular time for that class of insurance.

The applicant must provide the following information with the exemption application:

- the contract number and amount;
- the period covered by the contract and the tax payable;
- the name and address of the broker/agent and of the insurance company;
- a copy of the insurance policy;
- five letters of declination, which must be dated prior to the start date of the policy, from insurers authorized under the laws of Canada or of any province to transact the business of insurance. (Letters issued by the broker are not acceptable) or five **E638A** forms completed by five authorized Canadian insurers; and
- a completed Form **E638**.

**If information is missing from Form E638, processing of the application will be delayed. If the missing information is not provided to the CRA within 30 days of the date of contact with the insured, the exemption request may be denied.**

Send these documents to the following address:

Excise and Other Levies Unit  
Summerside Tax Centre  
Canada Revenue Agency  
275 Pope Road  
Summerside PE C1N 6E7

#### **More information**

If you need more information, contact one of the following:

Summerside Tax Centre  
902-432-5472 or 1-877-432-5472  
Fax: 902-432-5593

Excise Duties and Taxes Division  
1-866-330-3304 (in Canada)  
Call 1-888-609-0073 for service in French.

Now available, frequently asked questions and answers relating to Part 1 tax on insurance premiums at the following Web address: [www.cra.gc.ca/etsl](http://www.cra.gc.ca/etsl)