



---

## Prepare for Ontario's HST: #4 – Insurance Premiums

---

This information will help you understand how tax will apply to insurance premiums once the Harmonized Sales Tax (HST) comes into effect.

### Tax on Insurance Premiums

Ontario Retail Sales Tax (RST) currently applies at a rate of 8 per cent to premiums for certain types of insurance, including group insurance, contributions paid into funded plans or on benefits paid out of unfunded plans as well as payments made into insurance schemes or compensation funds established under an Act of Canada or Ontario.

### Ontario's Transition to the HST

In the 2009 Ontario Budget, the government announced a comprehensive tax package that includes moving to an HST at a rate of 13 per cent effective July 1, 2010. Generally, insurance premiums are currently exempt from the federal Goods and Services Tax (GST) as financial services and the treatment under HST will be the same as under GST.

### Maintaining RST on Insurance Premiums

Ontario will continue its application of tax at a rate of 8 per cent on the same types of insurance premiums currently taxed under RST. Insurance that is currently exempt from RST, such as automobile insurance premiums, will continue to be exempt from RST after June 30, 2010. Certain costs and fees, such as administration fees for benefit plans, will be exempt from RST as they are taxed under HST.

### Remittances of RST on Insurance Premiums after June 30, 2010

Effective June 30, 2010, all current RST vendor accounts will be closed and businesses primarily engaged in insurance activities will be automatically re-registered. Tax return filing frequencies that are currently in place for RST returns will be maintained after June 30, 2010.

Businesses that provide self-insured benefits to their employees must contact the Ministry of Revenue prior to June 30, 2010 regarding registration to collect and remit RST.

### Compensation

Under RST, vendor compensation is payable for the 12 month period commencing April 1 of each year. Vendors collecting RST on insurance premiums will be eligible for the general RST vendor compensation from April 1, 2010 to June 30, 2010. In the 2010 Ontario Budget, the government proposed a special transition period from July 1, 2010 to March 31, 2011 to ensure the annual maximum vendor compensation of \$1,500 is maintained for that transition year. Vendors that collect RST on insurance premiums may claim compensation as follows:

- maximum of \$375 for the period April 1 to June 30, 2010,
- maximum of \$1,125 for the period July 1, 2010 to March 31, 2011, and
- maximum of \$1,500 for each fiscal year thereafter.

This proposal is included in Bill 16 (the *Creating the Foundation for Jobs and Growth Act, 2010*), which was introduced in the Ontario Legislature on March 25, 2010.

Information on how RST applies to insurance premiums can be found by accessing the following link <http://www.rev.gov.on.ca/en/guides/rst/519.html> on the Ministry of Revenue's website.

---

### For More Information:

- Call Ontario's Budget hotline at 1-800-337-7222 and Teletypewriter (TTY) 1-800-263-7776 or visit [ontario.ca/taxchange](http://ontario.ca/taxchange) for general information on introduction of the HST in Ontario and wind down of the RST.
- To obtain a written interpretation on a specific situation relating to the RST on insurance that is not addressed in this publication, please send your request in writing to:  
  
Ministry of Revenue  
Tax Advisory Services Branch  
Retail Sales Tax Section  
33 King Street West, 3rd Floor  
Oshawa ON L1H 8H5
- Canada Revenue Agency is your source for the latest information on how the transitional rules apply and how to get ready for the HST. Visit the CRA's "Are You HST Ready" website at [cra.gc.ca/harmonization](http://cra.gc.ca/harmonization) or call 1 800 959-5525

