

# Insurance Industry:

Key Tax Rates and Updates (2010-2011)





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## Some Cautions

Rates and other information are current to August 26, 2010, 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 2010

Combined federal and provincial/territorial corporate income tax rates are listed on [page 13](#).

### Status of changes for accounting purposes

For accounting purposes, knowing which income tax changes are considered substantively enacted for Canadian purposes and enacted for U.S. purposes can be important. The tables of corporate tax rate changes below show which of the rate changes that are effective after 2008 are recognized for accounting purposes as of August 26, 2010.

## Federal Changes

### Federal General Corporate Income Tax Rate

The federal general corporate income tax rate is decreasing:

	Rate	Recognized for accounting purposes?	
		Canada	U.S.
Effective date	Before January 1, 2009	19.5%	Yes
	January 1, 2009	19%	
	January 1, 2010	18%	
	January 1, 2011	16.5%	
	January 1, 2012	15% <sup>1</sup>	

1. The federal government's goal is to achieve combined 25% federal/provincial and federal/territorial rates.

### Specified Investment Flow-Through (SIFT) Entities

A "distribution tax" is imposed on the income distributed by a SIFT (i.e., publicly traded income trusts and partnerships) to its unitholders, starting in the 2007 taxation year for SIFTs first publicly traded after October 31, 2006, and starting in the 2011 taxation year for other SIFTs. The tax rate equals the general federal corporate income tax rate plus a provincial component. The rate of the provincial component has been revised:

	Rate	Recognized for accounting purposes?	
		Canada	U.S.
Effective date	2007 taxation years	13%	Yes
	2009 taxation years <sup>1</sup>	Various <sup>2</sup>	

1. The change applies commencing 2007 or 2008 taxation years if the SIFT elects.
2. The rate is based on the general provincial corporate income tax rate of each province in which the SIFT has a permanent establishment, but is 10% for income not allocated to a province. However, the rate is nil for taxable distributions allocated to Quebec because Quebec imposes its own distribution tax, which equals the Quebec corporate income tax rate that would apply if the SIFT were a corporation.

In addition, measures affecting SIFTs that generally apply to transactions occurring after 4:00 pm EST on March 4, 2010:

- restrict the use of corporate tax losses when units of a SIFT trust or SIFT partnership are exchanged for shares of a corporation; and
- ensure that the acquisition-of-control rules do not inappropriately restrict the use of subsidiary corporate tax losses when a SIFT trust is wound up into its corporate parent and distributes the shares of a corporation it holds.

## **Taxable Canadian Property**

Commencing March 5, 2010, taxable Canadian property will exclude shares of corporations, and certain other interests, that do not derive their value (over a 60-month look-back period) principally from real or immovable property situated in Canada, Canadian resource property or timber resource property.

## **Non-Resident Trusts (NRTs) and Foreign Investment Entities (FIEs)**

The “outstanding proposals” for NRTs and FIEs will be somewhat simplified and better targeted. The revised proposals will be subject to further public consultation. In particular:

- The NRT rules will apply commencing 2007; trusts subject to the draft rules would be considered resident for Canadian income tax purposes. A trust will be able to elect to be deemed resident for the 2001 and subsequent years.
- The FIE proposals have been essentially eliminated. The enacted rules for offshore investment funds property will continue to apply, with some modifications, for taxation years ending after March 4, 2010. A taxpayer that filed under the FIE proposals for prior years can either have those years reassessed or be entitled to a deduction in the current year for the income previously included.

## **Avoidance Transactions**

A proposed regime will make an “avoidance transaction” that meets certain conditions a “reportable transaction” that must be reported to the Canada Revenue Agency. The proposals (as modified to reflect public consultations) would apply to transactions entered into after 2010 and those that are part of a series of transactions completed after 2010. See our *Tax Memo* “Federal Proposals for Reporting Tax Avoidance Transactions” at [www.pwc.com/ca/taxmemo](http://www.pwc.com/ca/taxmemo).

## **Group Taxation**

The federal government will explore whether the tax system could be improved by new rules for the taxation of corporate groups, e.g., the introduction of a formal system of loss transfers or consolidated reporting.

## **Foreign Affiliate Amendments**

Draft legislation released on December 18, 2009, affects the taxation of Canadian multinational corporations that have foreign affiliates. See our *Tax Memo* “Foreign Affiliates: Draft Regulations Released” at [www.pwc.com/ca/taxmemo](http://www.pwc.com/ca/taxmemo).

## **Foreign Tax Credits**

For foreign taxes incurred in respect of taxation years ending after March 4, 2010, that relate to schemes referred to as “foreign tax credit generators,” if certain conditions are met, claims will be denied for:

- foreign tax credits;
- foreign accrual tax deductions in respect of foreign accrual property income of a controlled foreign affiliate; and
- deductions for the underlying foreign tax in respect of dividend distributions out of taxable surplus of a foreign affiliate.

## **Tax Information Exchange Agreements (TIEAs)**

Canada has signed and is negotiating TIEAs. For more information, see our *Tax Memos* “Canada Signs its First Tax Information Exchange Agreement (TIEA)” and “Canada Signs Four New Tax Information Exchange Agreements (TIEAs)” at [www.pwc.com/ca/taxmemo](http://www.pwc.com/ca/taxmemo).

## Goods and Services Tax/Harmonized Sales Tax (GST/HST)

On July 1, 2010, provincial sales tax in British Columbia and Ontario was harmonized with the federal GST. See pages 5 and 7.

Newly enacted GST/HST rules affect the financial services sector, including insurers:

- Imported services – Financial institutions are required to self-assess GST/HST on certain expenses incurred outside Canada that relate to their Canadian activities, retroactive to taxation years ending after November 16, 2005. The new rules apply to taxable imports of services and intangibles between separate branches of the same financial institution.
- Input tax credit (ITC) allocation methods – New rules determine how ITCs will be allocated when an input is used to make both taxable and exempt supplies. Generally, financial institutions are required to use allocation methods that conform to criteria specified by the Canada Revenue Agency (CRA) to determine the percentage of GST/HST paid on purchases and expenses that can be recovered as an ITC. Large banks, insurers and securities dealers can use a prescribed rate for allocations or obtain pre-approval from the CRA to use an ITC allocation method developed by the financial institution. The rules generally apply retroactively to fiscal years beginning after March 2007. Pre-approval is required for fiscal years beginning after March 2008.
- Financial Institution GST/HST Annual Information Schedule (AIS) – For an AIS that is required to be filed after June 29, 2010, separate penalties of up to \$1,000 can apply for:
  - misstating amounts required to be reported as actuals (not estimates) in the AIS; and
  - failing to provide a reasonable estimate when an estimate is permitted.

## International Financial Reporting Standards (IFRS)

The move to IFRS from current Canadian Generally Accepted Accounting Principles (GAAP) could affect:

- the measurement and reporting of income taxes for financial statement purposes; and
- the calculation of Canadian taxes payable.

Canada's adoption of IFRS is effective for fiscal years beginning after December 31, 2010. IFRS will be mandatory for publicly accountable profit-oriented enterprises and elective for other enterprises. See our *Tax Memos* "The Move to IFRS: Tax Implications" and "The Move to IFRS: CRA Guidance" at [www.pwc.com/ca/taxmemo](http://www.pwc.com/ca/taxmemo).

## Employee Stock Options

Significant changes:

- for stock options disposed of after 4:00 pm EST on March 4, 2010:
  - permit only the employer or employee (not both) to claim a tax deduction for cashed-out stock options; and
  - eliminate employee elections to defer the payment of tax on stock option benefits until the shares are sold (relief may be available); and
- eliminate the undue hardship exemption for withholdings on stock option benefits and require withholdings in connection with these benefits after 2010.

See our *Tax Memo* "Stock Options: 2010 Federal Budget Implications for Employers" at [www.pwc.com/ca/taxmemo](http://www.pwc.com/ca/taxmemo) and our podcast "2010 Federal Budget: Proposed Changes to Stock Option Rules" at [www.pwc.com/ca/taxtracks](http://www.pwc.com/ca/taxtracks).

## Taxable Employment Benefits

The Canada Revenue Agency has revised its administrative policies on taxable employment benefits for non-cash gifts and non-cash awards, overtime meals and allowances, and loyalty programs, among other things. See our *Tax Memo* “Taxable Employment Benefits—The CRA’s Revised Policy” at [www.pwc.com/ca/taxmemo](http://www.pwc.com/ca/taxmemo).

## Automobile Deduction Limits and Benefit Rates

- 2010 prescribed rates – these will remain at their 2009 levels for purposes of determining automobile deduction limits and taxable benefits.
- Employer-provided motor vehicles (other than “automobiles”) required to be taken home at night – the taxable benefit for personal use can be based on the rate used for the operating cost benefit, if certain conditions are met.

For more information on the rules governing automobile expenses and benefits, consult *Car Expenses and Benefits—A Tax Guide (2010)* at [www.pwc.com/ca/carexpenses](http://www.pwc.com/ca/carexpenses).

## Online Notices

The government will allow certain notices (e.g., notices of assessment and reassessment) to be issued electronically.

## Canada Revenue Agency Access to Documents

The Canada Revenue Agency issued its revised policy on access to taxpayer and third-party documents. For an overview of the revised policy and its implications, see our *Tax Memo* “CRA Access to Documents” at [www.pwc.com/ca/taxmemo](http://www.pwc.com/ca/taxmemo).

## Interest on Overpaid Taxes

Effective July 1, 2010, the interest rate payable to corporations for overpayments of most taxes and other levies, such as income tax, sales and excise tax, will decrease by two percentage points.

## Retirement Savings Plans and Deferred Profit Sharing Plans

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

	Registered Retirement Savings Plans (RRSPs)	Money Purchase Registered Pension Plans (RPPs)	Deferred Profit Sharing Plans (DPSPs)
2009	\$21,000	\$22,000	\$11,000
2010	\$22,000	\$22,450	\$11,225
2011	\$22,450	Indexed	
2012			

## Defined Benefit Registered Pension Plans (RPPs)

The maximum pension benefit that may be paid from defined benefit RPPs is increasing:

	Pension benefit (per year of service)
2009	\$2,444
2010	\$2,494
2011	Indexed

## Provincial Changes

### Alberta

#### *Corporate refund interest rate*

Effective February 10, 2010, the quarterly rates at which corporate refund interest is calculated are reduced to 50% of the rates previously in effect. The reduced rates will apply to assessments and reassessments issued after that time for all taxation years.

#### *Electronic filing*

Plans are underway to enable Alberta corporate taxpayers to file their tax returns on the Internet, beginning in 2011.

#### *Aggressive tax planning*

Alberta is working with other provinces and the federal government to identify and pursue tax avoidance schemes.

### British Columbia

#### *General corporate income tax rate*

British Columbia's general corporate income tax rate is decreasing:

	Rate	Recognized for accounting purposes?	
		Canada	U.S.
<b>Effective date</b>	<b>Before January 1, 2010</b>	11%	Yes
	<b>January 1, 2010</b>	10.5%	
	<b>January 1, 2011</b>	10%	

#### *Harmonized Sales Tax (HST)*

On July 1, 2010, British Columbia's 7% Social Services Tax and the 5% federal Goods and Services Tax were replaced with a 12% HST (transitional rules apply). See our tax publications and our podcast on harmonization at [www.pwc.com/ca/harmonization](http://www.pwc.com/ca/harmonization).

### Manitoba

#### *General corporate income tax rate*

Manitoba's general corporate income tax rate is decreasing:

	Rate	Recognized for accounting purposes?	
		Canada	U.S.
<b>Effective date</b>	<b>Before July 1, 2009</b>	13%	Yes
	<b>July 1, 2009</b>	12%	
	<b>To be determined</b>	11% <sup>1</sup>	Not as of August 26, 2010

1. Subject to balanced budget requirements.

### Capital tax rate

Manitoba's general capital tax rate is decreasing:

		On taxable capital employed in Manitoba <sup>1</sup>			
		≤\$10 million	>\$10 million and ≤\$20 million	>\$20 million and ≤\$21 million	>\$21 million
Taxation year commencing	Before January 2, 2009 <sup>2</sup>	Nil	0.2%	2.4%	0.4%
	After January 1, 2009 <sup>2</sup>		0.1%	2.3%	0.3%
	After January 1, 2010 <sup>2</sup>			2.2%	0.2%
	After 2010 <sup>2</sup>				

1. Taxable capital employed in Manitoba is before the \$10 million capital tax deduction. Therefore, after this deduction is taken, capital tax will be nil on the first \$10 million of taxable capital.
2. Changes do not apply to Crown corporations, banks, trust companies, loan companies and trust and loan companies.

### Harmonized Sales Tax (HST)

Manitoba will not implement an HST.

### New Brunswick

#### General corporate income tax rate

New Brunswick's general corporate income tax rate is decreasing:

		Rate	Recognized for accounting purposes?	
			Canada	U.S.
Effective date	Before July 1, 2009	13%	Yes	
	July 1, 2009	12%		
	July 1, 2010	11%		
	July 1, 2011	10%		
	July 1, 2012	8%		

### Nova Scotia

#### Capital tax rate

Nova Scotia's general capital tax is being phased out:

		Rate on taxable capital	
		< \$10 million	≥ \$10 million
Effective date	Before July 1, 2009	0.4%	0.2%
	July 1, 2009	0.3%	0.15%
	July 1, 2010	0.2%	0.1%
	July 1, 2011	0.1%	0.05%
	July 1, 2012	Nil	

### Political donations

Commencing January 1, 2010, corporations, trade unions and partnerships can no longer make political contributions.

### Harmonized Sales Tax (HST)

On July 1, 2010, the HST rate increased from 13% to 15% (i.e., the provincial portion of the HST will increase from 8% to 10%). Transitional rules apply.

## Ontario

### General corporate income tax

Ontario's general corporate income tax rate is decreasing:

	Rate	Recognized for accounting purposes?	
		Canada	U.S.
<b>Effective date</b>	<b>Before July 1, 2010</b>	14%	Yes
	<b>July 1, 2010</b>	12%	
	<b>July 1, 2011</b>	11.5%	
	<b>July 1, 2012</b>	11%	
	<b>July 1, 2013</b>	10%	

### Corporate Minimum Tax (CMT)

Ontario's CMT rates and thresholds are revised:

	Before July 1, 2010	After June 30, 2010	Recognized for accounting purposes?	
			Canada	U.S.
<b>CMT rate</b>	4%	2.7%	Yes	
<b>Taxation years ending</b>				
<b>before July 1, 2010    after June 30, 2010</b>				
<b>Thresholds for CMT to apply<sup>1</sup></b>	Total assets	> \$5 million	Yes	
	Annual gross revenues	or > \$10 million		

1. Corporations subject to Ontario income tax may have a CMT liability based on adjusted book income. CMT is payable only to the extent that it exceeds the regular Ontario income tax liability. Thresholds apply on an associated basis.

### Group taxation

Ontario will work with the federal government to explore options for the taxation of corporate groups and how they will affect provincial tax and interprovincial income allocation. In particular, the province wants to ensure that tax losses are used by a corporation in the province where the loss occurs.

### Harmonized sales tax (HST)

On July 1, 2010, Ontario's 8% Retail Sales Tax and the 5% federal Goods and Services Tax were replaced with a 13% HST (transitional rules apply). See our tax publications and our podcast on harmonization at [www.pwc.com/ca/harmonization](http://www.pwc.com/ca/harmonization).

## Quebec

### General corporate income tax rate

Quebec's general corporate income tax rate has increased:

Effective date	Rate	Recognized for accounting purposes?	
		Canada	U.S.
Before January 1, 2009	11.4% <sup>1</sup>	Yes	
January 1, 2009	11.9%		

1. From June 1, 2007, to December 31, 2008, different rates apply to active/eligible income of financial institutions (other than insurance corporations) and oil refining companies.

### Compensatory tax

For taxation years ending after March 30, 2010, and beginning before April 1, 2014, the compensatory tax rate on insurance premiums will increase from 0.35% to 0.55%.

### Federal harmonization

Quebec will harmonize with many federal tax changes (with modifications, in some cases), including those relating to employee stock options and taxable Canadian property (see [pages 2 to 3](#)).

### Aggressive tax planning

Proposals that counter aggressive tax planning schemes require mandatory disclosure of certain tax transactions, generally carried out after October 14, 2009. See our *Tax Memos* "Revised Quebec Aggressive Tax Planning Proposals" and "Quebec's Regime for Aggressive Tax Planning: Prescribed Form Released" at [www.pwc.com/ca/taxmemo](http://www.pwc.com/ca/taxmemo) and our podcast "Episode 1 – Quebec Proposals on Aggressive Tax Planning" at [www.pwc.com/ca/taxtracks](http://www.pwc.com/ca/taxtracks).

### Quebec Sales Tax (QST)

The QST rate will increase from 7.5% to 8.5% on January 1, 2011, and to 9.5% on January 1, 2012. Transitional rules will apply.

## Saskatchewan

### Harmonized Sales Tax (HST)

Saskatchewan will not implement an HST.

## Newfoundland and Labrador, Northwest Territories, Nunavut, Prince Edward Island and Yukon

No significant changes were made to the rules that apply to insurers in Newfoundland and Labrador, the Northwest Territories, Nunavut, Prince Edward Island or the Yukon.

## Recent Tax Cases

For additional recent tax cases, see page 42 of *Tax Facts and Figures: Canada 2010* at [www.pwc.com/ca/taxfacts](http://www.pwc.com/ca/taxfacts).

### Trust Residency

In **Garron Family Trust et al. v. The Queen**, the Tax Court of Canada (TCC) rejected a rule of residency of a trust based solely on the residency of the trustees, instead favouring a “central management and control test.” The taxpayers have appealed this decision to the Federal Court of Appeal (FCA).

### U.S. Limited Liability Companies (LLCs)

The TCC allowed the taxpayer’s appeal in **TD Securities (USA) LLC v. The Queen** and concluded that, even before the Fifth Protocol amendments, a U.S. LLC was entitled to have its Canadian-source income taxed at the treaty branch tax rate if all of that income was taxed by the United States at the level of the U.S.-resident LLC member. The Minister is not appealing this decision. See our *Tax Memo* “TD Securities: Tax Court of Canada Decision is Welcome News for LLCs” at [www.pwc.com/ca/taxmemo](http://www.pwc.com/ca/taxmemo).

### Guarantee Fees

In **General Electric Capital Canada Inc. v. The Queen**, the TCC found that the taxpayer could deduct guarantee fees paid to its U.S.-based parent because they were equal to or below an arm’s length price. The Minister has appealed this decision to the FCA. See our *Tax Memo* “Guarantee Fees: Tax Court of Canada Rules In Favour of GE Capital Canada Inc.” at [www.pwc.com/ca/taxmemo](http://www.pwc.com/ca/taxmemo).

### Deduction for Bad or Doubtful Debt

In **Heron Bay Investments Ltd. v. The Queen**, the TCC found that the taxpayer could not claim a deduction for bad debts or doubtful debts in respect of a loan to a related corporation because the loan was not made in the ordinary course of the taxpayer’s money lending business. The taxpayer has appealed this decision to the FCA.

### Debt Forgiveness

In **Genex Communications Inc. v. The Queen**, the TCC determined that advances forgiven by shareholders of a corporation acquired by the taxpayer were “commercial debt obligations” even though the corporation had no legal obligation to pay interest. As a result, the debt forgiveness rules applied to reduce the amount of the corporation’s non-capital losses available to the taxpayer. The TCC therefore disallowed the non-capital loss deduction claimed by the taxpayer. The taxpayer has appealed this decision to the FCA.

### Settlement Payment

In **Goff Construction Limited v. The Queen**, the FCA upheld the TCC’s decision that the settlement payment received by the taxpayer should be included in income because it was compensation for capital expenses that were deductible in computing the taxpayer’s income. The Supreme Court of Canada dismissed the taxpayer’s application for leave to appeal.

### Transfer Pricing

In **GlaxoSmithKline Inc. v. The Queen**, the FCA set aside the TCC’s decision regarding the pricing of a medication ingredient that was purchased from the taxpayer’s Swiss affiliate. In that decision, the TCC ruled that the comparable uncontrolled price (CUP) method was the preferred method and that the purchase price paid by the generic pharmaceuticals was an appropriate CUP. The FCA found that the business realities, such as the use of the brand name and the higher prices that result, should be taken into account because the taxpayer’s transaction took place in the branded pharmaceutical market. The FCA returned the matter to the TCC to determine the appropriate arm’s length price. See our *Tax Memo* “Taxpayer Wins Appeal in Transfer Pricing Case (GlaxoSmithKline) – ‘Business Reality’ Prevails” at [www.pwc.com/ca/taxmemo](http://www.pwc.com/ca/taxmemo).

## 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	
<b>Corporate Income Tax;</b> Some Canadian-controlled private corporations	Last day of each month <sup>1</sup>	March 31	June 30
<b>Tax on Capital of Financial Institutions</b> All other insurers		February 28	
<b>Life Insurer's Investment Income Tax</b>	June 30 for remittances		
<b>Branch Tax</b>	June 30 for remittances		March 31
<b>Non-Resident Tax</b> T2016	NR <sup>4</sup> <sup>2</sup>		
<b>Transactions with Non-Residents</b> Related-party transactions: T106	n/a		June 30
<b>Foreign Property Reporting</b> T1135, T1141 and T1142 T1134-A and T1134-B			15 months after year end
<b>Federal Excise Tax – Unlicensed Insurance</b>	April 30 for returns and remittances		
<b>Insurers Not Registered for GST that Import Taxable Supplies</b>	1 month after month of importation for returns and remittances		
<b>Financial Institution GST/HST Annual Information Schedule<sup>3</sup></b> GST111 Schedule 1	n/a		6 months after year end

Provincial Tax Dates	Payments		Returns
	Instalments	Balance	
<b>Corporate Income Tax (Alberta; Quebec)</b> Some Alberta Canadian-controlled private corporations	Last day of each month <sup>1</sup>	March 31	June 30
All other insurers		February 28	
<b>Capital Tax</b> Manitoba	15th of March, June, September and December	June 30	
Nova Scotia and 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. GST 111 Schedule 1 must be filed by financial institutions that are GST/HST registrants and have total annual revenues exceeding \$1 million. Penalties may apply to returns that are required to be filed after June 29, 2010 (see [page 3](#)).

## Canadian Premium and Fire Tax – Rates and Deadlines

Rates			Deadlines			
Life, Accident and Sickness	Premium Tax		Fire Tax <sup>1</sup>	Instalments		Return and Balance Due
	Property and Casualty			Premium Tax	Fire Tax	
2%	3%	Nil	Alberta	Not required		75 days after year end
	4.4%		British Columbia <sup>2</sup>	If prior year's tax payable exceeds \$25,000, 15th of June, September and December		March 31
	3%	1.25%	Manitoba	Last day of April, July, October and January		
		1%	New Brunswick	Last day of June, September and December		March 15
4%		Nil <sup>4</sup>	Newfoundland and Labrador	Varies <sup>3</sup>		March 20
3%	3% or 4% <sup>4</sup>		N.W.T. & Nunavut	Not required		March 15
		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% <sup>5</sup>	Nil	Ontario	Varies <sup>5</sup>		Return: 6 months after year end Balance Due: Same as federal income tax ( <a href="#">page 10</a> )
3.5%		1%	Prince Edward Island	Last day of each quarter		3 months after year end
2.55%	3.55%	Nil	Quebec <sup>6</sup>	Same as provincial income tax ( <a href="#">page 10</a> )		
3%	4%	1%	Saskatchewan <sup>7</sup>	Not required		March 15
2%	2% or 3% <sup>8</sup>	Nil <sup>8</sup>	Yukon			

- Fire tax rates are levied under *Fire Prevention Act* or similar legislation of each jurisdiction. For Northwest Territories, Nunavut and Yukon, footnotes 4 and 8 set out rates levied under other legislation relating to fire insurance premiums.
- 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 not referred to in the table.
- Newfoundland and Labrador's instalment deadlines are shown in the table to the right.

Previous year's tax	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
- Northwest Territories and Nunavut impose an additional 1% tax on gross premiums in respect of fire insurance.
- Ontario levies a premium tax rate of 3.5% on property insurance. Ontario's instalment deadlines are shown in the table to the right.

Current or previous year's tax	Instalment deadlines
≥ \$10,000 <sup>a</sup>	Last day of each month
≥ \$2,000 but < \$10,000	Last day of each quarter
< \$2,000	Not required

a. This threshold must be met in both the current and previous year.

- Quebec rates include 0.55% compensation tax on insurance premiums. (For taxation years ending before March 31, 2010, and after March 31, 2014, the compensation tax rate is 0.35%.)
- Saskatchewan imposes an additional 1% tax on gross premiums in respect of motor vehicle insurance. Its premium tax rate on hail insurance is 3%.
- Yukon imposes an additional 1% tax on gross premiums in respect of fire insurance and property damage insurance.

## Sales Tax – Rates and Deadlines

	Tax	Rate	Filing Conditions	Balance and Returns		
				Reporting period	Due after	
Federal	GST <sup>1</sup>	5%	Default	Fiscal year end	3 months <sup>2</sup>	
			Elected	Fiscal quarter Fiscal month	1 month	
Alberta	No provincial sales tax					
British Columbia <sup>3</sup>	HST	12% <sup>3</sup>	Same as federal GST <sup>4</sup>			
Manitoba	PST	7%	Monthly tax	< \$200	Calendar year	20 days
				\$200 to \$499	Semi-annual calendar period	
				\$500 to \$999	Calendar quarter	
				≥ \$1,000	Calendar month	
New Brunswick	HST	13%	Same as federal GST <sup>4</sup>			
Newfoundland and Labrador						
Northwest Territories	No territorial sales tax					
Nova Scotia	HST	15% <sup>5</sup>	Same as federal GST <sup>4</sup>			
Nunavut	No territorial sales tax					
Ontario	HST	13% <sup>6</sup>	Same as federal GST <sup>4</sup>			
Prince Edward Island	PST	10% <sup>7</sup>	Default	Calendar month	20 days	
Quebec			QST	7.5%, 5% or 9% <sup>8</sup>	Elected	Fiscal quarter Fiscal month
	Saskatchewan	PST			5%	Annual tax
\$3,600 <sup>9</sup> 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 (FNGST) applies in certain First Nations.
2. Federal and Quebec instalments are due one month after each quarter.
3. British Columbia's 7% sales tax and the 5% federal GST was replaced with a 12% HST on July 1, 2010. See [page 5](#).
4. For monthly or quarterly filers that are specified financial institutions with December 31 year ends, the final HST return is due March 31.
5. On July 1, 2010, Nova Scotia's HST rate increased from 13% to 15% (i.e., the provincial portion of the HST increased from 8% to 10%). Transitional rules apply.
6. Ontario's 8% general retail sales tax and the 5% federal GST was replaced with a 13% HST on July 1, 2010 (see [page 7](#)). Ontario still imposes a retail sales tax of 8% on other insurance premiums, with certain exceptions, e.g., individual life and health, automobile premiums.
7. In Prince Edward Island the 10% PST rate is imposed on GST.
8. Quebec's general sales tax rate, which is 7.5%, will increase to 8.5% on January 1, 2011, and to 9.5% on January 1, 2012. The rate is imposed on GST. Quebec also imposes a retail sales tax of 5% on automobile premiums and 9% on insurance premiums, with certain exceptions, e.g., individual life and health.
9. Administratively, Saskatchewan may permit annual reporting if the annual PST payment is under \$3,600.

## Corporate Income Tax Rates for 2010

The following rates, which have been pro-rated for a December 31, 2010 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. Thresholds lower than \$500,000 apply in Manitoba, Nova Scotia and Yukon in 2010.

<b>Basic federal rate</b>	38%		
<b>Provincial abatement</b>	-10%		
<b>General rate reduction</b>	-10%		
<b>Total federal rate</b>	<b>18%<sup>1</sup></b>		
		<b>Provincial</b>	<b>Provincial + 18% Federal</b>
<b>Alberta</b>		10%	28%
<b>British Columbia</b>		10.5% <sup>1</sup>	28.5%
<b>Manitoba</b>		12% <sup>1</sup>	30%
<b>New Brunswick</b>		11.5% <sup>1</sup>	29.5%
<b>Newfoundland and Labrador</b>		14% H	32%
<b>Northwest Territories</b>		11.5%	29.5%
<b>Nova Scotia</b>		16%	34%
<b>Nunavut</b>		12%	30%
<b>Ontario<sup>2</sup></b>		12.99% <sup>1</sup>	30.99%
<b>Prince Edward Island</b>		16%	34%
<b>Quebec</b>		11.9% <sup>1</sup> H	29.9%
<b>Saskatchewan</b>		12%	30%
<b>Yukon</b>		15%	33%

H Tax holidays are available to certain corporations.

- Recent and future income tax changes are outlined on [pages 1 to 8](#).
- 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. Recent CMT changes are outlined on [page 7](#).

## Capital Tax Rates for 2010<sup>1</sup>

			Life <sup>1</sup>	Non-Life <sup>1</sup>
<b>Federal</b>	Part VI Financial Institutions Capital Tax <sup>2</sup>	On first \$1 billion taxable capital	Nil	No capital tax
		On taxable capital > \$1 billion	1.25%	
<b>Alberta</b>				
<b>British Columbia</b>				
<b>Manitoba<sup>3</sup></b>	On taxable capital ≤ \$10 million		Nil	No capital tax
	On taxable capital > \$10 million and ≤ \$20 million		0.1%	
	On taxable capital > \$20 million and ≤ \$21 million		2.3%	
	On taxable capital > \$21 million		0.3%	
<b>New Brunswick</b>				
<b>Newfoundland and Labrador</b>				
<b>Northwest Territories</b>				
<b>Nova Scotia<sup>3</sup></b>	If taxable capital < \$10 million	On first \$5 million taxable capital	Nil	No capital tax
		On taxable capital > \$5 million	0.25%	
	If taxable capital ≥ \$10 million		0.125%	
<b>Nunavut</b>				
<b>Ontario and Quebec<sup>4</sup><sup>5</sup></b>	On taxable capital ≤ \$10 million		Nil	No capital tax
	On taxable capital > \$10 million and ≤ \$50 million		0.625%	
	On taxable capital > \$50 million and ≤ \$100 million		0.9375%	
	On taxable capital > \$100 million and ≤ \$200 million		1.25%	
	On taxable capital > \$200 million and ≤ \$300 million		0.625%	
	On taxable capital > \$300 million		0.3125%	
<b>Prince Edward Island</b>				
<b>Saskatchewan</b>				
<b>Yukon</b>				

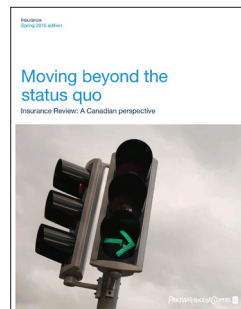
1. All rates in this table are for a December 31, 2010 year end. When applying the thresholds, taxable capital of all companies in a group is considered.
2. The federal Part VI Tax is reduced by the corporation's federal income tax liability. Any unused federal income tax liability can be applied to reduce the Part VI Tax for the previous three years and the next seven. Unused income taxes that can be carried back from taxation years ending after June 30, 2006, are calculated using capital tax rates and thresholds that applied before July 1, 2006 (i.e., 1.25% for capital over \$300 million; 1% between \$200 million and \$300 million; nil below \$200 million).
3. Recent and future changes are outlined on [page 6](#).
4. Ontario capital tax may be reduced by the Ontario income tax and corporate minimum tax payable for the year.
5. Quebec capital tax may be reduced by the Quebec income tax payable for the year.

## Publications

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### Insurance Review: A Canadian perspective

This periodic publication discusses the challenges and opportunities facing the insurance industry. It is available at [www.pwc.com/ca/insurance](http://www.pwc.com/ca/insurance). To subscribe, please email [financial.services@ca.pwc.com](mailto:financial.services@ca.pwc.com).



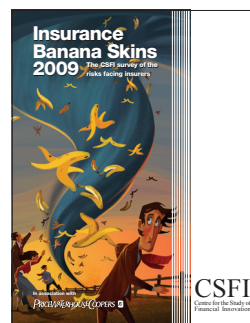
### Insurance Club EyeOpener Webcast and Breakfast Series

This series discusses the key trends affecting insurers on a variety of topics. Webcast series are available at [www.pwc.com/ca/insurance](http://www.pwc.com/ca/insurance). To be part of the quarterly breakfast seminars in Toronto, please email [financial.services@ca.pwc.com](mailto:financial.services@ca.pwc.com).



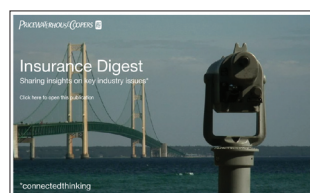
### Insurance Banana Skins 2009: The CSFI survey of the risks facing insurers

This survey of the leading members of the insurance industry identifies potential sources of risks to the insurance industry and ranks them by severity. It provides insights into the multitude of risks insurers face globally and focuses attention on addressing risk in an organization. It questions insurers on current risks, future trends, and their preparedness to respond to the risk environment. To download a copy, visit [www.pwc.com/ca/insurance](http://www.pwc.com/ca/insurance).



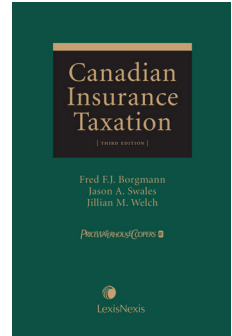
### Insurance Digest

*Insurance Digest* is an on-line publication dedicated to providing thought-provoking insights into some of the key strategic issues facing the insurance industry. It is available at [www.pwc.com/insurance](http://www.pwc.com/insurance).



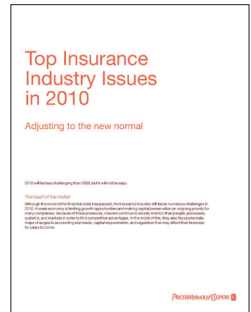
## Canadian Insurance Taxation (Third Edition)

The third edition helps insurers identify potential tax problems, make better business decisions and be more effective when discussing these matters with professional advisers. This 454-page book reflects the existing and proposed tax and accounting rules as of November 28, 2008. It includes over 80 flowcharts and tables. Changes from previous editions include a new chapter on Canada's transfer pricing environment and insights into transfer pricing methodologies available to insurers. To order this publication, visit [www.pwc.com/ca/canadianinsurancetax](http://www.pwc.com/ca/canadianinsurancetax).



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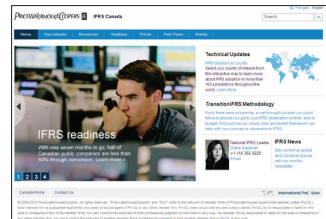
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