

Looking ahead*

Insurance Industry: Key Dates
and Other Essentials (2009-2010)



*connectedthinking

PRICEWATERHOUSECOOPERS 

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and Other Essentials (2009-2010)

This booklet is available at
www.pwc.com/ca/insurancekeydates.

Insurance Help from PricewaterhouseCoopers

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Click on a heading to be taken to that page

Contents

| | |
|---|----|
| Recent Tax Changes: Selected Highlights | 1 |
| Recent Tax Cases | 8 |
| Recent Federal Regulatory Developments | 9 |
| Recent Accounting Developments..... | 9 |
| International Financial Reporting Standards (IFRS) – Accounting and Regulatory Developments..... | 10 |
| Insurance Software Available | 11 |
| Publications | 11 |
| Key Tax Dates and Rates | 15 |
| Canadian Premium and Fire Tax – Rates and Deadlines | 16 |
| Sales and Commodity Tax – Rates and Deadlines | 17 |
| Selected Regulatory Dates for Canada, the U.K. and the U.S. | 18 |
| Corporate Income Tax Rates for 2009 | 19 |
| Capital Tax Rates for 2009 | 20 |

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Some Cautions

Rates and other information are current to August 20, 2009, 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 2009

Combined federal and provincial/territorial corporate income tax rates are listed on [page 19](#).

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 2007 are recognized for accounting purposes as of August 20, 2009.

Federal Changes

Federal General Corporate Income Tax Rate

The federal general corporate income tax rate is decreasing:

| | | Rate | | Recognized for accounting purposes? | |
|----------------|------------------------|------------------|--------------|-------------------------------------|------|
| | | Before surtax | After surtax | Canada | U.S. |
| Effective date | Before January 1, 2008 | 21% | 22.12% | Yes | |
| | January 1, 2008 | 19.5% | | | |
| | January 1, 2009 | 19% | | | |
| | January 1, 2010 | 18% | | | |
| | January 1, 2011 | 16.5% | | | |
| | January 1, 2012 | 15% ¹ | | | |

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

Federal Surtax

The federal surtax was eliminated:

| | | Rate | Recognized for accounting purposes? | |
|----------------|------------------------|------------------|-------------------------------------|------|
| | | | Canada | U.S. |
| Effective date | Before January 1, 2008 | 4% | Yes | |
| | January 1, 2008 | Nil ¹ | | |

1. Elimination of the federal surtax resulted in a 1.12% decrease in corporate income tax 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, which has been revised:

| | | Rate | Recognized for accounting purposes? | |
|----------------|----------------------------------|----------------------|-------------------------------------|------|
| | | | Canada | U.S. |
| Effective date | 2007 taxation years | 13% | Yes | |
| | 2009 taxation years ¹ | Various ² | | |

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.

New rules facilitate the conversion of SIFT trusts into corporations, generally for transactions that occur after July 13, 2008, and before 2013. See our *Tax Memo* “Income Trust Conversion Rules Enacted” at www.pwc.com/ca/taxmemo.

Anti-Tax-Haven Initiative

A new rule, which would have restricted the deductibility of certain interest payable after 2011 on investments in debt or equity of foreign affiliates, was repealed. The rule would have prevented multinational corporations from using tax havens and other tax avoidance structures to generate two expense deductions (one in Canada and another in a foreign subsidiary) for only one borrowing, so-called double dipping.

International Tax System

The Advisory Panel on Canada’s System of International Taxation issued its final report, which included recommendations to improve Canada’s system of international tax. See our *Tax Memo*, “Enhancing Canada’s International Tax Advantage – Final Report of the Advisory Panel on Canada’s System of International Taxation” at www.pwc.com/ca/taxmemo.

Interests in Foreign Investment Entities and Non-resident Trusts

The federal government will review draft rules relating to investments in foreign investment entities and non-resident trusts, in light of the report of the Advisory Panel on Canada’s System of International Taxation.

Foreign Affiliate Elections

The deadline for filing the foreign affiliate elections to move the retroactive effective date of various amendments to the foreign affiliate rules back to 1995 was extended by 18 months. See our *Tax Memo*, “Foreign Affiliate Elections: Deadlines Extended” at www.pwc.com/ca/taxmemo.

Foreign Affiliate Amendments

In light of recommendations made by the Advisory Panel on Canada’s System of International Taxation, the government will reconsider the remaining outstanding foreign affiliate measures that were released in February 2004.

Canada-U.S. Tax Treaty

The fifth Protocol to the Canada-U.S. Tax Treaty entered into force on December 15, 2008. The Protocol:

- eliminates withholding tax on most interest;
- makes the Limitation of Benefits article bilateral;
- extends treaty benefits to owners of limited liability companies;
- modifies the rules dealing with residence and corporate continuances; and
- affects the treatment of various personal tax items (e.g., pension contributions).

See our *Tax Memo*, “Canada-U.S. Income Tax Treaty: Fifth Protocol Enters into Force” at www.pwc.com/ca/taxmemo.

Capital Cost Allowance (CCA)

For eligible computers and systems software acquired after January 27, 2009, and before February 2011, the CCA rate increased to 100% (no half-year rule) from 55% declining balance.

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

On July 1, 2010, provincial sales tax in British Columbia and Ontario will be harmonized with the federal GST. See [pages 4](#) and [6](#).

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

- Imported services – Financial institutions will be 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 draft rules will apply to taxable imports of services and intangibles between separate branches of the same financial institution.
- Input tax credit (ITC) allocation methods – New rules will determine how ITCs will be allocated when an input is used to make both taxable and exempt supplies. Generally, financial institutions will be 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 will generally apply to fiscal years beginning after March 2007. Pre-approval will be required for fiscal years beginning after March 2008.

International Financial Reporting Standards (IFRS)

The move to IFRS from current Canadian Generally Accepting 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 "Not Just Another Accounting Exercise: Managing Change for the Tax Function" at www.pwc.com/ca/taxmemo.

Accounting and regulatory developments relating to IFRS are outlined on [page 10](#).

Information Return Filings

For information returns required to be filed after 2009:

- the quantity threshold at which a taxpayer is required to file income tax information returns electronically is reduced to 50 from 500; and
- penalties are reduced from a maximum of \$2,500 per return to:
 - up to \$2,500 if more than 2,500 returns are filed in an incorrect format; and
 - up to \$7,500 if more than 10,000 returns are filed late.

Automobile Deduction Limits and Benefit Rates

- 2009 prescribed rates – these will remain at their 2008 levels for purposes of determining automobile deduction limits and taxable benefits; and
- employee's automobile operating cost benefit – the Canada Revenue Agency will allow this benefit to be reduced by operating expenses paid by the employee to third parties.

For more information on the rules governing automobile expenses and benefits, consult *Car Expenses and Benefits—A Tax Guide (2009)* at www.pwc.com/ca/carexpenses.

Form T106

The disclosure of financing and derivative transactions is significantly expanded in Form T106, *Information Return of Non-Arm's Length Transactions with Non-Residents*. To listen to our podcast on this topic, go to www.pwc.com/ca/taxtracks.

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) |
|------|---|--|---------------------------------------|
| 2008 | \$20,000 | \$21,000 | \$10,500 |
| 2009 | \$21,000 | \$22,000 | \$11,000 |
| 2010 | \$22,000 | Indexed | |
| 2011 | | | |

Registered Retirement Savings Plan (RRSP)/Registered Retirement Income Fund (RRIF) Losses after Death

Enhanced rules apply to final distributions from a deceased annuitant's RRSP or RRIF that occur after 2008.

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) |
|------|---------------------------------------|
| 2008 | \$2,333 |
| 2009 | \$2,444 |
| 2010 | Indexed |

Provincial Changes

Alberta

Capital Cost Allowance (CCA)

Alberta will parallel federal CCA enhancements (see [page 2](#)).

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. |
| Effective date | Before July 1, 2008 | 12% | Yes |
| | July 1, 2008 | 11% | |
| | January 1, 2010 | 10.5% | |
| | January 1, 2011 | 10% | |

Sales tax harmonization

On July 1, 2010, British Columbia's 7% Social Services Tax and the 5% federal Goods and Services Tax will be replaced with a 12% value added tax. Transitional measures will apply. See our *Tax Memos*, "British Columbia Sales Tax Harmonization" and "Harmonization—Financial Services" (for Ontario) at www.pwc.com/ca/taxmemo.

Manitoba

General corporate income tax rate

Manitoba's general corporate income tax rate is decreasing:

| | Rate | Recognized for accounting purposes? | |
|-----------------------|----------------------------|-------------------------------------|---------------------------|
| | | Canada | U.S. |
| Effective date | Before July 1, 2008 | 14% | Yes |
| | July 1, 2008 | 13% | |
| | July 1, 2009 | 12% | |
| | To be determined | 11% ¹ | Not as of August 20, 2009 |

1. Subject to balanced budget requirements.

Capital tax rate

Manitoba's general capital tax rate is decreasing:

| | Taxable capital employed in Manitoba ¹ | First \$10 million | >\$10 million and ≤\$20 million | >\$20 million and ≤\$21 million | >\$21 million |
|---------------------------------|---|--------------------|---------------------------------|---------------------------------|---------------|
| | | | 0.3% | 2.5% | 0.5% |
| Taxation year commencing | Before January 2, 2008 | Nil | 0.2% | 2.4% | 0.4% |
| | After January 1, 2008² | | 0.1% | 2.3% | 0.3% |
| | After January 1, 2009² | | | 2.2% | 0.2% |
| | After January 1, 2010² | | | | |
| After 2010² | | | | | |

1. Taxable capital employed in Canada is before the \$10 million capital tax deduction. Therefore, after this deduction, capital tax is 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.

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 |
|-----------------------|----------------------------|----------------|----------------|
| | | 0.45% | 0.225% |
| Effective date | Before July 1, 2008 | 0.4% | 0.2% |
| | July 1, 2008 | 0.3% | 0.15% |
| | July 1, 2009 | 0.2% | 0.1% |
| | July 1, 2010 | 0.1% | 0.05% |
| | July 1, 2011 | | |
| | July 1, 2012 | Nil | |

Ontario

General corporate income tax

Ontario's general corporate income tax rate is decreasing:

| | Rate | Recognized for accounting purposes? | | |
|----------------|---------------------|-------------------------------------|---------------------------|--|
| | | Canada | U.S. | |
| Effective date | Before July 1, 2010 | 14% | Yes | |
| | July 1, 2010 | 12% | Not as of August 20, 2009 | |
| | July 1, 2011 | 11.5% | | |
| | July 1, 2012 | 11% | | |
| | July 1, 2013 | 10% | | |

Corporate Minimum Tax (CMT)

Ontario's CMT rates and thresholds are revised:

| CMT rate | Taxation years ending | | |
|--|-----------------------|----------------------|------------------------|
| | before July 1, 2010 | after June 30, 2010 | |
| | 4% | 2.7% | |
| Thresholds for CMT to apply ¹ | Total assets | > \$5 million | ≥ \$50 million |
| | Annual gross revenues | or > \$10 million | and ≥ \$100 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.

Corporate tax harmonization

Commencing taxation years ending after December 31, 2008, the Canada Revenue Agency will administer Ontario's corporate income tax, capital tax, corporate minimum tax (CMT) and Special Additional Tax on life insurers. As a result, the Ontario corporate income tax base will be harmonized with the federal base. Transitional rules will apply. In addition, on harmonization:

- the tax deduction for political contributions will be converted into a non-refundable tax credit; and
- a new Ontario Insurance Premium Tax Return must be filed within six months after year end by insurance companies and other entities that are liable for Ontario premium tax (see [page 16](#)).

Insurance premium tax instalment payments

Commencing taxation years ending after December 31, 2008, the frequency of instalment payments for insurance premiums tax (see [page 16](#)) has been revised from monthly to:

| | Instalment frequency |
|--|----------------------|
| Current or previous year's tax ≥ \$10,000 ¹ | Monthly |
| ≥ \$2,000 but < \$10,000 | Quarterly |
| < \$2,000 | Not required |

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

Sales tax harmonization

On July 1, 2010, Ontario's 8% Retail Sales Tax and the 5% federal Goods and Services Tax will be replaced with a 13% blended sales tax. Transitional measures will apply. See our *Tax Memos*, "Ontario Sales Tax Harmonization" and "Harmonization – Financial Services" at www.pwc.com/ca/taxmemo. Our podcast on this topic is available at www.pwc.com/ca/taxtracks.

Quebec

General corporate income tax rate

Quebec's general corporate income tax rate has increased:

| | Rate | Recognized for accounting purposes? | |
|----------------|------------------------|-------------------------------------|------|
| | | Canada | U.S. |
| Effective date | Before January 1, 2008 | 9.9% ¹ | Yes |
| | January 1, 2008 | 11.4% ¹ | |
| | 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.

Federal harmonization

Quebec will harmonize with many federal tax changes (with modifications, in some cases), including those relating to capital cost allowance, the repeal of the Anti-Tax-Haven Initiative, information return filings and RRSP and RRIF losses after death (see [pages 2 to 4](#)).

Canada-U.S. tax treaty

Quebec will consider whether its tax legislation requires amendments for the fifth Protocol to the Canada-U.S. tax treaty.

Aggressive tax planning schemes

A consultative document sets out proposed measures to counter aggressive tax planning. See our *Tax Memo*, "Quebec Proposals on Aggressive Tax Planning" at www.pwc.com/ca/taxmemo and podcast at www.pwc.com/ca/taxtracks.

Quebec Sales Tax (QST)

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

Saskatchewan

General corporate income tax rate

Saskatchewan's general corporate income tax rate has decreased:

| | Rate | Recognized for accounting purposes? | |
|----------------|---------------------|-------------------------------------|------|
| | | Canada | U.S. |
| Effective date | Before July 1, 2008 | 13% | Yes |
| | July 1, 2008 | 12% | |

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 2009* at www.pwc.com/ca/taxfacts.

General Anti-Avoidance Rule (GAAR)

In **Jordan B. Lipson and Earl Lipson v. The Queen**, the Supreme Court of Canada (SCC) ruled, in a split decision, that GAAR applied to a series of transactions that had the result of allowing a taxpayer to deduct interest on a loan that was used, indirectly, to fund the purchase of a home. See our *Tax Memo*, “Important Supreme Court Ruling on GAAR – Highlights” at www.pwc.com/ca/taxmemo.

The SCC dismissed the taxpayers’ application for leave to appeal the Federal Court of Appeal’s (FCA’s) decision in **The Queen v. John MackKay et al.** The FCA held that GAAR applied to deny non-capital losses that had been transferred between unrelated parties through a series of transactions involving a partnership.

In **The Queen v. Gary Landrus**, the FCA ruled that the taxpayer, a limited partner in a partnership, could deduct his share of the partnership’s terminal loss on the disposition by the partnership of its real estate to another partnership in which the taxpayer had a partnership interest. The FCA held that GAAR did not apply.

In **Copthorne Holdings Ltd. v. The Queen**, the FCA ruled that GAAR applied to transactions undertaken by the taxpayer that had the effect of double-counting the paid-up capital attributable to shares of the taxpayer’s subsidiary. The FCA found that a purported return of capital should be taxed as a deemed dividend that is subject to Canadian withholding tax.

In **Collins & Aikman Products Co. et al. v. The Queen**, the taxpayers entered into a cross-border reorganization that increased the paid-up capital of the shares of a Canadian company. The paid-up capital was then returned to the company’s non-resident shareholder as a tax-free return of capital. The Tax Court of Canada (TCC) ruled that GAAR did not apply to recharacterize the return of capital as a deemed dividend subject to Canadian withholding tax.

Write-down of Advances to Subsidiary

In **Valiant Cleaning Technology Inc. v. The Queen**, the TCC held that cash advances made by a Canadian parent to its foreign subsidiary to fund the subsidiary’s operating expenses were deductible as current expenditures because they were made to protect the taxpayer’s reputation and Canadian revenue stream.

Stop-loss Rules

As part of a restructuring plan, the taxpayer in **The Queen v. Cascades Inc.** sold its shares in a company (PIL) to its wholly owned subsidiary, triggering a capital loss. Within 30 days of the sale, the subsidiary and PIL were amalgamated. The FCA overturned the TCC decision and ruled that the stop-loss rules applied to deny the capital loss.

Transfer Pricing

In **GlaxoSmithKline Inc. v. The Queen**, the TCC found that the taxpayer purchased a medication ingredient from its Swiss affiliate for almost five times the arm’s length price. The TCC ruled that, in the circumstances, 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 taxpayer is appealing this decision.

Recent Federal Regulatory Developments

The Office of the Superintendent for Financial Institutions (OSFI) updates and revises the guidelines and advisories affecting Canadian insurers. Below are highlights of some recent changes. The full text is available on the OSFI website at www.osfi-bsif.gc.ca.

See International Financial Reporting Standards (IFRS) – Accounting and Regulatory Developments ([page 10](#)) for regulatory changes relating to Canada’s move to IFRS.

Revised Advisory on the Insurance in Canada of Risks, Progress Reports

Amendments to Part XIII of the *Insurance Companies Act*, which determine whether a foreign entity is insuring in Canada a risk, are effective January 1, 2010. In late 2008, OSFI began revising Advisory 2007-01, “Insurance in Canada of Risks” because stakeholders wanted more certainty on OSFI’s interpretation and application of its concepts. As a result, Advisory 2007-01-R1, “Insurance in Canada of Risks” was released on May 29, 2009.

OSFI’s letter dated May 13, 2009, reminds foreign entities that chief agents are expected to file quarterly progress reports, beginning May 31, 2009. The reports must explain the progress in the assessment of readiness to implement the Part XIII amendments, the challenges anticipated and the plans to resolve any issues.

In OSFI’s letter dated June 19, 2009, OSFI explains that measures will be implemented to help the transition to the revised Part XIII with respect to the 25% limit on non-approved or unregistered reinsurance

Annual Return Requirements for Reinsurers

OSFI continues to assess the filing timeliness for regulatory returns. Effective for 2009 fiscal years, the annual return reporting requirements for federally regulated reinsurers will be 60 days after the end of the fiscal year (instead of 105 days). This aligns the filing timetable for reinsurers with those for primary life and for property and casualty (P&C) companies.

Recent Accounting Developments

Proposed Amendments to CICA Section 3855, Impairment of Financial Assets

The CICA Accounting Standards Board’s (AcSB’s) Exposure Draft, which was issued in May 2009 and amended in July 2009, proposes changes to align Canadian GAAP with IFRS on the impairment of debt instruments by changing the categories into which debt instruments are required and permitted to be classified. The amendments will be adopted for years ending after October 30, 2009.

Proposed Income Tax Standard

The AcSB’s Exposure Draft, issued in April 2009, proposes to incorporate into Canadian GAAP the final standard on income tax that resulted from an International Accounting Standards Board (IASB) exposure draft. The final standard will be part of the IFRS that will be adopted by publicly accountable enterprises in 2011.

Proposed Derecognition Amendments

The AcSB’s Exposure Draft, issued in May 2009, proposes to incorporate into Canadian GAAP the final standard on derecognition of financial assets and financial liabilities that resulted from an exposure draft issued by the IASB. The final standard will be incorporated as part of the IFRS to be adopted by publicly accountable enterprises in 2011.

International Financial Reporting Standards (IFRS) – Accounting and Regulatory Developments

The most significant accounting development for Canadian insurers is the move to IFRS, which the Canadian Accounting Standards Board confirmed on February 13, 2008. Effective for fiscal years beginning after December 31, 2010, publicly accountable profit-oriented enterprises will be required to use IFRS in their interim and annual financial statements.

See [pages 11](#) and [12](#) for publications issued by PwC to help insurers stay abreast of IFRS developments.

IFRS 4, Insurance Contracts

The move to IFRS will significantly affect the Canadian insurance sector. To deal with the complexity of accounting for insurance contracts, the IASB has adopted a two-phase approach. Phase I was the issuance of IFRS 4, “Insurance Contracts,” in 2005, which was limited in scope but provided insurers with a universal definition of an insurance contract. However, it did not address the measurement and recognition of insurance contracts and kept the valuation methodology under the various local GAAPs. Phase II was a discussion paper released by the IASB in May 2007, which set out draft proposals for the measurement of insurance contracts.

The proposals are not expected to come into force until after Canadian insurers move to IFRS in 2011. The Phase II standard redefines how insurance liabilities will be valued and attempts to provide a more economically relevant valuation that will allow for consistency and comparability across borders. Despite the uncertainty about the valuation model and the extended time horizon for implementation, companies cannot afford to ignore the proposals. The direction that the IASB would like to follow is clear and the implications to the industry could be significant. An exposure draft for the Phase II standard is expected in late 2009.

OSFI Feedback on IFRS Progress Reports

OSFI's October 7, 2008 letter outlined OSFI's expectations with respect to the content of the semi-annual IFRS progress reports. OSFI's May 28, 2009 letter summarizes OSFI's key findings from initial progress reports received from federally regulated financial institutions (FRFIs) and provides additional clarity for future progress reports. OSFI's review of the initial progress reports indicates that the majority of FRFIs have developed and implemented project governance processes and that IFRS conversion plans are receiving appropriate attention from senior management. The reports also suggest that the conversion projects for most FRFIs are adequately resourced and are on track for a smooth transition to IFRS. OSFI initially identified 13 standards as having a high impact on financial statements; FRFIs identified 15 others.

Publicly Accountable Enterprises Strategy

Planning is essential for Canadian publicly accountable profit-oriented enterprises that are required to move to IFRS for fiscal years beginning after December 31, 2010. However, accounting standards are not static, and IFRS are no exception. As a result, on June 23, 2009, the AcSB issued an updated paper that explains which IFRS are expected to change and when.

IFRS, Guide for Procrastinators

The deadline to transition to IFRS is approaching. As a result, on June 19, 2009 the AcSB issued a bulletin to help smaller publicly accountable enterprises start their transition to IFRS. The bulletin suggests a starting point, provides related resources and highlights why companies have to begin their transition immediately, if they have not done so already.

Insurance Software Available

Software templates in popular spreadsheet formats are available for:

- completing Annual Statement and Interim Return forms by life and property and casualty insurance companies and branches;
- completing Annual Information Return (Form 49) and the Certified Financial Statements (Form 60) for pension plans as required by OSFI;
- computing income replacement benefits under the Statutory Accident Benefits Schedule (SABS), including pre- and post-accident net weekly income; and
- calculating interest payable on overdue payments under SABS.

For more information, contact any of the PricewaterhouseCoopers leaders listed at the front of this booklet.

Publications

PricewaterhouseCoopers issues numerous thought-leadership publications, including those listed below, for Canadian and international insurance and financial services industries. Copies can be obtained from our website at www.pwc.com or by contacting any of our Canadian Insurance Industry Group leaders, listed at the front of this booklet.

Publications are grouped below under the following headings:

- International Financial Reporting Standards (both Canadian and worldwide)
- Other Publications – Canada
- Other Publications – Worldwide

International Financial Reporting Standards

The implementation of IFRS will result in fundamental changes to the way the insurance industry does business. Recognizing this, PricewaterhouseCoopers prepares briefing papers and other publications on the key business and technical challenges, delivering the information the industry needs to respond to the IFRS revolution. These publications can be found on our website at www.pwcfirs.ca/insurance.

IFRS in Motion: Keeping on track

This PricewaterhouseCoopers publication provides an overview of the key strategies common among companies that have successfully converted to IFRS.

Putting IFRS in Motion: The impact of International Financial Reporting Standards (IFRS) on the Canadian insurance sector

This publication provides:

- an overview of the Accounting Standards Board's timeline for the adoption of IFRS;
- an outline of some of the significant accounting differences between Canadian GAAP and IFRS in the insurance sector (including some of the more contentious issues of the proposed components of IFRS 4 Phase II, valuation and measurement of insurance contracts); and
- insights into the considerations for the adoption of IFRS.

Not Just Another Accounting Exercise: Managing Change for the Tax Function

The tax function will not be immune from IFRS. IFRS may affect how a company measures and reports pre-tax income, the foundation for tax computations. This *Tax Memo* outlines opportunities for management to improve the tax function during the transition to IFRS.

IFRS Pocket guide – 2009

This guide provides a high level overview of the recognition and measurement requirements of IFRS published up to March 31, 2009.

Illustrative IFRS consolidated financial statements 2008: Insurance

This publication provides an illustrative set of consolidated financial statements for an insurance company based on the requirements of IFRS standards and interpretations for years beginning on or after January 1, 2008.

Financial instruments under IFRS: A guide through the maze

This publication provides an overview of the current requirements of IAS 32, IAS 39 and IFRS 7. For first-time adopters and other entities in territories transitioning to IFRS, these standards are likely to change the way they account for financial instruments and will involve substantial changes to systems, processes and documentation.

IFRS Disclosure checklist 2008

This checklist has been updated to outline the disclosures required by all standards and interpretations released by the IASB and International Financial Reporting Interpretations Committee (IFRIC) up to October 17, 2008.

IFRS News

IFRS News is a PricewaterhouseCoopers monthly global publication that provides Canadian-specific content in *The Canadian Report*, IASB technical updates and PwC insights into the impact of the adoption of IFRS. For recent editions, visit www.pwc.com/ca/ifrsnews.

Other Publications – Canada

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 with an overview of Canada's transfer pricing environment, providing insights into transfer pricing methodologies available to insurers. To order this publication, visit www.pwc.com/ca/canadianinsurancetax.

Financial Reporting Release, January 2009

This issue discusses:

- the future of Canadian GAAP and of U.S. GAAP;
- fair value accounting, asset impairment, derecognition and consolidation standards;
- the effect of current market conditions on disclosure, discontinued operations, earnings per share, revenue recognition and financial statement presentation;
- financial instruments as they relate to Canadian private enterprises; and
- Emerging Issues Committee abstracts.

Insurance Review

Insurance Review is a periodic publication that discusses matters of interest to Canadian insurance industry executives.

Spring 2009 (Managing risks and variables in uncertain times) topics:

- Managing fraud risk in a time of economic crisis
- Driving performance and value through strategic vendor management
- Ontario sales tax harmonization – The variables facing insurers
- Global insurance CEOs confident about their prospects
- Insurance Banana Skins 2009 – Identifying the risks insurers face

Winter 2009 (Adapting to a new economic reality) topics:

- Enhancing the value of actuarial support to your business
- Property tax – one of the least understood forms of taxation
- 2008 accounting, regulatory and tax developments

Fall 2008 Special Edition (The economic turmoil: Managing risks and opportunities) topics:

- Determining fair values of financial instruments – A challenge
- The impact on the life insurance industry
- The impact on the P&C industry
- Tax planning opportunities
- What about the GST? – Always a smart question
- Considerations for defined benefit pension plans
- Sustainable cost reduction – Pursuing savings while protecting value
- Lessons of the credit and liquidity crises

Fall 2008 (Gearing up for a new capital management regime) topics:

- Gearing up for a new capital management regime
- A case of transfer pricing heartburn: Preventive medicine for insurance companies
- Are you ready for IFRS? Five questions CIOs need to consider now

Other Publications – Worldwide

Insurance Banana Skins 2009

This survey of leading members of the insurance industry identifies potential sources of risks to the insurance industry and ranks them by severity. The 2009 survey is based on 400 responses from 39 countries.

Emerging from the storm: The day after tomorrow for insurance

The insurance industry landscape that emerges from the turmoil of the financial crisis is set to be markedly different from today's, enabling some insurers to pull ahead from their competitors and leaving others at risk of being left behind. This publication examines how the financial crisis will change the insurance industry landscape and highlights the key considerations this presents for insurers.

Technology Forecast – Summer 2009

This issue examines trends on information technology infrastructure and its role in creating a foundation for business agility. It shows how today's information technology environments are dominated by a collection of built-to-order legacy solutions that were designed to deliver functionality in a silo, but not for agility and change.

Top Nine Insurance Industry Issues in 2009: Crisis and change

This publication includes the leading issues and their implications for the insurance industry in 2009.

International Comparison of Insurance Taxation – March 2009

Chapters on 41 countries provide an overview of the accounting and taxation rules that apply to life and non-life insurance businesses.

Insurance Digest

This publication provides thought-provoking insights into some of the key strategic issues facing the insurance industry.

Insurance Digest (Americas edition)

February 2009 topics:

- Managing liquidity and fraud risk in a time of economic crisis
- Model validation: The new control imperative
- Capturing opportunities in a period of transition: How multinational insurers can compete in China
- Solvency II: A competitive advantage for European insurers?
- Realizing the competitive potential of reporting convergence
- Options remain open for federal insurance regulation
- Trends in the acquisition of insurance companies in run-off
- Valuation of financial intermediaries: Greater transparency through transfer pricing
- New perspectives on measuring insurance liabilities, risk and capital
- The use of own credit in the fair value liabilities

Insurance Digest (European edition)

April 2009 topics:

- What gets paid gets done: Building rewards into enterprise risk management (ERM)
- Insurance and the climate change challenge
- Insurance in Turkey: Opportunities and challenges
- The future of European insurance supervision
- Getting into shape – in search of a leaner operating structure
- Guarding against future mis-selling claims

Key Tax Dates and Rates

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; Tax on Capital of Financial Institutions | 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 | | June 30 for remittances | | |
| Branch Tax | | June 30 for remittances | | |
| Non-Resident Tax | T2016 | June 30 for remittances | | |
| Transactions with Non-Residents | NR4 ² | n/a | | March 31 |
| | Related-party transactions: T106 | | | June 30 |
| Foreign Property Reporting | T1135, T1141 and T1142 | n/a | | 15 months after year end |
| | T1134-A and T1134-B | | | |
| Federal Excise Tax – Unlicensed Insurance | | April 30 for returns and remittances | | |
| Insurers Not Registered for GST that Import Taxable Supplies | | 1 month after month of importation for returns and remittances | | |
| Financial Institution GST/HST Annual Information Schedule³ | GST111 Schedule 1 | n/a | | 6 months after year end |

| Provincial Tax Dates | | Payments | | Returns |
|---|---|---|-------------|---------|
| | | Instalments | Balance | |
| Corporate Income Tax⁴ (Alberta; Quebec) | Some Alberta Canadian-controlled private corporations | Last day of each month ^{1,4} | March 31 | June 30 |
| | All other insurers | | February 28 | |
| Capital Tax | Manitoba | 15th of March, June, September and December | June 30 | |
| | Nova Scotia | Same as federal corporate income tax | | |
| | Life insurers in Ontario ⁴ and Quebec | Same as provincial corporate income tax | | |

- Canadian-controlled private corporations can pay federal and Quebec instalments quarterly (rather than monthly) if certain conditions are met.
- 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.
- GST 111 Schedule 1 must be filed by financial institutions that are GST/HST registrants and have total annual revenues exceeding \$1 million.
- For taxation years ending after 2008, Ontario's corporate income tax, corporate minimum tax and Special Additional Tax on life insurers will be administered by the Canada Revenue Agency (see [page 6](#)). As a result:
 - the Canada Revenue Agency will collect Ontario corporate tax instalments (i.e., the federal corporate income tax dates noted above apply);
 - Ontario will adopt federal corporate tax instalment rates; and
 - one corporate tax return will be filed for federal and Ontario purposes.

Canadian Premium and Fire Tax – Rates and Deadlines

| Rates | | | Deadlines | | | |
|-----------------------------|-------------------------|------------------|-------------------------------|--|-----------------------------------|--|
| Life, Accident and Sickness | Premium Tax | | Fire Tax ¹ | 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 ² | 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 ⁴ | Newfoundland and Labrador | Varies ³ | | March 20 |
| 3% | 3% or 4% ⁴ | | N.W.T. & Nunavut | Not required | | March 15 |
| | | 4% | 1.25% | Nova Scotia | 60 days after end of each quarter | |
| 2% | 3% or 3.5% ⁵ | Nil | Ontario | Varies ⁵ | | Return: 6 months after year end Balance Due: Same as federal income tax (page 15) |
| 3.5% | | 1% | Prince Edward Island | Last day of each quarter | | 3 months after year end |
| 2.35% | 3.35% | Nil | Quebec ⁶ | Same as provincial income tax (page 15) | | |
| 3% | 4% | 1% | Saskatchewan ⁷ | Not required | | March 15 |
| 2% | 2% or 3% ⁸ | Nil ⁸ | 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. Commencing taxation years ending after December 31, 2008, Ontario's instalment deadlines have been revised from the last day of each month to those shown in the table to the right.

| Current or previous year's tax | Instalment deadlines |
|--------------------------------|--------------------------|
| ≥ \$10,000 ^a | 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 0.35% compensation tax on insurance premiums.
- 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 and Commodity Tax – Rates and Deadlines

| | Tax | Rate | Filing Conditions | Balance and Returns | | |
|--|--------------------------|-----------------------------------|----------------------------------|--|---|---------|
| | | | | Reporting period | Due after | |
| Federal | GST ¹ | 5% | Default | Fiscal year end | 3 months ² | |
| | | | Elected | Fiscal quarter Fiscal month | 1 month | |
| Alberta | No provincial sales tax | | | | | |
| British Columbia ³ | | | Default | Calendar month | 23 days | |
| | | | Approved | Approved period | | |
| Manitoba | PST | 7% ³ | 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 Newfoundland and Labrador | HST | 13% | Same as federal GST ⁴ | | | |
| Northwest Territories | No territorial sales tax | | | | | |
| Nova Scotia | HST | 13% | Same as federal GST ⁴ | | | |
| Nunavut | No territorial sales tax | | | | | |
| Ontario | PST | 8% ⁵ | Semi-annual tax | < \$2,000 | Semi-annual calendar period | 23 days |
| | | | | \$2,000 to \$3,999 | Calendar quarter | |
| | | | | \$4,000 to \$6,000 | 2 calendar months | |
| | | | | > \$6,000 | Calendar month | |
| Prince Edward Island | | 10% ⁶ | Default | Calendar month | 20 days | |
| Quebec | QST | 7.5%, 5% or 9% ⁷ | Default | Fiscal year end | 3 months ² | |
| | | | Elected | Fiscal quarter Fiscal month | 1 month | |
| Saskatchewan | PST | 5% | Annual tax | < \$3,600 ⁸ \$3,600 ⁸ to < \$7,200 > \$7,200 | Calendar year Calendar quarter Calendar month | 20 days |
| 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 will be replaced with a 12% value added tax on July 1, 2010. See [page 4](#).
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. Ontario's general retail sales tax rate is 8%. This tax and the 5% federal GST will be replaced with a 13% blended sales tax on July 1, 2010 (see [page 6](#)). Ontario also imposes a retail sales tax of 8% on other insurance premiums, with certain exceptions, e.g., individual life and health, automobile premiums.
6. In Prince Edward Island the 10% PST rate is imposed on GST.
7. Quebec's general sales tax rate, which is 7.5%, will increase to 8.5% on January 1, 2011. 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.
8. Administratively, Saskatchewan may permit annual reporting if the annual PST payment is under \$3,600.

Selected Regulatory Dates for Canada, the U.K. and the U.S.

| | | Domestic | Foreign Branches |
|---|--|---|------------------------------|
| Insurance Companies Act (Canada) | | Fiscal year ends | |
| | | October 31 or December 31 | |
| Office of the Superintendent of Financial Institutions | Annual financial returns¹ | 60 days ^{2,4} | Same as domestic |
| | Report of the Actuary | | |
| | Auditors' Report | On financial statements | May 31 |
| | | On MCCSR/TAAM ³ | |
| Quarterly financial returns | | 45 days ² | Same as domestic |
| Ontario Securities Commission | Annual financial statements | 90 days ² | |
| | Interim financial statements | 45 days after end of interim fiscal period | |
| United Kingdom | The Insurance Annual Return to the Financial Services Authority | 3 months ² electronically under rule 9.36A; otherwise, 2 months and 15 days ² | |
| | Enhanced Capital Requirement Return (unaudited) | | |
| | Insurance Group Capital Adequacy Requirement | Generally 4 months ² | |
| United States | State Insurance Commissioners | Annual Statement | March 1 |
| | | Annual Auditors' Report | June 1 |
| | | Quarterly Statements | 45 days ² |
| | Securities and Exchange Commission | 10K Annual Report | 60/75/90 days ^{2,5} |
| | | IOQ Quarterly Report | 40/40/45 days ^{2,5} |

1. Annual financial return deadlines for provinces and territories may differ.
2. Days or months after year end.
3. MCCSR = Minimum Continuing Capital and Surplus Requirements
TAAM = Test of Adequacy of Assets in Canada and Margin Requirements
4. Effective for 2009 fiscal years, the deadlines for reinsurers have been aligned with the timetable for primary life and property and casualty (P&C) insurers.
5. For large accelerated filers/accelerated filers/all other registrants, respectively.

Corporate Income Tax Rates for 2009

The following rates, which have been pro-rated for a December 31, 2009 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 Alberta, British Columbia, Manitoba, Nova Scotia, Quebec and Yukon in 2009.

| | |
|-------------------------------|------------------------|
| Basic federal rate | 38% |
| Provincial abatement | -10% |
| General rate reduction | -9% |
| Total federal rate | 19%¹ |

| | Provincial | Provincial + 19% Federal |
|----------------------------------|----------------------|-------------------------------------|
| Alberta | 10% | 29% |
| British Columbia | 11% ¹ | 30% |
| Manitoba | 12.5% ¹ | 31.5% |
| New Brunswick | 12.5% ¹ | 31.5% |
| Newfoundland and Labrador | 14% H | 33% |
| Northwest Territories | 11.5% | 30.5% |
| Nova Scotia | 16% | 35% |
| Nunavut | 12% | 31% |
| Ontario² | 14% ¹ | 33% |
| Prince Edward Island | 16% | 35% |
| Quebec | 11.9% ¹ H | 30.9% |
| Saskatchewan | 12% ¹ | 31% |
| Yukon | 15% | 34% |

H Tax holidays are available to certain corporations.

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

2. Ontario corporations that, on an associated basis, have either gross revenues over \$10 million or total assets over \$5 million, may have a corporate minimum tax (CMT) based on adjusted book income. The minimum tax is payable to the extent that it exceeds the regular Ontario income tax liability. Future CMT changes are outlined on [page 6](#).

Capital Tax Rates for 2009¹

| | | Life ¹ | Non-Life ¹ |
|---|---|--|-----------------------|
| Federal | Large Corporations Tax (LCT) ² | | No capital tax |
| | Part VI Financial Institutions Capital Tax ³ | On first \$1 billion taxable capital On taxable capital > \$1 billion | |
| Alberta | | | |
| British Columbia | | | |
| Manitoba⁴ | | On first \$10 million taxable capital | Nil |
| | | On taxable capital > \$10 million and ≤ \$20 million | 0.2% |
| | | On taxable capital > \$20 million and ≤ \$21 million | 2.4% |
| | | On taxable capital > \$21 million | 0.4% |
| New Brunswick | | | |
| Newfoundland and Labrador | | | No capital tax |
| Northwest Territories | | | |
| Nova Scotia⁴ | | If taxable capital < \$10 million | Nil |
| | | On first \$5 million taxable capital On taxable capital > \$5 million | 0.35% |
| | | If taxable capital ≥ \$10 million | 0.175% |
| Nunavut | | | |
| Ontario and Quebec^{5,6} | | On taxable capital ≤ \$10 million | Nil |
| | | 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% |
| Prince Edward Island | | | |
| Saskatchewan | | | |
| Yukon | | | |

- All rates in this table are for a December 31, 2009 year end. When applying the thresholds, taxable capital of all companies in a group is considered.
- The federal LCT was eliminated January 1, 2006. A notional LCT, calculated as if the LCT rate and capital tax threshold were 0.225% and \$10 million respectively, remains relevant for certain purposes (e.g., a CCPC's small business limit).
- 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).
- Recent and future changes are outlined on [page 5](#).
- Ontario capital tax may be reduced by the Ontario income tax and corporate minimum tax payable for the year.
- Quebec capital tax may be reduced by the Quebec income tax payable for the year.

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