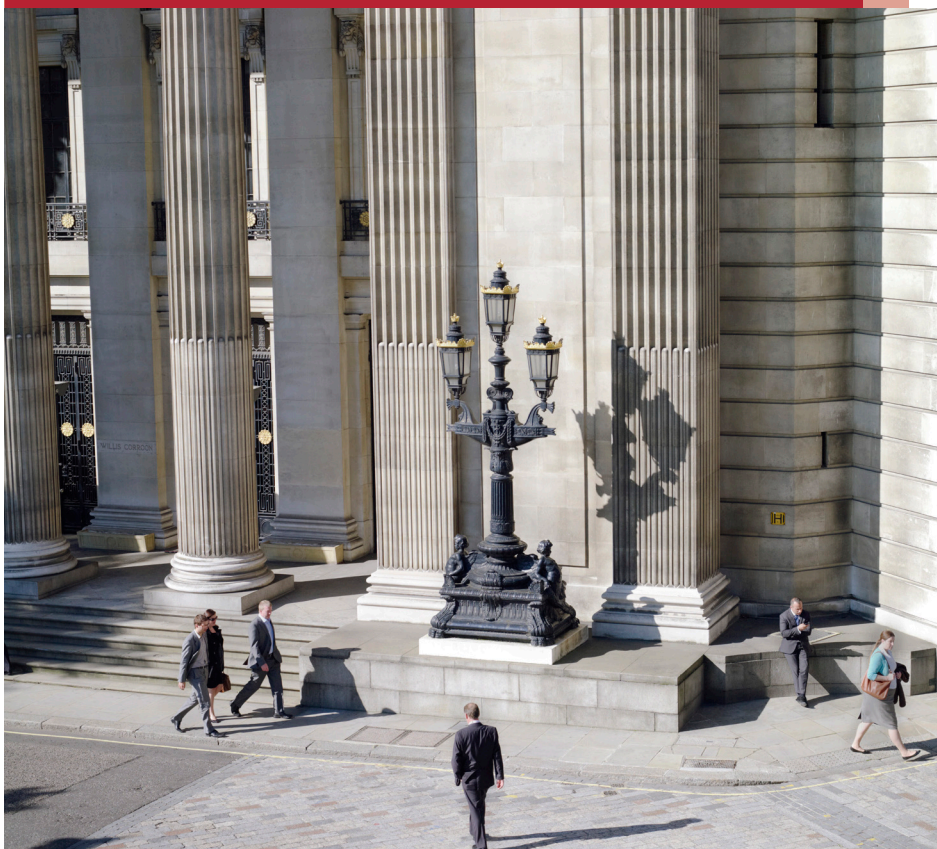


Insurance industry

Key tax rates and updates (2011-2012)

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

2011



Insurance industry:

Key tax rates and updates (2011-2012)

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

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Some cautions

Rates and other information are current to August 29, 2011, 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 2011

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

Status of changes for accounting purposes

Income tax changes will be recognized for accounting purposes:

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

Tables on [pages 1 to 7](#) show whether corporate tax rate changes effective after 2009 were recognized before Canada's January 1, 2011 adoption of International Financial Reporting Standards (IFRS). For those not recognized by then, the status of the legislation implementing the change is provided. The tables also indicate if the rates were recognized in the United States. All information is current to August 29, 2011.

Federal changes

Federal general corporate income tax rate

The federal general corporate income tax rate is decreasing:

		Rate	Recognized for accounting purposes in Canada and U.S.?
Effective date	Before January 1, 2010	19%	Yes
	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.

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 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.

SIFTs, real estate investment trusts (REITs) and publicly traded corporations

Draft proposals that apply to SIFTs, REITs and publicly traded corporations in respect of transactions involving stapled securities limit the deductibility of amounts paid or payable after July 19, 2011, in respect of stapled securities, subject to a transitional period. See our *Tax memo* "Proposed changes for SIFTs, REITs and publicly traded corporations: Deductibility of amounts paid in respect of stapled securities" at www.pwc.com/ca/taxmemo.

Partnership deferral

New measures curtail the deferral of partnership income for corporate partners with taxation years ending after March 22, 2011, that use partnerships with misaligned year ends. See our *Tax memo* "Consultation draft released: Implements 2011 budget proposals to end deferral of corporate income tax through the use of partnerships" at www.pwc.com/ca/taxmemo. The Canada Revenue Agency has indicated that similar rules will apply to joint ventures.

Partnership information returns

For partnerships with fiscal periods ending after December 31, 2010, the requirement to file a partnership information return based on the number of partners is replaced with one related to financial thresholds and partner structure. See our *Tax memo* “Partnership Information Returns – Who Must File Starting 2011?” at www.pwc.com/ca/taxmemo.

Demutualization of property and casualty mutual insurance companies

The federal government has launched public consultations to develop a framework for the demutualization of federally regulated property and casualty mutual insurance companies. It issued a consultation paper, *Consultation on a Demutualization Framework for Federal Property & Casualty Insurance Companies*, which highlights the key issues to be addressed.

Stop-loss rule on share redemption

With certain exceptions, an existing rule reduces the loss realized by a corporation from the disposition of a share by the amount of tax-free dividends received, or deemed to be received, on the share on or before the disposition. The exceptions to this rule are eliminated, with respect to any deemed dividend arising on the redemption of shares held by a corporation, for redemptions after March 21, 2011, unless the corporation and the shareholder are both private corporations and the shareholder is not a financial institution.

Non-resident trusts (NRTs) and offshore investment funds

Draft legislation released on August 27, 2010, refines the NRT rules, generally for taxation years ending after 2006, and the offshore investment fund rules, for taxation years ending after March 4, 2010. See our *Tax memo* “August 27, 2010 Draft Legislation Implements 2010 Budget Proposals and Other Previously Announced Measures” at www.pwc.com/ca/taxmemo.

Avoidance transactions

Draft legislation makes an “avoidance transaction” that meets certain conditions a “reportable transaction” that must be reported to the Canada Revenue Agency, generally for transactions entered into after 2010, and those that are part of a series of transactions completed after 2010. See our *Tax memo* “New Federal Reporting Regime for Aggressive Tax Planning: Draft Legislation Released” at www.pwc.com/ca/taxmemo.

Group taxation

The federal government issued a consultation paper that explores possible approaches for a new system for taxing corporate groups in Canada. See our *Tax memo* “Taxation of Corporate Groups – Consultation Paper Released” at www.pwc.com/ca/taxmemo.

Foreign affiliate amendments

Draft legislative proposals released on August 19, 2011, and draft legislation released on August 27, 2010, affect the taxation of Canadian corporations with foreign affiliates. See our *Tax memos* “Long-awaited foreign affiliate amendments released” and “August 27, 2010 Draft Legislation Implements 2010 Budget Proposals and Other Previously Announced Measures” at www.pwc.com/ca/taxmemo.

Payments to non-residents

The Canada Revenue Agency issued final versions of three forms that non-residents must file in support of reducing withholding tax rates on payments from Canadians to reflect treaty benefits. See our *Tax memo* “Payments to non-residents: CRA issues new treaty-based withholding forms” at www.pwc.com/ca/taxmemo.

Memorandum of Understanding (MOU)

The competent authorities of Canada and the United States released a MOU regarding the conduct of mandatory binding arbitration proceedings under the mutual agreement procedure of the Canada-U.S. tax treaty. See our *Tax memo* “Memorandum of Understanding (MOU) on the Canada-U.S. Tax Treaty Arbitration Process” at www.pwc.com/ca/taxmemo.

Tax Information Exchange Agreements (TIEAs)

Canada is negotiating fourteen TIEAs and has signed twelve. Three TIEAs have entered into force (one on behalf of five jurisdictions). For more information, see our *Tax memo* “Canada’s TIEAs: Status at June 8, 2011” at www.pwc.com/ca/taxmemo.

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

For insurers, the implications of draft regulations affecting Selected Listed Financial Institutions (SLFIs), which are effective July 1, 2010, include:

- The definition of an SLFI is amended to deem an insurer to be an SLFI if it insures risk in respect of:
 - property ordinarily situated in a participating province and property ordinarily situated in any other province; or
 - a resident of a participating province and a resident of any other province.
- Financial institutions, including insurers, that are SLFIs are subject to specific rules regarding the calculation and reporting of net tax on their GST/HST returns. An SLFI cannot claim input tax credits for the provincial portion of HST paid on purchases of property or services and must adjust its net tax calculation on its final GST/HST return using the Special Attribution Method (SAM).

The following newly enacted GST/HST rules affect the financial services sector, including insurers:

- “Arranging for” – Generally for supplies made after December 14, 2009, the definition of “financial service” excludes the following activities, because they do not constitute “the agreeing to provide, or the arranging for” a financial service:
 - facilitatory services comprising market research, product design, promotional services, advertising or the collection of information; and
 - credit management services in respect of a:
 - credit or charge card or similar payment card; or
 - credit, charge or loan account, such as credit checking, authorization, valuation, record keeping, monitoring or dealing with payments.
- Pension rules – For fiscal years commencing after September 22, 2009, all employers, including insurers, that participate in a registered pension plan must account for GST/HST on certain supplies of property or services that the employer is deemed to make to the plan. The registered pension plan can then claim a rebate equal to 33% of the tax actually paid or deemed to have been paid.

Financial statement reporting (IFRS and ASPE)

For fiscal years beginning after December 31, 2010:

- most “publicly accountable enterprises” must adopt International Financial Reporting Standards (IFRS); and
- private enterprises must adopt either IFRS or Accounting Standards for Private Enterprises (ASPE).

These changes could affect the measurement and reporting of income taxes for financial statement purposes and the calculation of Canadian taxes payable. See our *Tax memos* “IFRS and Tax: The Rubber has Hit the Road” and “The Move to IFRS: CRA Guidance” at www.pwc.com/ca/taxmemo.

Federal Court of Appeal (FCA) decisions

Draft income tax proposals counter what the federal government considers to be taxpayer-friendly FCA decisions in:

- **Collins v. The Queen;**
- **Lehigh Cement Limited v. The Queen;** and
- **The Queen v. National Life Assurance Company of Canada.**

See our *Tax memo* “Finance Proposes Legislative Measures to Counter FCA Decisions” at www.pwc.com/ca/taxmemo.

Automobile deduction limits and benefit rates

- 2011 prescribed rates – These will remain at their 2010 levels for purposes of determining automobile deduction limits and taxable benefits.
- Sample logbook – Commencing 2010, self-employed individuals can use a logbook maintained for a sample period that represents a motor vehicle’s use to support motor vehicle expenses, in certain circumstances.

For more information, see *Car expenses and benefits—A tax guide (2011)* at www.pwc.com/ca/carexpenses.

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)
2010	\$22,000	\$22,450	\$11,225
2011	\$22,450	\$22,970	\$11,485
2012	\$22,970	Indexed	
2013			

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)
2010	\$2,494
2011	\$2,552
2012	Indexed

Registered retirement savings plans (RRSPs) and registered retirement income funds (RRIFs)

Anti-avoidance rules for RRSPs and RRIFs will include rules similar to the “advantage,” “prohibited investment” and “non-qualified investment” rules applicable to Tax-Free Savings Accounts, for transactions occurring and investments acquired after March 22, 2011. Transitional rules may apply. See our *Tax memos* “Federal Budget Includes RRSP Anti-Avoidance Rule” and “Alert for RRSP and RRIF holders: Action is required if a new ‘prohibitive investment’ rule applies to you” at www.pwc.com/ca/taxmemo.

Provincial changes

Alberta

Group taxation

Alberta supports the federal government's initiative on the taxation of corporate groups, provided that it produces a "fair distribution of corporate income tax revenue among the provinces."

British Columbia

General corporate income tax rate

British Columbia's general corporate income tax rate has increased :

		Rate	Recognized for accounting purposes in Canada and U.S.?
Effective date	Before January 1, 2010	11%	Yes
	January 1, 2010	10.5%	
	January 1, 2011	10% ¹	

- As a result of the HST referendum (see below), British Columbia is no longer expected to increase its general income tax rate from 10% to 12% on January 1, 2012.

Harmonized Sales Tax (HST)

As a result of its HST referendum, British Columbia will revoke the HST and reinstate the 7% Social Services Tax and 5% GST. This change is targeted for March 31, 2013. Transitional rules will apply. See our *Tax memo* "B.C. votes to extinguish HST" 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 in Canada and U.S.?	Manitoba legislative assembly		
				1st reading	3rd reading	enacted ¹
Effective date	July 1, 2009	12%	Yes	n/a		
	To be determined	11% ²	n/a ³	Not as of August 29, 2011		

- In the United States, the change is recognized for accounting purposes when it is enacted.
- Subject to balanced budget requirements.
- The status of legislation implementing the change is shown because the change was not recognized before Canada's January 1, 2011 adoption of IFRS.

Capital tax rate

Manitoba's general capital tax rate was phased out as follows:

		On taxable capital employed in Manitoba ¹			
		≤\$10 million	>\$10 million and ≤\$20 million	>\$20 million and ≤\$21 million	>\$21 million
Taxation year commencing	before January 2, 2010 ²	Nil	0.1%	2.3%	0.3%
	after January 1, 2010 ²		2.2%	0.2%	
After 2010 ²					

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

Neighbourhoods Alive! Tax Credit

This new 30% non-refundable tax credit is available to corporations that donate funds to charitable organizations to create new social enterprises after April 12, 2011, and before 2020. The maximum annual tax credit is \$15,000.

Online tax payments

Effective May 1, 2011, businesses can pay Manitoba taxes through financial institution online bill payment systems.

New Brunswick

General corporate income tax rate

New Brunswick's general corporate income tax rate has decreased:

	Rate	Recognized for accounting purposes in Canada and U.S.?	New Brunswick legislative assembly		
			1st reading	3rd reading	enacted ¹
Effective date	Before July 1, 2010	12%	Yes	n/a	
	July 1, 2010	11%			
	July 1, 2011	10%			
	July 1, 2012	8%			
		10%			

1. In the United States, the change was recognized for accounting purposes when it was enacted (i.e., June 10, 2011).
2. The status of legislation implementing the change is shown because the change was not recognized before Canada's January 1, 2011 adoption of IFRS.

Newfoundland and Labrador

Health and Post-Secondary Education Tax

The thresholds at which the province's payroll tax applies increased as follows:

Rates	Total payroll	
	before January 1, 2011	after December 31, 2010
	2%	over \$1,000,000
0%	\$0 to \$1,000,000	\$0 to \$1,200,000

Nova Scotia

Capital tax rate

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

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

Ontario

General corporate income tax

Ontario's general corporate income tax rate is decreasing:

		Rate	Recognized for accounting purposes in Canada and U.S.?
Effective date	Before July 1, 2010	14%	Yes
	July 1, 2010	12%	
	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:

		Before July 1, 2010	After June 30, 2010	Recognized for accounting purposes in Canada and U.S.?
CMT rate		4%	2.7%	Yes
		Taxation years ending		
		before July 1, 2010	after June 30, 2010	
Thresholds for CMT to apply ¹	Total assets	> \$5 million	≥ \$50 million	Yes
	Annual gross revenues	> \$10 million	≥ \$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.

Group taxation

Ontario supports the federal government's initiative for a formal system for the taxation of corporate groups, provided it increases the competitiveness of Canada's corporate tax system and ensures that the provinces receive the revenues to which they are entitled.

Tax Collection Agreement (TCA)

During its review of the TCA in 2011, Ontario will work with the federal government to ensure consistency with current needs, best practices, new technology and changes in federal/provincial partnership.

Quebec

Quebec Sales Tax (QST)

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

Northwest Territories, Nunavut, Prince Edward Island, Saskatchewan and Yukon

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

Recent tax cases

For additional recent tax cases, see page 42 of *Tax facts and figures: Canada 2011* at www.pwc.com/ca/taxfacts.

Trust residency

In **St. Michael Trust Corp.** (also known as **Garron Family Trust et al.**) **v. The Queen**, the Federal Court of Appeal (FCA) upheld the Tax Court of Canada (TCC) decision that 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 Supreme Court of Canada (SCC) has granted the taxpayer’s request for leave to appeal the FCA’s decision.

Deduction for capital losses

In **The Toronto Dominion Bank v. The Queen**, the FCA found that the TCC erred in finding that the ordinary meaning of “series of transactions” did not require the transactions to be pre-ordained. As a result, the FCA overturned the TCC’s decision that the taxpayer had subscribed for shares at an inflated price and that this created an artificial and undue capital loss on the disposition of the shares. The taxpayer was allowed to claim the capital loss.

Deduction for non-capital losses

In **S.T.B. Holdings Ltd. v. The Queen**, the TCC found that the taxpayer could deduct non-capital losses of a subsidiary it wound up shortly after its acquisition and write-down inventory acquired on the wind-up, because the taxpayer carried on the same business as the wound-up subsidiary. The TCC also held that the taxpayer was holding property of the wound-up company for profit or with a reasonable expectation of profit, making losses realized on the sale of the property on income account.

Guarantee fees

In **The Queen v. General Electric Capital Canada Inc.**, the FCA decided 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 not sought leave to appeal to the SCC. See our *Tax memo* “Guarantee Fees: Federal Court of Appeal Confirms GE Capital Canada Inc. Decision” at www.pwc.com/ca/taxmemo.

Late-filed T1135

In **Leonard Asper Holdings Inc. v. The Attorney General of Canada**, the Federal Court dismissed applications for judicial review of the Tax Services Office’s decision to deny the taxpayer’s request for relief from penalties and arrears reassessed due to late filing of T1135 forms, notwithstanding that the related foreign income was fully reported for tax purposes. The taxpayer has appealed to the FCA. See our *Tax memo* “Late-Filed T1135: Court Denies Waiver of Penalties and Interest in Asper Holdings” at www.pwc.com/ca/taxmemo.

Debt forgiveness

In **Genex Communications Inc. v. The Queen**, the FCA upheld the TCC’s decision. The TCC had 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.

Stock option payments

In **Imperial Tobacco Canada Limited v. The Queen**, the TCC held that payments made by Imperial Tobacco to its employees to eliminate an employee stock option plan in the context of a going-private transaction were capital in nature and not deductible. The taxpayer has appealed to the FCA. See our *Tax memo* “Deduction Denied for Amounts Paid to Employees for Stock Options in course of Going-Private Transaction (Imperial Tobacco case)” at www.pwc.com/ca/taxmemo.

Foreign tax credits

In **4145356 Canada Limited. v. The Queen**, the TCC held that foreign taxes paid by a partnership, of which the taxpayer was a member, were “paid by the taxpayer” and therefore the taxpayer was entitled to a foreign tax credit. The TCC did not consider the proposed “foreign tax credit generator” rules, which were announced after the transactions at issue. The Minister has appealed to the FCA.

Key tax dates

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

Federal tax dates	Payments		Returns
	Instalments	Balance	
Corporate income tax; Some Canadian-controlled private corporations	Last day of each month ¹	March 31	June 30
Financial institutions capital tax All other insurers		February 28	
Life insurer's investment income tax	June 30		
Branch tax	June 30		
Non-resident tax T2016	June 30		
Transactions with non-residents NR ⁴ Related-party transactions: T106	n/a		March 31
Foreign property reporting T1135, T1141 and T1142 T1134-A and T1134-B	n/a		June 30
Federal excise tax – unlicensed insurance	April 30		15 months after year end
Insurers not registered for GST that import taxable supplies	1 month after month of importation		
Financial institution GST/HST annual information return³ GST111 Schedule 1	n/a		June 30
Provincial tax dates	Payments		Returns
Corporate income tax (Alberta; Quebec) Some Alberta Canadian-controlled private corporations	Last day of each month ¹	March 31	June 30
..... All other insurers		February 28	
Capital tax⁴ 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.
4. Capital tax was eliminated in Manitoba on January 1, 2011 (see [page 5](#)). Before 2011, instalments were required on the 15th of March, June, September and December with the final balance and return due by June 30 of the following year.

Canadian premium and fire tax – Rates and deadlines

Rates			Deadlines		
Premium tax		Fire tax ¹	Instalments		Return and balance due
Life, accident and sickness	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	March 15
		1%	New Brunswick	Last day of June, September and December	
4%		Nil ⁴	Newfoundland and Labrador	Varies ³	March 20
3%	3% or 4% ⁴		N.W.T. & Nunavut	Not required	March 15
		4%	Nova Scotia	60 days after end of each quarter	Premium: 60 days after last quarter Fire: March 31
2%	3% or 3.5% ⁵	Nil	Ontario	Varies ⁵	Return: 6 months after year end Balance due: Same as federal income tax (page 10)
3.5%		1%	Prince Edward Island	Last day of each quarter	3 months after year end
2.55%	3.55%	Nil	Quebec ⁶	Same as provincial income tax (page 10)	
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.
- 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.
- Quebec rates include 0.55% compensation tax on insurance premiums. (For taxation years ending after March 31, 2014, the compensation 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.

Newfoundland and Labrador	
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

Ontario	
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.

Sales tax – Rates and deadlines

	Tax	Rate	Filing conditions	Balance and returns		
				Reporting period	Due after	
Federal	GST ¹	5%	Default	Fiscal year	6 months ^{2,3}	
			Elected	Fiscal quarter Fiscal month	1 month/ 6 months ²	
Alberta	No provincial sales tax					
British Columbia	HST ⁴	12% ⁴	Same as federal GST			
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			
Newfoundland and Labrador						
Northwest Territories	No territorial sales tax					
Nova Scotia	HST	15%	Same as federal GST			
Nunavut	No territorial sales tax					
Ontario	HST	13% ⁵	Same as federal GST			
Prince Edward Island	PST	10% ⁶	Default	Calendar month	20 days	
Quebec				QST	8.5%, 5% or 9% ⁷	Elected
	Fiscal quarter	1 month				
	Fiscal month					
Saskatchewan	PST	5%	Annual tax	< \$3,600 ⁸	Calendar year	20 days
				\$3,600 ⁸ 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. Every insurer that is a Selected Listed Financial Institution (SLFI) must file Form GST494 “Goods and Services Tax/Harmonized Sales Tax Return for Selected Listed Financial Institutions” within six months of its fiscal year. Every insurer (except a SLFI that has a fiscal-year reporting period) must file Form GST34 “Goods and Services Tax/Harmonized Sales Tax Return for Registrants” within either six months of its fiscal-year reporting period or one month of its quarterly or monthly reporting period.
3. Federal and Quebec instalments are due one month after each quarter.
4. British Columbia will revoke its 12% HST and reinstate the 7% Social Services Tax and 5% GST. This change is targeted for March 31, 2013. See [page 5](#) for more information.
5. Ontario 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. The Quebec Sales Tax rate increased from 7.5% to 8.5% on January 1, 2011, and will increase to 9.5% on January 1, 2012. The rate is imposed on the GST inclusive consideration. 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.

Corporate income tax rates for 2011

The following rates, which have been pro-rated for a December 31, 2011 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 (\$400,000 in Manitoba and Nova Scotia).

Basic federal rate	38%	
Provincial abatement	-10%	
General rate reduction	-11.5%	
Total federal rate	16.5% ¹	
	Provincial	Provincial + 16.5% federal
Alberta	10%	26.5%
British Columbia	10% ¹	26.5%
Manitoba	12% ¹	28.5%
New Brunswick	10.5% ¹	27%
Newfoundland and Labrador	14% H	30.5%
Northwest Territories	11.5%	28%
Nova Scotia	16%	32.5%
Nunavut	12%	28.5%
Ontario ²	11.75% ¹	28.25%
Prince Edward Island	16%	32.5%
Quebec	11.9% H	28.4%
Saskatchewan	12%	28.5%
Yukon	15%	31.5%

H Tax holidays are available to certain corporations.

- Recent and future income tax changes are outlined on [pages 1 to 7](#).
- 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 2011¹

			Life ¹	Non-life ¹
Federal	Part VI financial institutions capital tax ²	On first \$1 billion taxable capital	Nil	
		On taxable capital > \$1 billion	1.25%	
Alberta				
British Columbia				
Manitoba³				
New Brunswick				
Newfoundland and Labrador				
Northwest Territories				
Nova Scotia⁴	If taxable capital < \$10 million	On first \$5 million taxable capital	Nil	
		On taxable capital > \$5 million	0.15%	
		If taxable capital ≥ \$10 million	0.075%	
Nunavut				
Ontario and Quebec^{5,6}	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%		
Prince Edward Island				
Saskatchewan				
Yukon				

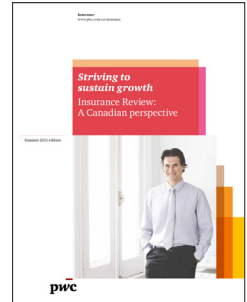
1. All rates in this table are for a December 31, 2011 year end. When applying the thresholds, taxable capital of all companies in a group is considered.
2. The federal Part VI tax is reduced by the corporation's federal income tax liability. Any unused federal income tax liability can be applied to reduce the Part VI tax for the previous three years and the next seven.
3. Manitoba's general capital tax was eliminated on January 1, 2011. See [page 5](#).
4. Recent and future changes in Nova Scotia are outlined on [page 6](#).
5. Ontario capital tax may be reduced by the Ontario income tax and corporate minimum tax payable for the year.
6. Quebec capital tax may be reduced by the Quebec income tax payable for the year.

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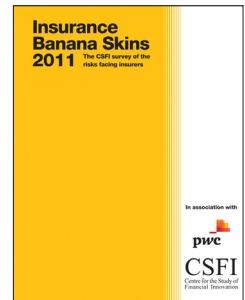
Insurance Club EyeOpener Webcast and Breakfast Series

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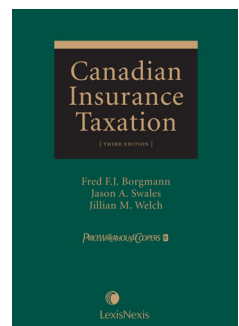
Insurance Banana Skins 2011: The CSFI survey of the risks facing insurers

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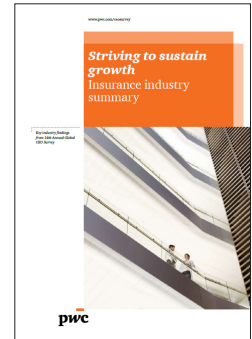
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IFRS: Canadian insurance industry

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