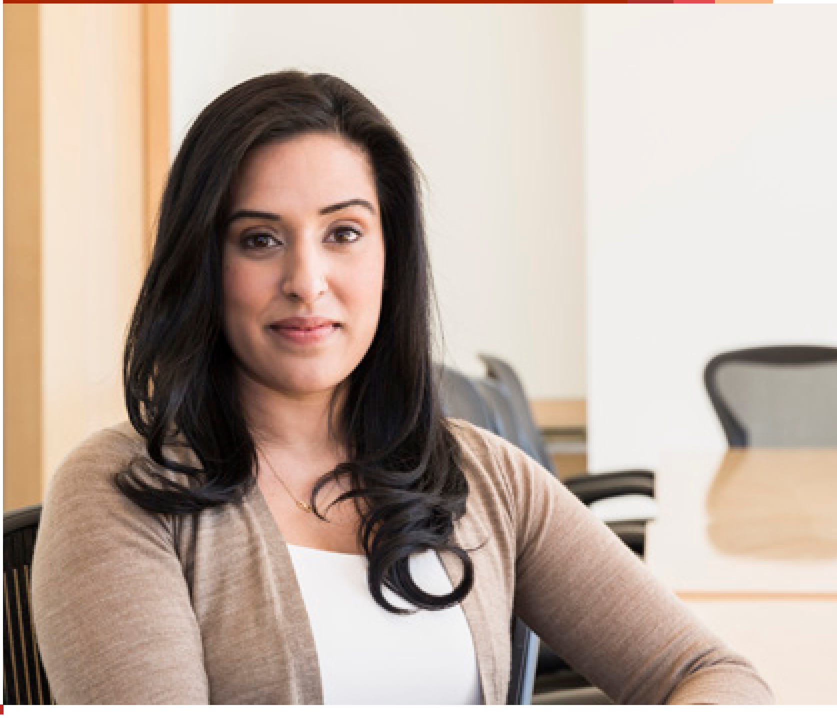
www.pwc.com/ca/insurancekeytaxrates

Insurance industry

Key tax rates and updates

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

2013



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Insurance industry:

Key tax rates and updates

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

Contents

Insurance help—Who to contact

For more information, please contact:

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Some cautions

Rates and other information are current to August 27, 2013, 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 2013

Combined federal and provincial/territorial corporate income tax rates are listed on page 14.

Status of changes for accounting purposes

Income tax changes will be recognized for accounting purposes:

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

Tables on pages 1 to 9 show whether corporate tax rate changes effective after 2011 are recognized for accounting purposes. All information is current to August 27, 2013.

Federal changes

Federal general corporate income tax rate

The federal general corporate income tax rate has decreased:

		Rate	Recognized for accounting purposes? Canada	US
Effective date	Before January 1, 2012	16.5%	Yes	Yes
	January 1, 2012	15%[1]	Yes	Yes

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

Corporate loss trading

An anti-avoidance measure to support the restrictions on the deductibility of losses, and the use of certain other tax benefits, after certain share acquisition transactions, will generally apply for shares acquired after March 20, 2013.

Taxation of corporate groups

The government has determined that moving to a formal system of corporate group taxation is not a priority. It will continue to work with the provinces and territories to address their concerns on loss utilization.

Tax avoidance

Newly enacted legislation makes an 'avoidance transaction' meeting certain conditions a 'reportable transaction' that must be reported to the Canada Revenue Agency (CRA), generally for transactions entered into after 2010, and for those that are part of a series of transactions that commenced before 2011 and that are completed after 2010.

Tax compliance reporting

The government wants to implement common-sense solutions to barriers identified by Canadian businesses, such as Canadian tax compliance reporting. See our *Tax memo* 'Red Tape Reduction Action Plan – What it means for tax compliance' at **www.pwc.com/ca/taxmemo**.

Leveraged life insurance arrangements

Certain tax benefits are eliminated for:

- 'leveraged insured annuities' – generally for taxation years ending after March 20, 2013, annual accrual-based taxation applies, premiums are not deductible and death benefits no longer increase a private corporation's capital dividend account (CDA)
- 10-8 arrangements – no deductions are allowed for interest on related borrowings and insurance premiums that relate to a period after 2013, and the CDA is not increased for death benefits that become payable after 2013 and are associated with the borrowing

Life insurers and policyholders

Draft legislative proposals, effective upon royal assent, amend the taxation of life insurance policies generally issued after 2015. Key changes amend the determination of:

- whether a life insurance policy is an exempt policy
- what types of transactions give rise to a disposition of an interest in a policy
- the tax treatment of a disposition of an interest in a policy (having regard to both the adjusted cost basis of the interest and the proceeds of disposition)

The proposals also include consequential amendments to the life insurer's investment income tax.

Trusts

- The rules that constrain arm's length 'loss trading' are extended to trusts in certain situations, generally for transactions occurring after March 20, 2013.
- The government will explore eliminating the tax benefits that arise from the graduated tax rates used by certain grandfathered inter vivos trusts, testamentary trusts and estates.
- Draft legislative proposals that apply after July 24, 2012, counter the Tax Court of Canada decision in **Richard Lewin Re: The J.J. Herbert Family Trust #1 v. the Queen**, which had addressed situations in which a Canadian resident trust makes an amount payable to a non-resident beneficiary, but pays or credits the amount after the trust ceases to be resident in Canada.

Non-resident trusts (NRTs)

- Newly enacted legislation refines the NRT rules that generally apply to taxation years ending after 2006 (earlier if elected). Trusts subject to these rules will be deemed resident for Canadian income tax purposes. See our:
  - *Tax memo* 'October 24, 2012 Notice of Ways and Means Motion: "Final" version of non-resident trust rules' at **www.pwc.com/ca/taxmemo**
  - *Tax Insights* 'Non-resident trust rules enacted: Transitional measures to consider' at **www.pwc.com/ca/taxinsights**
- For taxation years ending after March 20, 2013, a NRT other than an 'immigration trust' will be deemed to be resident in Canada if a Canadian-resident taxpayer transfers or lends property to the trust (regardless of the consideration received) and the property held by the trust may revert to the taxpayer, pass to persons to be determined by the taxpayer, or be disposed of only with the taxpayer's consent.

Offshore investment funds

Newly enacted legislation maintains the enacted provision for investments in offshore investment funds, but increases the prescribed income percentage by 2%, and extends the statute-barred period for taxpayers that have invested in these funds by three years, for taxation years ending after March 4, 2010. See our *Tax memo* 'October 24, 2012 Notice of Ways and Means Motion: Offshore investment fund rules revised' at **www.pwc.com/ca/taxmemo**.

Thin capitalization rules

For taxation years beginning after 2013, the thin capitalization rules will apply to Canadian-resident trusts and to non-resident corporations and trusts that operate in Canada.

Foreign affiliates

Newly enacted legislation and draft legislative proposals relating to the taxation of Canadian corporations with foreign affiliates is the culmination of legislative developments that started a decade ago. See our:

- *Tax Insights* at **www.pwc.com/ca/taxinsights**:
  - 'Bill C-48 gets royal assent: Implications for Canadian companies with foreign affiliates'
  - 'July 12, 2013 draft legislative proposals: Implications for foreign affiliates'
- *Tax memos* at **www.pwc.com/ca/taxmemo**:
  - 'Comprehensive income tax package released: Long-awaited foreign affiliate amendments included'
  - 'October 24, 2012 Notice of Ways and Means Motion: Changes to upstream loan and foreign tax credit generator rules'

Shareholder loans

Non-resident controlled Canadian corporations are permitted to make certain loans to foreign parent companies or related non-resident companies without incurring the deemed dividend withholding tax, generally for loans received or indebtedness incurred after March 28, 2012. This change also applies to loans made by, or to, certain partnerships. See our *Tax memo* 'Legislation tabled October 15, 2012: Foreign affiliate dumping and shareholder loan rules' at **www.pwc.com/ca/taxmemo**.

'Foreign affiliate dumping' rules

A variety of transactions described as 'foreign affiliate dumping' transactions, which involve an investment in a foreign affiliate by a corporation that is both resident in Canada and controlled by a non-resident of Canada, have been curtailed, generally for transactions occurring after March 28, 2012. See our *Tax memo* 'Legislation tabled October 15, 2012: Foreign affiliate dumping and shareholder loan rules' at **www.pwc.com/ca/taxmemo**.

Draft legislative proposals that further refine the foreign affiliate dumping rules were released on August 16, 2013.

Tax evasion and aggressive tax avoidance

To help the CRA combat international tax evasion and aggressive tax avoidance:

- starting in 2015, certain financial intermediaries will be required to report international electronic funds transfers of $10,000 or more
- upon royal assent to the enacting legislation, the court order process for obtaining information or documents from a third party will be streamlined
- the 'Stop International Tax Evasion Program' will be launched, under which the CRA will compensate certain persons who provide information that leads to the assessment or reassessment of over $100,000 in federal tax

Foreign Income Verification Statement (Form T1135)

Changes:

- extend the normal assessment period for this form by three years if the taxpayer fails to report income from a specified foreign property and a Form T1135 for the year was not filed on time or a specified foreign property was not, or not properly, identified on the form
- require more detailed information to be reported on the form, starting taxation years ending after June 30, 2013

See our *Tax Insights* 'More details needed on Foreign Income Verification Statement (Form T1135): Ensure you comply' at **www.pwc.com/ca/taxinsights**.

Treaty shopping

The federal government will explore methods to protect the integrity of Canada's tax treaties while preserving a business tax environment that is conducive to foreign investment. See our *Tax Insights* 'Preventing treaty shopping: Finance seeks input on possible measures' at **www.pwc.com/ca/taxinsights**.

Tax Information Exchange Agreements (TIEAs)

Canada is negotiating eight TIEAs and has signed six. Sixteen have entered into force (one on behalf of five jurisdictions).

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

Draft regulations relating to Selected Listed Financial Institutions (SLFIs), which became effective July 1, 2010, are now enacted and affect insurers as follows:

- The definition of a SLFI is amended to deem an insurer to be a 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. A 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).

Automobile deductions and benefits

The 2013 prescribed rates will:

- remain at their 2012 levels for purposes of determining capital cost allowance, interest and leasing deductions
- be 1¢ per kilometre higher than for 2012 for purposes of determining automobile allowance deductions, tax-exempt allowances and taxable benefits

For more information, see *Car expenses and benefits – A tax guide (2013)* at **www.pwc.com/ca/carexpenses**.

Prescribed interest rate for taxable benefits

The federal prescribed interest rate for taxable benefits will increase from 1% to 2% on October 1, 2013. See our *Tax Insights* 'Taxable benefit rate rising to 2%: Act before October 1, 2013' at **www.pwc.com/ca/taxinsights**.

Retirement savings plans and deferred profit sharing plans

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

<table>
<tr><th></th><th>Registered retirement savings plans (RRSPs)</th><th>Defined contribution registered pension plans (RPPs)</th><th>Deferred profit sharing plans (DPSPs)</th></tr>
<tr><td>2012</td><td>$22,970</td><td>$23,820</td><td>$11,910</td></tr>
<tr><td>2013</td><td>$23,820</td><td>$24,270</td><td>$12,135</td></tr>
<tr><td>2014</td><td>$24,270</td><td colspan="2" rowspan="2">Indexed</td></tr>
<tr><td>2015</td><td></td></tr>
</table>

Defined benefit registered pension plans (RPPs)

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

	Pension benefit (per year of service)
2012	$2,647
2013	$2,697
2014	Indexed

Registered pension plans (RPPs)

For RPP contributions made on or after the later of January 1, 2014, and royal assent of the enacting legislation, RPP administrators will be able to refund contributions to correct reasonable errors without first obtaining the CRA's approval, if the refund is made by December 31 of the year following the year in which the inadvertent contribution was made.

Provincial changes

Alberta

Insurance

Changes that affect insurance companies:

- require the same policy reserves to be claimed for Alberta and federal tax purposes, effective taxation years ending after December 10, 2012
- provide technical amendments to the rules for calculating the insurance premiums tax

British Columbia

General corporate income tax rate

British Columbia's general corporate income tax rate increased:

		Rate	Recognized for accounting purposes?	
			Canada	US
Effective date	**Before April 1, 2013**	10%	Yes	
	April 1, 2013	11%[1]		

1. British Columbia's Bill 2 (June 27, 2013 budget bill) increases the general rate to 11% on April 1, 2013 (the 2012 budget had announced that the increase would occur on April 1, 2014, but would be triggered only if the province's fiscal situation worsens).

Harmonized Sales Tax (HST)

On April 1, 2013, the 12% HST was cancelled and replaced with a 7% Provincial Sales Tax (PST) and the 5% federal Goods and Services Tax (GST)). Transitional rules apply. See our *Tax memos* at **www.pwc.com/ca/taxmemo**:

- 'British Columbia PST regulations released'
- 'Re-implementation of British Columbia Provincial Sales Tax: Transitional rules'
- 'Eliminating the HST in British Columbia: Canada's Department of Finance proposes transitional rules'

Manitoba

General corporate income tax rate

Manitoba's general corporate income tax rate had been scheduled to decrease from 12% to 11%, at a date to be determined, subject to balanced budget requirements. Manitoba is no longer considering this reduction.

Data Processing Investment Tax Credit

Enhancements:

- extend the credit to companies not engaged primarily in data processing in Manitoba but that acquire at least $10 million of incremental eligible data processing equipment in a taxation year in Manitoba (applies to property purchased or leased and made available for use in Manitoba after April 16, 2013, and before 2016)
- increase the credit rate from 7% to 8% for 'data processing centre equipment' and from 4% to 4.5% for 'data processing buildings,' starting July 1, 2013

Provincial Sales Tax (PST)

Manitoba will increase its 7% PST rate to 8% from July 1, 2013, to June 30, 2023.

New Brunswick

General corporate income tax rate

New Brunswick's general corporate income tax rate increased:

		Rate	Recognized for accounting purposes? Canada	Recognized for accounting purposes? US
Effective date	Before July 1, 2013	10%[1]	Yes	
	July 1, 2013	12%		

1. The rate was to have dropped to 8% on July 1, 2012, but this was repealed.

Nova Scotia

Capital tax rate

Nova Scotia's general capital tax has been phased out:

		Taxable capital < $10 million	Taxable capital ≥ $10 million
Effective date	Before July 1, 2012	0.1%	0.05%
	July 1, 2012	Nil	

Harmonized Sales Tax (HST)

Nova Scotia will reduce its HST rate from 15% to 14% by July 1, 2014, and to 13% by July 1, 2015 (i.e. the provincial portion of the HST will decrease from 10% to 9% and to 8%, respectively).

Ontario

> Because the Ontario government is in a minority, it is uncertain whether Ontario tax changes that have not been enacted into law will proceed. At the publication date, the 2013 Ontario budget measures had not been enacted.

General corporate income tax rate

Ontario's general corporate income tax rate is frozen at 11.5% until the province returns to a balanced budget (scheduled for 2017-2018). The rate was to have dropped to 11% on July 1, 2012, and to 10% on July 1, 2013.

Employer Health Tax (EHT)

The calculation of Ontario's EHT will be revised as follows:

Rate	Before January 1, 2014 Total payroll[1]	Before January 1, 2014 Payroll tax	After December 31, 2013 Total payroll[1]	After December 31, 2013 Payroll tax
1.95%	Over $400,000	(Payroll - $400,000) x 1.95%	Over $5,000,000	Payroll x 1.95%
			$450,000 to $5,000,000	(Payroll - $450,000) x 1.95%
0%	$0 to $400,000	$0	$0 to $450,000[2]	$0

1. Associated employers must aggregate their payroll costs to apply the thresholds.
2. The $450,000 exemption will be indexed every five years (expected to be $500,000 in 2019). It will not be available to private-sector employers with annual Ontario payrolls over $5 million.

Tax avoidance

- Closing loopholes:
  - Ontario and the federal government have negotiated an agreement for enhanced compliance activities focused on aggressive international tax planning
  - Ontario will implement disclosure rules for aggressive tax avoidance transactions, similar to proposed federal rules
  - Ontario will work with the federal government to strengthen the integrity of the tax system, specifically targeting transactions that avoid provincial tax by shifting profit or losses between provinces
- Enhancing audit – Ontario will expand the use of its automated risk assessment system to identify tax accounts that pose the highest risk of tax loss

Prince Edward Island

Harmonized Sales Tax (HST)
On April 1, 2013, a 14% HST (i.e. 9% provincial component plus the 5% federal Goods and Services Tax (GST)) replaced the combined Provincial Sales Tax (PST)/GST rate of 15.5% (i.e. 10% PST, which applied on the 5% GST). Transitional rules apply.

Quebec

> Because the Quebec government is in a minority, it is uncertain whether Quebec tax changes that have not been enacted into law will proceed. At the publication date, the November 20, 2012 Quebec budget measures had not been enacted.

Compensation tax for insurers
On January 1, 2013, the tax rate decreased from 0.55% to 0.3%, and will be nil after March 31, 2019. (The rate was to have decreased to 0.2% on January 1, 2013, and to nil after March 31, 2014.)

Health Services Fund
The measure that, starting 2013, would have allowed employers to reduce contributions to this fund for employees who are 65 or older, has been indefinitely deferred.

Refundable tax credit for damage insurance firms
Eligible damage insurance firms that incur eligible expenditures reasonably attributable to the firm's damage insurance activities in Quebec during the firm's most recent taxation year ended before January 1, 2013, can receive a tax credit of 7.5% in 2013, 5% in 2014 and 2.5% in 2015.

Compensation tax for insurance brokers
Retroactive to January 1, 2013, a financial institution in the 'any other person' category, which includes insurance brokers, will be exempt from the compensation tax on payroll. However, if that financial institution made a joint election under section 150 of the *Excise Tax Act*, with a bank, a loan, trust or security trading company, a savings and credit union, or an insurance company (or with any person that made this joint election), the tax will be imposed at a rate of 0.9%, until its elimination on April 1, 2019.

Trusts

- Tax rate – increases from 24% to 25.75% for inter vivos trusts (including mutual fund and specified investment flow-through trusts), commencing 2013 taxation years
- Returns – for taxation years starting after November 20, 2012, changes:
  - add three situations in which certain trusts liable for Quebec tax must file tax returns
  - require trusts that reside in Canada outside Quebec and that own rental immovable property in Quebec to file information returns
- Non-resident trusts – Commencing 2013 taxation years, the tax rate that applies to an inter vivos trust that does not reside in Canada will increase from 5.3% to 7.05% on property income from the rental of immovable properties located in Quebec.

Quebec Sales Tax (QST)

On January 1, 2013:

- the QST was further harmonized with the GST and the QST rate increased from 9.5% to 9.975% (with the QST being calculated exclusive of GST and no longer on the GST included amount); the effective combined GST and QST rate remains 14.975%
- supplies of financial services became exempt (instead of being zero-rated), thereby affecting the input tax credit entitlements for financial institutions

See our *Tax memos* at **www.pwc.com/ca/taxmemo**:

- 'QST to be harmonized with GST by 2013'
- 'QST harmonization: Draft legislation has important implications for financial services and others'

Saskatchewan

General corporate income tax rate

Saskatchewan's general corporate income tax rate is decreasing:

		Rate	Recognized for accounting purposes?	
			Canada	US
Effective date	**July 1, 2008**	12%	Yes	
	To be determined	10%[1]	Not as of August 27, 2013	

1. Subject to affordability and sustainability within a balanced budget.

Newfoundland and Labrador, Northwest Territories, Nunavut and Yukon

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

Recent tax cases

Recent tax cases relating to insurance that may be of interest follow:

Requirement for information (Life insurance '10-8' plans)

In **The Minister of National Revenue v. RBC Life Insurance Company et al.**, the Federal Court of Appeal (FCA) dismissed the Minister's appeal of the Federal Court's (FC's) decision. The FC had cancelled orders that required insurance companies to provide information on the holders of their '10-8' life insurance plans because the Minister failed to disclose all relevant information. The FCA held that the FC findings could be set aside only if there was palpable or overriding error.

Seizure of life insurance policies

In **The London Life Insurance Company v. The Queen**, the Minister had applied to the FC to have two orders issued to London Life Insurance Company to seize 11 insurance policies, of which Projexia Conseils Inc. was the owner and beneficiary. The Minister had already certified under section 223 of the *Income Tax Act* that Projexia Conseils Inc. owed $1,225,278 plus interest to the Minister. London Life Insurance Company appealed to the FC to cancel the two orders, or in the alternative, 'that a new order be made such that any amount due will become due when the insured risk materializes or when the judgment debtor, Projexia, requests the surrender value of the policies.' The FC dismissed London Life Insurance Company's appeal.

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.)

<table>
<tr><th colspan="2" rowspan="2">Federal tax dates</th><th colspan="2">Payments</th><th rowspan="2">Returns</th></tr>
<tr><th>Instalments</th><th>Balance</th></tr>
<tr><td rowspan="2">Corporate income tax; Financial institutions capital tax</td><td>Some Canadian-controlled private corporations</td><td rowspan="3">Last day of each month[1]</td><td>March 31</td><td rowspan="5">June 30</td></tr>
<tr><td>All other insurers</td><td rowspan="2">February 28</td></tr>
<tr><td colspan="2">Life insurer's investment income tax</td></tr>
<tr><td colspan="2">Branch tax</td><td colspan="2" rowspan="2">June 30</td></tr>
<tr><td>Non-resident tax</td><td>T2016</td></tr>
<tr><td rowspan="2">Transactions with non-residents</td><td>NR4[2]</td><td colspan="2" rowspan="4">n/a</td><td>March 31</td></tr>
<tr><td>Related-party transactions: T106</td><td rowspan="2">June 30</td></tr>
<tr><td rowspan="2">Foreign property reporting</td><td>T1135[3], T1141 and T1142</td></tr>
<tr><td>T1134[4]</td><td>15 months after year end</td></tr>
<tr><td colspan="2">Federal excise tax – unlicensed insurance</td><td colspan="3">April 30</td></tr>
<tr><td colspan="2">Insurers not registered for GST that import taxable supplies</td><td colspan="3">1 month after month of importation</td></tr>
<tr><td>Financial institution GST/HST annual information return[5]</td><td>GST111 Schedule 1</td><td colspan="2">n/a</td><td>June 30</td></tr>
</table>

<table>
<tr><th colspan="2" rowspan="2">Provincial tax dates</th><th colspan="2">Payments</th><th rowspan="2">Returns</th></tr>
<tr><th>Instalments</th><th>Balance</th></tr>
<tr><td rowspan="2">Corporate income tax (Alberta; Quebec)</td><td>Some Alberta Canadian-controlled private corporations</td><td rowspan="2">Last day of each month[1]</td><td>March 31</td><td rowspan="2">June 30</td></tr>
<tr><td>All other insurers</td><td>February 28</td></tr>
<tr><td rowspan="2">Capital tax</td><td>Life insurers in Ontario</td><td colspan="3">Same as federal corporate income tax</td></tr>
<tr><td>Life insurers in Quebec</td><td colspan="3">Same as provincial corporate income tax</td></tr>
</table>

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. Changes to Form T1135 are discussed on page 4.
4. Forms T1134A and T1134B have been combined into one form, Form T1134, that is to be used for taxation years starting after 2010.
5. GST 111 must be filed by financial institutions that are GST/HST registrants and have total annual revenues exceeding $1 million.

Canadian premium and fire tax – Rates and deadlines

Rates[1]				Deadlines		
Premium tax				Instalments		
Life, accident and sickness	Property and casualty	Fire tax[2]		Premium tax	Fire tax	Return and balance due
2%	3%	Nil	**Alberta**	Not required		75 days after year end
2%	4.4%	Nil	**British Columbia**[3]	If prior year's tax payable exceeds $25,000, 15th of June, September and December		March 31
2%	3%	1.25%	**Manitoba**	Last day of April, July, October and January		March 31
2%	3%	1%	**New Brunswick**	Last day of June, September and December		March 15
4%		Nil[5]	**Newfoundland and Labrador**	Varies[4]		March 20
3%	3% or 4%[5]	Nil[5]	**N.W.T. & Nunavut**	Not required		March 15
3%	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%[6]	Nil	**Ontario**	Varies[6]		Return: 6 months after year end Balance due: Same as federal income tax (page 11)
3.5%		1%	**Prince Edward Island**	Last day of each quarter		3 months after year end
2.3%	3.3%	Nil	**Quebec**[7]	Same as provincial income tax (page 11)		
3%	4%	1%	**Saskatchewan**[8]	Not required		March 15
2%	2% or 3%[9]	Nil[9]	**Yukon**	Not required		March 15

1. The rates in the table apply to licensed insurers. Different rates may apply to unlicensed insurers in some jurisdictions.
2. Fire tax rates are levied under *Fire Prevention Act* or similar legislation of each jurisdiction. For Northwest Territories, Nunavut and Yukon, footnotes 5 and 9 set out rates levied under other legislation relating to fire insurance premiums.
3. 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.
4. Newfoundland and Labrador's instalment deadlines are shown in the table to the right.
5. Northwest Territories and Nunavut impose an additional 1% tax on gross premiums in respect of fire insurance.
6. Ontario levies a premium tax rate of 3.5% on property insurance. Ontario's instalment deadlines are shown in the table to the right.
7. Quebec rates include 0.3% compensation tax on insurance premiums. The compensation tax was 0.55% before January 1, 2013, and will be nil after March 31, 2019.
8. Saskatchewan imposes an additional 1% tax on gross premiums in respect of motor vehicle insurance. Its premium tax rate on hail insurance is 3%.
9. 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]	One month after month end[b]
≥ $2,000 but < $10,000	Three months after quarter end[b]
< $2,000	Not required

a. This threshold must be met in both the current and previous year.
b. For taxation years that do not end on the last day of a month, instalments are due by the same day of the following month or quarter.

Sales tax – Rates and deadlines

	Tax	Rate	Filing conditions		Balance and returns: Reporting period	Balance and returns: Due after
Federal	GST[1]	5%	Default (Registrant)		Fiscal year	6 months[2,3]
			Elected (Registrant)		Fiscal quarter	1 month[2]
					Fiscal month	
Alberta	No provincial sales tax					
British Columbia	PST[4]	7%[4]	Annual tax	≤ $3,000	Fiscal quarter, semi-annual or year	1 month
				> $3,000 to $6,000	Fiscal quarter or semi-annual	
				> $6,000 to $12,000	Fiscal month or quarter	
				> $12,000	Fiscal month	
Manitoba	PST	8%[5]	Monthly tax	< $500	Calendar year	20 days
				$500 to $4,999	Calendar quarter	
				≥ $5,000	Calendar month	
New Brunswick	HST	13%	Same as federal GST			
Newfoundland and Labrador	HST	13%	Same as federal GST			
Northwest Territories	No territorial sales tax					
Nova Scotia	HST	15%[6]	Same as federal GST			
Nunavut	No territorial sales tax					
Ontario	HST	13%[7]	Same as federal GST			
Prince Edward Island	HST[8]	14%[8]	Same as federal GST			
Quebec	QST	9.975%[9]	Annual taxable sales	≤ $1,500,000	Fiscal year	3 months[3]
				> $1,500,000 to $6,000,000	Fiscal quarter	1 month
				> $6,000,000	Fiscal month	
Saskatchewan	PST	5%	Annual tax	< $3,600	Calendar year	20 days
				$3,600 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 (registered and non-registered) 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 registered insurer that is not a SLFI 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.
   Every non-registered insurer must file Form GST62, 'Goods and Services Tax/Harmonized Sales Tax (GST/HST) Return' monthly within one month after the month end.
3. Federal and Quebec instalments may be due one month after each quarter.
4. For British Columbia, the information applies starting April 1, 2013. Previously, a 12% HST applied (see page 6) and the HST filing conditions and reporting deadlines were the same as for the federal GST.
5. Manitoba also applies an 8% retail sales tax (RST) on certain insurance premiums. Manitoba's PST (which also applies to its RST) was 7% before July 1, 2013, and will revert to 7% after June 30, 2023.
6. Nova Scotia will reduce its HST rate from 15% to 14% by July 1, 2014, and to 13% by July 1, 2015 (i.e. the provincial portion of the HST will decrease from 10% to 9% and to 8%, respectively).
7. Ontario imposes a retail sales tax of 8% on other insurance premiums, with certain exceptions, e.g. individual life and health, and automobile premiums.
8. For Prince Edward Island, the information applies starting April 1, 2013. Previously, a 10% PST rate was imposed on the federal GST (see page 8), the PST return had to be filed for each calendar month and the return and any PST owing were due 20 days after the calendar month.
9. On January 1, 2013, the QST was further harmonized with the GST, and the QST rate increased from 9.5% to 9.975% (with the QST being calculated exclusive of GST and no longer on the GST included amount). The effective combined GST and QST rate remains 14.975%. See page 9. 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.

Corporate income tax rates for 2013

The following rates, which have been pro-rated for a December 31, 2013 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	-13%
Total federal rate	**15%**[1]

	Provincial	Provincial + 15% federal
Alberta	10%	25%
British Columbia	10.75%[1]	25.75%
Manitoba	12%[1]	27%
New Brunswick	11.01%[1]	26.01%
Newfoundland and Labrador	14% H	29%
Northwest Territories	11.5%	26.5%
Nova Scotia	16%	31%
Nunavut	12%	27%
Ontario[2]	11.5%[1]	26.5%
Prince Edward Island	16%	31%
Quebec	11.9% H	26.9%
Saskatchewan	12%[1]	27%
Yukon	15%	30%

H Tax holidays are available to certain corporations.

1. Recent and future income tax changes are outlined on pages 1 to 9.
2. 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.

Capital tax rates for 2013

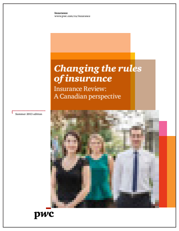
			Life[1]	Non-life[1]
Federal	Part VI financial institutions capital tax[2]	On first $1 billion taxable capital	Nil	
		On taxable capital > $1 billion	1.25%	
Alberta			No capital tax	
British Columbia			No capital tax	
Manitoba			No capital tax	
New Brunswick			No capital tax	
Newfoundland and Labrador			No capital tax	
Northwest Territories			No capital tax	
Nova Scotia[3]			No capital tax	
Nunavut			No capital tax	
Ontario[4] **and Quebec**[5]	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			No capital tax	
Saskatchewan			No capital tax	
Yukon			No capital tax	

1. All rates in this table are for a December 31, 2013 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. Recent changes in Nova Scotia are outlined on page 7.
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

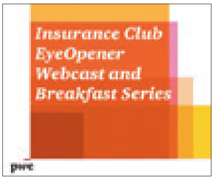
PwC issues numerous thought-leadership publications, including those listed below, for Canadian and international insurance and financial services industries. Copies can be obtained from our website at **www.pwc.com** or by contacting any of our Canadian insurance industry advisors, listed at the front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

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**. To subscribe, please email **financial.services@ca.pwc.com**.

Insurance Club EyeOpener Webcast and Breakfast Series



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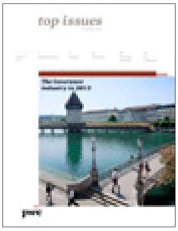

This publication describes in detail the challenges the insurance industry faces in 2013, and the strategies insurers can use to address them. Topics include: a practical approach to contingent business interruption modeling and risk assessment, improving the customer experience, improving the claims function, and financial reporting and tax compliance. To download it, visit **www.pwc.com/us/insurance**.

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This survey of the leading members of the insurance industry identifies potential sources of risks to the 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 also questions insurers on current risks, future trends and their preparedness to respond to the risk environment. To download a copy, visit **www.pwc.com/insurance**.

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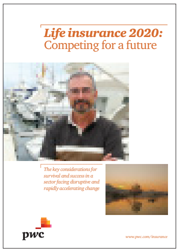
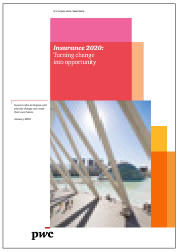


Insurance 2020: Turning change into opportunity

This research study explores not only the key drivers of change for the insurance industry as a whole, but also the implications for your insurance business. It is available at **www.pwc.com/insurance.**



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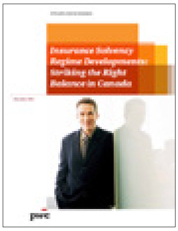

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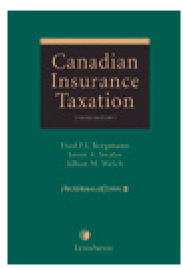
Canadian Insurance Taxation (Third Edition)



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**.

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