OASSIS
BENEFIT PLANS FOR NOT-FOR-PROFITS

# TAXABILITY OF YOUR EMPLOYEE BENEFIT PROGRAM

Employers should address the taxability of their benefits plan to ensure they are onside with CRA and Provincial tax guidelines while also maximizing the program for employees. The following information may be helpful for you.

**Group Life Insurance**: any premiums paid by the employer for an employee's Group Life Insurance are considered taxable. Therefore, the premiums paid by the employer on behalf of an employee must show on the employee's T4 as other income. If possible, premiums for this benefit should be 100% employee-paid so no taxable benefit is conferred upon the employee.

**Dependent Life**: the same rules apply as with Group Life Insurance.

**Accident Death and Dismemberment (AD&D)**: the same rules apply as with Group Life Insurance.

**Health and Dental**: premiums paid for these benefits can be 100% employer-paid and no taxable benefit is conferred upon the employee. These benefits are where the employer will want to focus their portion of the premiums in order to minimize the tax implications for employees.

**Long Term Disability**: these benefits can be set up in one of two ways: taxable or non-taxable.

1. Taxable: If the benefit is set up as taxable, premiums paid by the employer **do not** confer a taxable benefit to the employee. However, when an employee becomes disabled, the benefits received from the insurance company are deemed taxable income. (benefit is typically 66.67% of gross monthly income)
2. Non-Taxable: If the benefit is set up as non-taxable, the employee must pay for the entire premium. If an employee becomes disabled, any benefit received would not be taxed. (benefit is typically 60% of gross monthly income)

**Short Term Disability**: OASSIS only offers taxable Short Term Disability

For all benefits, any premiums paid by the employee are paid out of after-tax dollars (i.e. these deductions do not reduce an employee's taxable income). However, the employee contributions to premiums for Health and Dental benefits do qualify for a tax credit as medical expenses.

In conclusion, if employers are looking to cost-share premiums with their employees, consider the tax implications of the different benefits first so employees can take full advantage of their plan.