

DOCNUM 2012-0464171E5
REFDATE 130226
SUBJECT Group Sickness and Accident Insurance Plan
SECTION 6(1)(e.1); 6(1)(f)

Please note that the following document, although believed to be correct at the time of issue, may not represent the current position of the CRA. Prenez note que ce document, bien qu'exact au moment émis, peut ne pas représenter la position actuelle de l'ARC.

PRINCIPAL ISSUES: Whether 6(1)(e.1) applies to an employer's contribution to a group business travel accident insurance plan and a group occupational accident insurance plan.
POSITION: It is a question of fact but likely yes.
REASONS: Likely applies where the benefits are not payable on a periodic basis and/or the benefits are payable in respect of a sickness or accident when there is no loss of employment income.

XXXXXXXXXX

2012-046417
K. McCarthy

February 26, 2013

Dear XXXXXXXXXXXX:

Re: Group Sickness and Accident Insurance Plan

We are writing in response to your e-mail of September 26, 2012, concerning the taxation of a "group sickness and accident insurance plan" ("GSAI Plan"). You enquired whether paragraph 6(1)(e.1) of the Income Tax Act ("Act") applies to an employer's contribution to both a group business travel accident insurance plan and a group occupational accident insurance plan. Your third and fourth questions will be answered by the Trust Accounts Programs Division, Taxpayer Services and Debt Management Branch, of the Canada Revenue Agency ("CRA").

Our Comments

Employment benefits, whether provided in cash or in-kind, are generally included in an employee's income under the Act. Subject to a number of exceptions, if an employer contributes to a group insurance plan in respect of an employee, an amount is included in the employee's income either when the employer contributions are made to the plan or when benefits are received under the plan. Wage-loss replacement benefits payable on a periodic basis out of a GSAI Plan to which an employer has contributed, are included in an employee's income under paragraph 6(1)(f) of the Act (net of any previous contributions made by the employee) when the benefits are received. For more information, see Interpretation Bulletin IT-428, Wage Loss Replacement Plans, on the CRA website.

Paragraph 6(1)(e.1) of the Act includes the amount of an employer's contributions to a GSAI Plan in an employee's income for the year in which the contributions are made to the extent that the contributions are not in respect of a wage-loss replacement benefit payable on a periodic basis.

Paragraph 6(1)(e.1) applies in respect of employer contributions made on or after March 29, 2012, to the extent that the contributions relate to coverage after 2012, except that such contributions made on or after March 29, 2012, and before 2013 will be included in the employee's income for 2013.

The meaning of "GSAI Plan" used in paragraph 6(1)(e.1) is not defined in the Act. A GSAI Plan may be described very generally as an arrangement between an employer and employees under which provision is made for indemnification of an employee if an employee suffers a loss as a consequence of sickness, maternity or accident.

The determination of whether paragraph 6(1)(e.1) of the Act applies to an employer's contributions to a particular plan is a question of fact. In our view, paragraph 6(1)(e.1) of the Act likely does apply to an employer's contribution to both a group business travel accident insurance plan and a group occupational accident insurance plan on the assumption that the benefits are not likely payable on a periodic basis and/or the benefits are payable in respect of a sickness or accident when there is no loss of employment income.

We trust our comments will be of assistance to you.

Yours truly,

Nerill Thomas-Wilkinson, CPA, CA
Manager
for Director
Business and Employment Division
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