REAL SOLUTIONS FOR YOUR BUSINESS
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Are Insurance Premiums Deductible?

Can I deduct the premiums? That's a question you probably hear when you're presenting an insurance concept. Unfortunately, the answer is generally no – insurance premiums are usually not deductible for individuals or businesses. But there are exceptions. In this bulletin we will discuss when life, health and disability insurance premiums are and aren't deductible.

Insurance used in the business setting

When life, health or disability insurance is used in the following business settings, there may be some confusion over whether the premiums are deductible. Some of the confusion arises because other types of insurance premiums (property and liability, for example) can be deductible business expenses. Confusion also arises since insurance premiums may be deducted in some cases. This isn't because insurance premiums are by themselves deductible, but because the insurance premiums are treated as payments or contributions that are deductible.

- **A life or health insurance policy is owned by a shareholder, but the premiums are paid by the corporation:**
  - The premiums are treated as a shareholder benefit.[1]
    - Income to the shareholder.
    - Not deductible by the corporation unless:
      - the shareholder is also an employee,
      - the premiums are paid for the shareholder in their capacity as an employee, and
      - the premiums are a reasonable business expense.[2]
    - The shareholder and corporation should consult with their tax advisors.

[1] Canada Revenue Agency (CRA) document 2012-0435661C6, dated May 7-8, 2012. The CRA's guidance contained in its interpretation bulletins, responses to taxpayer inquiries and advance tax rulings is the CRA's interpretation of the law on a given subject and can help taxpayers plan their affairs in order to comply with the law. However, the CRA isn't bound by what it says in its interpretation bulletins or by its responses to taxpayer inquiries. The CRA is bound by the Income Tax Act (ITA) and Regulations, and by judicial decisions, all of which have the force of law. It's also bound by the Advance Tax Rulings (ATR) it issues, but only to the individual taxpayer who requested the ruling, and only as long as the circumstances outlined in the request for the ATR remain unchanged. The CRA is free to take a different position on a same or similar question or ruling request from a different taxpayer.

[2] Expenses are only deductible if they are incurred to earn income from a business or property (ITA paragraph 18(1)(a)).

- Life insurance death benefits are paid tax-free to the policyowner's beneficiary.
- Health and disability insurance benefits are paid tax-free to the policyowner.

- **A life or health insurance policy is owned by an employee, but the premiums are paid by the employer:**
  - The premiums are treated as taxable income to the employee.
  - The employer may deduct the premiums against business income as long as the premiums are a reasonable business expense.
  - Life insurance death benefits are paid tax-free to the policyowner's beneficiary.
  - Health and disability insurance benefits are paid tax-free to the policyowner.

- **Key person insurance – the employer owns and is the beneficiary of a life or health insurance policy on a key person employee or shareholder:**
  - The premiums aren't deductible.
  - There are no tax consequences to the insured person (employee or shareholder).
  - Life, health and disability insurance benefits are paid tax-free to the employer.
  - For life insurance policies owned by a corporation on a key person or shareholder, that part of the life insurance death benefit exceeding the policy's adjusted cost basis (ACB) may be posted to the corporation's capital dividend account (CDA). Capital dividends are paid to shareholders tax-free.
  - Any health or disability insurance benefits received by the corporation and subsequently paid to the key person are taxable to the key person:
    - If the key person is an employee (or a shareholder/employee who receives their benefit in their capacity as an employee):
      - The payment is treated as income to the employee.
      - The payment is deductible by the corporation if it's a reasonable business expense.
    - If the key person is a shareholder, the payment is treated as:
      - A dividend if the corporation declares a dividend.
        - The dividend tax credit may be available to reduce the tax payable on the dividend.
      - A shareholder benefit if the corporation doesn't declare a dividend, or if the corporation directs the insurance company to pay the insurance benefit directly to the shareholder.
    - Dividends and shareholder benefits aren't deductible to the corporation.

- **Shared ownership arrangements**
  - Two parties share ownership of an insurance policy. The way they split ownership will depend on their agreement and on the type of insurance policy they own.
  - The premiums aren't deductible.
  - If the parties share ownership of a life insurance policy, usually one party will own the policy's cash value while the other will own that part of the death benefit exceeding the policy's cash value:
    - The death benefits will be paid tax-free.
    - The CRA hasn't provided guidance on how to apportion the premium split between the owners. The CRA has said that if the shareholder/employee pays the same amount for their portion of the coverage that they would pay "for comparable rights available in the market under a separate insurance policy" no taxable benefit arises.[3]
    - The CRA has said, "It is our view that the benefit to be included in an employee/ shareholder's income in a particular taxation year from such a policy is the amount by which the premium cost for equivalent term coverage exceeds the premiums paid, if any, by the employee/shareholder under the policy."[4]
  - The parties will need to consult with their tax advisors.

[3] CRA document 9210640, dated May 11, 1992. This position was reaffirmed in CRA document 2012-0435661C6, dated May 7-8, 2012, referred to above.
[4] CRA document 9211120, dated May 6, 1992.

- If the parties share ownership of a critical illness insurance (CII) policy with a return of premium (ROP) benefit, usually one party will own the health benefit while the other will own the ROP benefit:
    - The CRA hasn't provided guidance on how to apportion the premium split between the owners. Many CII shared ownership arrangements apportion the premiums based on what the life insurance company charges for the respective benefits.
    - The ITA doesn't describe the taxation of health insurance policies and the CRA hasn't provided specific guidance on CII shared ownership arrangements.
    - The parties should consult with their tax advisors.

- **Shared benefit arrangements**
  - One party owns the policy, but the insurance benefits are split among different parties (including the party owning the policy).
  - The premiums aren't deductible.
  - The insurance benefits are received tax-free.

Life Insurance

Individuals and businesses may not deduct life insurance premiums. However, there are exceptions:

- **Group term life insurance** (the employer provides term life insurance coverage for its employees – each covered employee has a certificate of coverage):
  - The employer may deduct the premiums against business income as long as the premium payments are a reasonable business expense.
  - The employee must include the premium payments in income.
  - The employee's beneficiary receives the death benefit tax-free.

- **Charitable giving** (an individual or corporation donates a life insurance policy to a charity, and may continue to pay the premiums to keep the policy in force. An individual may also name a charity as the beneficiary. The charity will receive the death benefit when the individual dies):
  - An individual:
    - Owns a life insurance policy on their own life.
    - Donates the policy to a charity.
    - Continues to pay the premiums.
    - Includes the policy gain, if any, in income.
    - Claims a tax credit for the fair market value of the policy (the policy must be appraised by an independent actuary).
      - 15% federal tax credit for the value of gifts up to $200 in one year.
      - 29% federal tax credit for the value of gifts over $200 in one year.
      - Provincial tax credits may also be available.
    - Claims a tax credit for all life insurance policy premiums paid ***after*** the donation.
    - At the insured person's death, the death benefit is:
      - Paid tax-free to the charity.
      - Not treated as a donation.
  - An individual:
    - Owns a life insurance policy on their own life.
    - Names a charity as the beneficiary.
    - Continues to pay the premiums.
    - There's no deduction or tax credit for any premiums paid (even if the charity is named as an irrevocable beneficiary).

        - The death benefit is treated as a donation made immediately before the insured person's death.[5] A tax credit is available on the insured person's final return for the year of death and for the year before death.
    - A corporation:
        - Owns a life insurance policy on a key person's life (such as a shareholder's).
        - Donates the policy to a charity.
        - Continues to pay the premiums.
        - Includes the policy gain, if any, in income.
        - Deducts the fair market value of the policy from income.
        - Deducts all life insurance policy premiums paid ***after*** the donation.
        - At the insured person's death, the life insurance death benefit is:
            - Paid tax-free to the charity.
            - Not treated as a donation.

- **Registered life insurance policies** (the policy's cash value is a registered asset; the mortality component isn't):
    - Registered life insurance policies are rarely sold now (if at all), but some policies may still be in force. This discussion assumes that the policyowner is also the insured person.
    - The policyowner may not deduct that part of the premium attributable to the mortality risk (the amount of the death benefit exceeding the policy's cash value), but may deduct the rest of the premium (subject to having enough RRSP contributing room).
        - The life insurance company tells the policyowner which part of the premium is deductible and which part isn't.
    - The death benefit is paid tax-free to the beneficiary. However, that part of the death benefit equal to the policy cash value is treated as coming from an RRSP at death, and must be reported as income on the policyowner's terminal return, unless it's paid to a surviving spouse or financially dependent child.
    - A detailed discussion of the RRSP rules at death is beyond the scope of this article.

- **Policies used as collateral security for a loan** (the policyowner assigns a life insurance policy to a financial institution as collateral security for a loan):[6]
    - The loan must come from a financial institution, such as a bank, trust company, credit union or insurance company, not from a source that isn't in the business of lending money, like a relative or friend.
    - The financial institution must require, as a condition for granting the loan, the collateral assignment to it of a life insurance policy owned by the borrower.
    - The policyowner must assign the life insurance policy to the lender as security for the loan (the assignment won't be treated as a disposition of the policy, so no tax consequences will arise from the assignment itself).
    - After the assignment, the policyowner may deduct the lesser of the premiums they continue to pay and the net cost of pure insurance (NCPI).
    - For premiums or NCPI to be deductible, at least some of the loan interest must also be deductible.
    - There are restrictions on the types of income against which the policyowner may deduct the premiums or NCPI (generally the deduction may be used only against business income).
    - Deductibility will be limited to the amount of the premiums or NCPI that can reasonably relate to the loan amount outstanding.
    - If the insured person dies before the loan is paid, the financial institution receives the death benefit, but only to the extent of the outstanding loan. Any remaining proceeds of insurance are paid to the

[5] Changes in the 2014 Federal budget will affect donations at death. As of January 1, 2016 the donation will be deemed to have been made by the estate, as opposed to the individual immediately before death. This change will give the executor more flexibility in allocating the donation: to the year of death, to an earlier year before death, or to the last two taxation years of the deceased.

[6] The tax treatment for leveraged insured annuities and "10-8" strategies changed in 2013. A discussion of these changes is beyond the scope of this article.

policyowner's beneficiaries. The death benefit is tax-free whether paid to the financial institution or to the policyowner's beneficiaries.
  - Clients should consult with their tax advisors.

Health insurance provided by employers for employees

Employers may be allowed to deduct against business income the premiums they pay to provide employee benefits like critical illness insurance (CII), long term care insurance (LTCI) and personal health insurance (PHI), as long as the premium payments are a reasonable business expense.

Depending on the type of plan, an employee may have to include the premiums in income. Premiums paid for a group sickness or accident insurance plan (GSAIP) are included in an employee's income if the benefit is paid tax-free to the employee or their beneficiary. Because CII policies and income style LTCI policies are GSAIPs,[7] and because they pay tax-free benefits, the premiums an employer pays for these policies are included in the employee's income.

But premiums paid for a private health services plan (PHSP) aren't included in an employee's income. Generally, PHI policies and reimbursement style LTCI policies qualify as PHSPs.[8] Benefits from a PHSP are paid tax-free to the employee or their beneficiary.

In this section we discuss health insurance provided by employers for their employees; in the section immediately following this one, we discuss health insurance purchased by individuals and self-employed persons for their own use.

- **Group health insurance plans** (the employer provides CII, LTCI and PHI coverage, either one policy or all or some of the three, for its employees, their spouses and immediate family members through a group insurance policy – each covered employee has a certificate of coverage). Assuming that the plan qualifies as a GSAIP or PHSP:
  - The employer may deduct the premium payments against business income as long as the premium payments are a reasonable business expense.
  - The employee must include CII and income style LTCI premium payments in income.
  - PHI and reimbursement style LTCI premiums (where the LTCI policy qualifies as a PHSP) aren't included in income except in Quebec, where the employee reports those premiums as income on their provincial tax return only (not on their federal tax return).
  - Premiums paid for a shareholder, their spouse and covered family members are treated as shareholder benefits (taxable to the shareholder, but no deduction for the corporation) unless:
    - the shareholder is also an employee,
    - the premiums are paid for the shareholder in their capacity as an employee, and
    - the premiums are a reasonable business expense.
  - The shareholder and corporation should consult with their tax advisors.
  - Health insurance benefits paid to an employee, their spouse or covered family members are tax-free.

- **Grouped health insurance plans** (the employer creates a written plan to provide CII, LTCI and PHI coverage, either one policy or all or some of the three, for its employees, their spouses and immediate family members). The employer may own the policies, or each employee may own their policies personally. Assuming that the plan qualifies as a GSAIP or PHSP:
  - The employer may deduct the premium payments against business income as long as the premium payments are a reasonable business expense.
  - The employee must include CII and income style LTCI premium payments in income.

[7] Income style LTCI policies pay benefits as soon as the insured qualifies for benefits under the terms of the policy. Benefits are paid without regard to actual long term care expenses.
[8] Reimbursement style LTCI policies reimburse the policyowner for long term care expenses paid or payable by the policyowner. The CRA must review a reimbursement style LTCI policy to determine whether it qualifies as a PHSP.

    - PHI and reimbursement style LTCI premiums (where the LTCI policy qualifies as a PHSP) aren't included in income except in Quebec, where the employee reports those premiums as income on their provincial tax return only (not on their federal tax return).
    - Premiums paid for a shareholder, their spouse and covered family members are treated as shareholder benefits (taxable to the shareholder, but no deduction for the corporation) unless:
        - the shareholder is also an employee,
        - the premiums are paid for the shareholder in their capacity as an employee, and
        - the premiums are a reasonable business expense.
    - The shareholder and corporation should consult with their tax advisors.
    - Health insurance benefits paid to an employee, their spouse or covered family members are tax-free.

- **Health and welfare trusts (HWTs)** and **employee life and health trusts (ELHTs)** (the employer creates and funds a trust to provide health and welfare benefits for covered employees, their spouses and immediate family members. The trust buys CII, LTCI and PHI policies, either one policy or all or some of the three, for each trust beneficiary – the employee, their spouse and covered family members). Assuming that the plan qualifies as a GSAIP or PHSP:
    - The trust owns and pays the premiums for a policy or policies on each employee/trust beneficiary.
    - The employer may deduct against business income the contributions it makes to the trust to pay premiums, plus the trustee's reasonable expenses, as long as the contributions are a reasonable business expense.
    - The employee must include in income the employer's trust contributions that pay for CII and income style LTCI premiums.
    - Employer contributions that pay for PHI and reimbursement style LTCI premiums (where the LTCI policy qualifies as a PHSP) aren't included in income except in Quebec, where the employee reports those contributions as income on their provincial tax return only (not on their federal tax return).
    - Contributions paid for a shareholder, their spouse and covered family members are treated as shareholder benefits (taxable to the shareholder, but no deduction for the corporation) unless:
        - the shareholder is also an employee,
        - the contributions are paid for the shareholder in their capacity as an employee, and
        - the contributions are a reasonable business expense.
    - The shareholder and corporation should consult with their tax advisors.
    - Health insurance benefits are generally paid tax-free directly (or through the trustee) to the employee, spouse or family member.

Health insurance owned by individuals and self-employed persons (sole proprietors and partners, but not shareholders)

CII and income style long term care insurance (LTCI) policies

An individual or self-employed person may not deduct the premiums they pay for CII or income style LTCI policies that they own on themselves, or the premiums they pay for policies owned by or for their spouse or family members. They can't count those premiums as medical expenses towards a claim for the medical expense tax credit (METC). However, CII and income style LTCI policy benefits generally are paid tax-free.

PHI and reimbursement style LTCI policies – Individuals

An individual may not deduct the premiums they pay for PHI or reimbursement style LTCI policies that they own on themselves, or the premiums they pay for policies owned by or for their spouse or family members. However, if the policies qualify as PHSPs an individual may count those premiums as medical expenses towards a claim for the METC. PHI and reimbursement style LTCI policy benefits are generally paid tax-free.

PHI and reimbursement style LTCI policies – Self-employed persons

If the PHI or reimbursement style LTCI policy qualifies as a PHSP a self-employed person may deduct some or all of the premiums paid for policies on the self-employed person, their spouse, and family members living in their household. The rules are complex – the self-employed person should consult with their tax advisor. Here is a general overview of the rules:

- The self-employed person pays premiums for their own policy, and for policies on their spouse and family members (or a partnership pays premiums for a policy owned by a partner, their spouse and family members).
  - If the business has no full-time employees who've been with the business for at least three months:
    - The premiums are deductible, but only up to $1,500 per year each for the self-employed person, their spouse, and for each adult member of the self-employed person's household, and up to $750 per year for each member of the self-employed person's household under age 18.
    - Premiums that aren't deductible may count as medical expenses towards a claim for the METC.
  - If the business has full-time employees who've been with the business for at least three months, at least half of whom are "arm's length":[9]
    - The premiums are deductible, but deductibility is limited by:
      - the proportion of employees who receive benefits,
      - the level of benefits the employees receive compared to those received by the self-employed person, their spouse and family members, and
      - the proportion of the premiums (if any) that the employees pay for their own coverage.
    - Premiums that aren't deductible may count as medical expenses towards a claim for the METC.
  - If the business has full-time employees who've been with the business for at least three months, fewer than half of whom are "arm's length":
    - The same deductibility rules apply to this circumstance as apply where at least half of the employees are "arm's length", but subject additionally to the $1,500 and $750 caps referred to above.
    - Premiums that aren't deductible may count as medical expenses towards a claim for the METC.

Disability insurance (DI)

Disability insurance (DI) premiums are paid with after-tax dollars, but the benefits are received tax-free. However, there are exceptions:

- **Group DI** (the employer provides DI coverage for its employees – each covered employee has a certificate of coverage). Assuming that the plan is characterized as a wage loss replacement plan (WLRP) and qualifies as a GSAIP:
  - The employer may deduct the premium payments against business income as long as the premium payments are a reasonable business expense.
  - The employee doesn't report premiums as income, except in Quebec, where the employee reports premiums as income on their provincial tax return only (not on their federal tax return).
  - The employee may pay premiums, but may not deduct them (unless they receive disability income benefits, and then only to the extent of the disability income benefits they receive).
  - Premiums paid for a shareholder are treated as shareholder benefits (taxable to the shareholder, but no deduction for the corporation) unless:

[9] Arm's length employees aren't family members of the business owner. Further, if a non-family member employee owns part of the business, but not enough to control the business, he or she is an arm's length employee.

        - the shareholder is also an employee,
        - the premiums are paid for the shareholder in their capacity as an employee, and
        - the premiums are a reasonable business expense.
    - The shareholder and corporation should consult with their tax advisors.
    - DI policy benefits are included in the employee's income, but the employee may deduct from income all the premiums they paid in the year and in previous years (if not already deducted).

- **Grouped DI** (the employer creates a written plan to provide DI coverage for its employees). The employer may own the policies, or each employee may own their policies personally. Assuming that the plan is characterized as a WLRP and qualifies as a GSAIP:
    - The employer may deduct the premium payments against business income as long as the premium payments are a reasonable business expense.
    - The employee doesn't report premiums as income, except in Quebec, where the employee reports premiums as income on their provincial tax return only (not on their federal tax return).
    - The employee may pay some premiums, but may not deduct them (unless they receive disability income benefits, and then only to the extent of the disability income benefits they receive).
    - Premiums paid for a shareholder are treated as shareholder benefits (taxable to the shareholder, but no deduction for the corporation) unless:
        - the shareholder is also an employee,
        - the premiums are paid for the shareholder in their capacity as an employee, and
        - the premiums are a reasonable business expense.
    - The shareholder and corporation should consult with their tax advisors.
    - DI policy benefits are included in the employee's income, but the employee may deduct from income all premiums they paid in the year and in previous years (if not already deducted).

- **HWTs** and **ELHTs** (the employer creates and funds a trust to provide health and welfare benefits for covered employees). The trust buys DI policies for each employee/trust beneficiary. Assuming that the trust is characterized as a WLRP and qualifies as a GSAIP:
    - The trust owns and pays the premiums for a policy on each employee/trust beneficiary.
    - The employer may deduct against business income the contributions it makes to the trust to pay premiums, plus the trustee's reasonable expenses, as long as the contributions are a reasonable business expense.
    - The employee doesn't report the employer's trust contributions as income, except in Quebec, where the employee reports trust contributions as income on their provincial tax return (not on their federal tax return).
    - Contributions paid for a shareholder, their spouse and covered family members are treated as shareholder benefits (taxable to the shareholder, but no deduction for the corporation) unless:
        - the shareholder is also an employee,
        - the contributions are paid for the shareholder in their capacity as an employee, and
        - the contributions are a reasonable business expense.
    - The shareholder and corporation should consult with their tax advisors.
    - DI benefits are taxable income to the trust, but deductible to the trust when paid out to the trust beneficiary, and taxable income to the employee. But the employee may deduct from income all premiums they paid in the year and in previous years (if not already deducted).

- **Individually-owned policies** (the individual owns the policy and pays the premiums):
    - Individuals may not deduct DI premiums they pay on policies that they own. However, policy benefits are generally paid tax-free.

- **Policy owned by a self-employed person** (a sole proprietor or partner owns the policy and pays the premiums):
    - The policy is owned to protect against a loss of income-earning ability.
        - The premiums aren't deductible, but the policy benefits are paid tax-free to the policyowner.

- The policy is owned to pay overhead expenses while the insured person recovers from a disability.
    - A self-employed person may deduct premiums against self-employment income as long as the premiums are a reasonable business expense.
    - DI benefits are included in income.
    - Overhead expenses are deductible as long as they're reasonable business expenses.

- **Corporate owned policies**
  - **Shareholder dividend protection** (a corporation owns a DI policy on a shareholder and pays the premiums. The insurance proceeds are paid by the corporation to the shareholder if the shareholder suffers a disability).
    - The premiums aren't deductible.
    - DI benefits are paid tax-free to the corporation.
    - Any DI benefits received by the corporation and subsequently paid to the shareholder are taxed to the shareholder:
      - As a dividend if the corporation declares a dividend, or
      - As a shareholder benefit if the corporation doesn't declare a dividend, or if the corporation directs the insurance company to pay the insurance benefit directly to the shareholder.
    - The corporation may not deduct the payment of a dividend or shareholder benefit.
  - Shareholder benefits and dividends are included in the shareholder's income. The dividend tax credit may be available to reduce taxation on the dividend.
  - Overhead insurance protection (if a key person is disabled, a business' revenues may suffer but its overhead will continue as before – DI helps protect the business from the financial costs associated with a key person's disability).
    - The corporation may deduct the premiums against business income as long as the premium payments are a reasonable business expense.
    - DI benefits are included in the corporation's income.
    - Overhead expenses are deductible as long as they're reasonable business expenses.

- **Buy-sell insurance** (a disabled owner may need to sell their share of the business).
  - Cross purchase buy-sell (there are two approaches, depending on who's expected to buy the business: one approach is for each business owner to own a DI policy on each of their co-owners, a second approach is for key employee(s) or outsiders who've agreed to buy the business under a buy-sell agreement to own DI policies on the business owner or owners).
    - The premiums aren't deductible.
    - There are no tax consequences to the insured person.
    - The insurance benefits are paid tax-free to the policyowner.
    - The policyowner uses the insurance benefits to buy the disabled shareholder's shares (if the business is incorporated) or business interest (if the business is a partnership or if the business owner is a sole proprietor – applies only to purchases by key employees or outsiders).
  - Redemption buy-sell (the business owns a DI policy on each owner – applies only to corporations, and not to purchases by key employees or outsiders).
    - The premiums aren't deductible and aren't income to the insured person.
    - The DI benefit is paid tax-free to the corporation.
      - The corporation redeems the disabled shareholder's shares.
      - The shareholder treats the redemption proceeds as a dividend to the extent the proceeds exceed the shareholder's paid up capital.

Advising clients

There are only a few places in the ITA where life, health or disability insurance premiums are deductible. The best rule is to assume that the premiums aren't deductible until you find out otherwise.

Any examples presented in this article are for illustration purposes only. No one should act upon these examples or information without a thorough examination of the tax and legal situation with their own professional advisors after the facts of the specific case are considered.

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Tabular Summary – please see text above for more complete description

Insurance used in the business setting			
	Premiums deductible to employer, corporation or individual?	**Premiums income to shareholder or employee?**	**Insurance benefit taxable?**
Life or health insurance owned by an employee, premiums paid by the employer	Yes	Yes	No
Life or health insurance owned by a shareholder, premiums paid by the corporation	No, unless the shareholder receives the benefit as an employee	Yes	No
Key person insurance	No	No	No
Shared ownership arrangements	No	No	No for life insurance, uncertain for critical illness insurance
Shared benefit arrangements	No	No	No
Life insurance			
	Premiums deductible to employer, corporation or individual?	**Premiums income to shareholder or employee?**	**Insurance benefit taxable?**
Group term life insurance	Yes	Yes	No
Charitable giving – individuals	No – tax credit	N/A	No
Charitable giving – corporations	Yes	N/A	No
Registered life insurance policy	Partly	N/A	Partly
Policy used as collateral security for a loan	Yes, if certain conditions are met	N/A	No
Health insurance (CII, LTCI or PHI) provided by employers for employees			
	Premiums deductible to employer, corporation or individual?	**Premiums income to shareholder or employee?**	**Insurance benefit taxable?**
Group health insurance	Yes, if paid for employee No, if paid for shareholder	Yes for employee for CII and income style LTCI No for employee for reimbursement style LTCI and PHI (except on Quebec provincial tax return) Yes for shareholder	No
Grouped health insurance	Yes, if paid for employee No, if paid for shareholder	Yes for employee for CII and income style LTCI No for employee for reimbursement style LTCI and PHI (except on Quebec provincial tax return) Yes for shareholder	No
Health and welfare trust and employee life and health trust	Yes, if paid for employee No, if paid for shareholder	Yes for employee for CII and income style LTCI No for employee for reimbursement style LTCI and PHI (except on Quebec provincial tax return) Yes for shareholder	No

Health insurance (CII, LTCI or PHI) owned by individuals and self-employed persons (sole proprietors and partners, but not shareholders)			
	Premiums deductible to employer, corporation or individual?	**Premiums income to shareholder or employee?**	**Insurance benefit taxable?**
CII and income style LTCI	No	N/A	No
PHI and reimbursement style LTCI – individuals	No – but may qualify for medical expense tax credit (METC)	N/A	No
PHI and reimbursement style LTCI – self-employed persons	Yes, subject to limits[10]	N/A	No
Disability Insurance (DI)			
	Premiums deductible to employer, corporation or individual?	**Premiums income to shareholder or employee?**	**Insurance benefit taxable?**
Group DI	Yes, if paid for employee No, if paid for shareholder	No for employee (except on Quebec provincial return) Yes for shareholder	Yes
Grouped DI	Yes, if paid for employee No, if paid for shareholder	No for employee (except on Quebec provincial return) Yes for shareholder	Yes
Health and welfare trust and employee life and health trust	Yes, if paid for employee No, if paid for shareholder	No for employee (except on Quebec provincial return) Yes for shareholder	Yes
Individually owned policies	No	N/A	No
DI policy owned by self-employed person to replace income	No	N/A	No
DI policy owned by self-employed person to pay overhead expenses	Yes	N/A	Yes[11]
Corporate owned shareholder dividend protection	No	No	No[12]
Corporate owned overhead insurance	Yes	No	Yes[13]
Corporate owned buy-sell insurance	No	No	No

[10] Deductibility rules are complicated and not all the premiums may be deductible. Premiums that aren't deductible may count towards a claim for the medical expense tax credit (METC).
[11] However, the expenses that the insurance benefit is used to pay should be deductible.
[12] Corporation may not deduct premiums, but receives insurance benefit tax-free. Pays benefit to shareholder as taxable dividend. Corporation may not deduct dividend payment to shareholder.
[13] Ibid, note 10.