

Insurance - General Information

This *Guide* is currently under review and is being updated to reflect changes as a result of the implementation of the Harmonized Sales Tax in Ontario effective July 1, 2010.

About this Guide

The information in this *Guide* explains how Retail Sales Tax (RST) applies to insurance premiums. Please note that this *Guide* replaces the previous version dated March 2001. Revisions to previous content have been identified by a bar (|).

General

RST applies to premiums paid under contracts of insurance, contributions paid into funded plans, or on benefits paid out of unfunded plans, including amounts paid for:

Builder's Risk Policy

- a builder's risk policy. If a contractor takes out insurance on a building under construction, the insurance premium is taxable. This type of policy is not the same as a performance or payment bond which is not subject to RST.

Mortgage Insurance

- mortgage insurance. Mortgage insurance insures the life of an individual and is not insurance on property. If the insured is a resident of Ontario and the policy is group life insurance, RST must be collected on the premium regardless of where the property is located. If the mortgage insurance is an individual life insurance policy, RST is not payable on the policy. If a non-resident of Ontario purchases mortgage life insurance relating to property in Ontario, no RST is payable.

Ontario Property

- Ontario property insurance. Premiums paid on property located in Ontario are taxable even if the purchaser of the policy is not a resident of Ontario.

Cancellation Insurance Baggage Insurance

- trip cancellation insurance. This insurance is taxable when sold to an Ontario resident.
- baggage insurance. This insurance coverage is taxable when sold to an Ontario resident.

Retail Sales Tax Rates

Insurance Contracts

Premiums for all taxable insurance contracts, are taxable at the rate of **8 per cent**. This includes funded or unfunded plans and payments made into insurance schemes or compensation funds established by statute.

Tax-Exempt Premiums

RST does not apply to premiums for:

- reinsurance contracts
- contracts of insurance (other than contracts of group insurance or trip cancellation insurance) for the life, health or physical well-being of insured individuals. This can include individual life insurance purchased by a corporation or organization for creditor protection, buy-sell funding agreements, charitable donations, etc., that is payable to the corporation or organization on the death of the insured.

**Tax-Exempt
Premiums
(continued)**

- payments under annuity contracts
- an amount payable to obtain a surety
- a contract for the service, maintenance or warranty of tangible personal property
- property damage insurance in respect of property wholly outside Ontario, or other insurance (but not group insurance) in respect of risk, perils or events wholly outside Ontario
- trip interruption insurance. This insurance covers benefits and risks incurred totally outside Ontario, and is exempt if calculated and shown as a separate charge on the customer's invoice.
- insurance contracts entered into by individual foreign representatives and officials located in Ontario who are members of diplomatic missions, consular posts and international organizations
- premiums, assessments or contributions paid under the:
 - i) Canada Pension Plan
 - ii) *Crop Insurance Act* (Ontario)
 - iii) *Employment Insurance Act* (Canada)
 - iv) *Workers Compensation Act*.
- a contract of life insurance that includes an individual insured and members of his or her family or any other individual related to the insured by blood or adoption, under a single policy
- automobile insurance (after March 31, 2004)

Retail Sales Tax (RST) does not apply to premiums for the following types of insurance provided the purchaser provides a valid Purchase Exemption Certificate or valid Identity Card to obtain the exemption:

- commercial marine insurance purchased for a vessel where the purchaser of the vessel is exempt from RST. However, the portion of the premiums for commercial marine insurance paid to cover the following risks in Ontario would be taxable:
 - any transportation of the goods occurring in Ontario after the first storage (based on a portion of mileage within and outside Ontario if a portion of the transportation occurs outside Ontario)
 - storage in warehouses or retail outlets in Ontario until the goods are shipped outside Ontario or sold to consumers in Ontario
- contracts of insurance in respect of an aircraft where the purchaser of the aircraft is exempt from RST
- insurance contracts entered into by an employer in respect of employees who ordinarily work outside Ontario or whose salary is ordinarily paid outside Ontario, or in respect of former employees who are no longer resident in Ontario
- a contract of insurance entered into by a person in respect of an individual who is not ordinarily resident in Ontario
- a contract of insurance purchased out of premiums that had previously been paid into a benefits plan, or into an insurance scheme or compensation fund established by or under any Act of Canada or Ontario, and on which RST had been paid

**Tax-Exempt
Premiums**
(continued)

- a contract of insurance purchased to cover claims made under warranty contracts subject to Retail Sales Tax (RST), or a warranty that is included in the price of a manufacturer's product, but not including a contract of insurance intended to indemnify losses to a warrantor beyond a specified dollar limit
- insurance on agricultural property including farm buildings, structures, equipment, livestock, household property and recreational equipment normally located on the farm. To qualify for the exemption from RST, the property must be owned or leased to a person actively engaged in the business of farming and the property must be located on the farm as farm property
- a contract of bloodstock or livestock insurance purchased by a person engaged in the business of farming, to insure livestock against loss through death, sickness, accident or theft of the animal
- insurance contracts entered into by Status Indians, Indian bands, or band councils on their goods or real property situated on a reserve
- insurance contracts entered into by diplomatic organizations.

Refunds

Contracts of insurance for life, health, or physical well-being of insured individuals are exempt from RST, as well as those noted under the above heading, **Tax-Exempt Premiums**. A refund of RST would apply only to those contracts on which RST was collected at the time the premium was paid. Vendors may refund the RST to the insured on the reduced or cancelled premium amount within four years from the due date of the premium on which RST was collected.

More Information



Telephone:

1 866 ONT-TAXS (1 866 668-8297)

Teletypewriter (TTY) 1 800 263-7776



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ontario.ca/revenue and enter **682** in the find page field at the bottom of the webpage



Written Interpretation:

To obtain a written interpretation on a specific situation not addressed in this publication, please send your request in writing to:

Ministry of Revenue
Tax Advisory Services Branch
Retail Sales Tax Section
33 King Street West, 3rd Floor
Oshawa ON L1H 8H5

Disclaimer and References

The information contained in this publication is provided only as a guideline and is not intended to replace the legislation.

Legislative References:

Retail Sales Tax Act, Section 1, Subsections 2(16.1)(16.2)(16.3) and 2.1(2)(3)(4)(6.2)(8)(10)(16)(17)

Regulation 1012 under the Act, Section 18

Regulation 1013 under the Act, Subsections 3(3)(4) and Sections 3.1, 3.2 and 9

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