



# SOLO Disability Insurance – Tax implications

## SOLO Disability Insurance

	SOLO Disability Income		SOLO Loan Insurance	SOLO Living Expenses	SOLO Accident Disability Income	SOLO Business Expense
		Grouped policies				
Policyowner and premium payer <sup>1</sup>	Insured person	Employer	Insured person	Insured person	Insured person	Insured person <sup>6</sup>
Are premiums deductible? (as a business expense)	NO <sup>2</sup>	YES <sup>4</sup>	NO	NO	NO	YES <sup>7</sup>
Beneficiary (of the monthly benefit)	Insured person	Insured person	Insured person	Insured person	Insured person	Insured person <sup>6</sup>
Taxable benefit?	NO <sup>3</sup>	YES <sup>5</sup>	NO	NO	NO	YES <sup>8</sup>
<b>Return of premiums (rider)</b>						
Offered?	YES	NO	NO	NO	YES	NO
Beneficiary	Insured person	N/A	N/A	N/A	Insured person	N/A
Taxable benefit?	NO <sup>3</sup>	N/A	N/A	N/A	NO	N/A

<sup>1</sup> The Policyowner of a Desjardins Insurance SOLO Disability Insurance policy must be the insured person (excepting grouped policies), and it is generally the Policyowner who pays the premium.

<sup>2</sup> **Premiums paid for an individual disability income insurance policy are considered personal expenses.**

If premiums are paid by the employer, payment should be made "on behalf" of the employee, with the premiums transferred to the employee as a taxable benefit or via payroll deductions. If the premium is transferred to the insured as a taxable benefit (included in their salary or wages), it will be deductible for the employer on the condition that the insured person is considered an employee and not a shareholder.

<sup>3</sup> **If the insured person pays 100% of the premiums, any benefits they receive will not be considered taxable income.**

If the employer pays the premiums "on behalf of" the insured person (i.e., collected via payroll deductions or treated as a taxable benefit), any benefits received by the insured person will not be taxable.

<sup>4</sup> The premium is a deductible expense for the employer and is not a taxable benefit for the employee (the insured person).

<sup>5</sup> Monthly benefits are paid to the insured person and are considered taxable income. Federal and provincial income taxes are deducted at source by Desjardins Insurance, which issues the necessary tax slips.

<sup>6</sup> Desjardins Insurance allows the owner of an incorporated business to name their company as policyowner. A rider would be issued stipulating that disability benefits are to be paid to the policyowner on behalf of the insured person.

<sup>7</sup> May be deducted the portion of the premium that covers deductible overhead expenses actually incurred or paid by the insured person, regardless of whether or not the business is incorporated. For example: If the policy covers capital cost allowance, equipment depreciation expense or periodic payments of capital, the portion of the premium relating to these expenses would not be deductible; however, neither would any benefits received be taxable.

<sup>8</sup> Desjardins Insurance does not issue tax slips for benefits paid; it is the responsibility of the beneficiary to declare them. Any benefits received for overhead expenses must be included in the business's income, but actual expenses incurred will be considered deductible expenses for the purposes of calculating net income.

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