



TaxNewsFlash

Canada

Cross-Border Insurance — Remit Federal Tax by April 30

April 10, 2024

No. 2024-16

Businesses with certain kinds of cross-border insurance coverage may be required to self-assess and remit federal tax by April 30, 2024. In particular, businesses that have purchased insurance coverage from insurers outside Canada in 2023, or had insurance coverage from a global insurance policy that was acquired by an affiliated company in 2023 from insurers outside Canada, may be required to self-assess and remit this 10% federal tax. Businesses may also face provincial sales tax (PST) liabilities and insurance premium taxes owing if they have insurance coverage purchased from insurers that are not registered or licensed in certain provinces where they operate. Businesses should also be aware that insurance coverage purchased from insurers over electronic distribution platforms may be subject to these taxes.

Many types of insurance coverage may be subject to the 10% federal tax, PST and provincial insurance premium taxes, including cyber insurance and property insurance. Businesses subject to these cross-border insurance tax rules should review their coverage and determine whether they qualify for any federal or provincial exemptions. Businesses should ensure they comply with all related federal and provincial tax rules, including tax filing obligations and deadlines.

Federal tax on insurance premiums

Entities that are resident or carrying on business in Canada, may be subject to the 10% federal tax on certain insurance premiums paid or payable during the preceding calendar year. This 10% federal tax generally applies where a business or individual purchases cross-border insurance coverage for risks in Canada directly, or where the coverage is obtained on their behalf by a third party. For example, a corporation in Canada may be liable for tax on cross-border insurance if its parent company has acquired global insurance

(including excess layers) outside of Canada on behalf of the entire corporate group. The 10% federal tax may also apply where a business has insurance coverage with an insurer (including any exchange) licensed in Canada, but where the broker or agent is outside Canada.

Exclusions

In general, the 10% federal tax on cross-border insurance does not apply to certain types of insurance, such as life insurance, sickness or personal accident insurance and insurance against marine risks. The CRA may also provide relief to a business that can demonstrate that the particular type of insurance is effectively unavailable in Canada. To qualify for this exemption, the business must apply to the CRA and provide specific information and supporting documentation, such as five declination letters from authorized Canadian insurance companies to support their claim.

General reminder — PST and insurance premium taxes

Businesses may also face provincial tax liabilities for unpaid PST and insurance premium taxes and levies throughout the year if they have bought insurance coverage from insurers not registered in a particular province. The rules and deadlines to remit these taxes and levies vary between provinces.

Provinces with PST on certain insurance contracts

Five provinces apply PST to certain insurance contracts (i.e., Quebec, Ontario, Manitoba, Saskatchewan and Newfoundland and Labrador). Similar to the federal rules, a business that enters into contracts with insurers that are not registered in those provinces may be required to self-assess PST on the related insurance premiums. However, each of these provinces have their own PST rates, remittance deadlines, and rules. A business may face significant penalties for non-compliance. For example, Quebec can impose a penalty equal to 200% of the tax amount not paid or remitted.

Insurance sold through electronic distribution platforms may also be subject to specific PST rules. For example, Saskatchewan has specific rules for electronic distribution platforms which may require certain unlicensed insurers and marketplace facilitators to be registered and collect PST. Under these rules, insurers located outside of the province and marketplace facilitators may be required to register with the province and collect PST on retail sales of contracts of insurance made or facilitated through an electronic distribution platform. These rules apply even where the insurer or marketplace facilitator has no presence in that province and is not carrying on business there.

Provincial insurance premium taxes and levies

Businesses may also be liable for provincial insurance premium taxes or special levies as the insured person if the coverage is in a territory or a province where the insurer is not licensed (otherwise, the insurer is generally liable for these taxes). In some cases, these

businesses must disclose the insurance purchase to the provincial regulatory authorities within a particular time period and pay a regulatory charge.

Note that some provinces also make it a statutory offence to obtain insurance coverage for risks in the province from unlicensed insurers, unless the coverage is obtained through a "special broker". As such, businesses may want to seek legal advice prior to obtaining such insurance coverage.

Similar to the PST rules, insurance premium tax rates, rules and remittance deadlines vary by province.

We can help

Your KPMG adviser can help you assess the effect of these tax measures on your business. For more information, contact your KPMG adviser or one of the following professionals:

Walter Sisti
T: 416-777-3920
E: wsisti@kpmg.ca

Simon Proulx
T: 647-777-5318
E: sproulx@kpmg.ca

Nancy Bouchard
T: 514-461-6577
E: nancybouchard@kpmg.ca

Jason Cooper
T: 416-468-7448
E: jasoncooper@kpmg.ca

kpmg.ca



[Contact Us](#) | [KPMG in Canada Privacy Policy](#) | [KPMG On-Line Privacy Policy](#) | [Legal](#)

Information is current to April 9, 2024. The information contained in this *TaxNewsFlash-Canada* is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

© 2024 KPMG LLP, an Ontario limited liability partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.