



JOHNSTONE'S JOURNAL is published monthly, and designed to provide topical information of interest not only to plan administrators, but to all employees who enjoy coverage under the benefit plan. Feel free to make copies, and use as a payroll stuffer.

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Managing Taxable Benefits Benefit Cost Sharing Between Employers and Employees

Changes to Taxable Benefits

In the [June 2012 Johnstone's Journal](#), we notified you that as part of the 2012 federal budget, employer-paid premiums for accidental death and disablement (AD&D) and critical illness (CI) insurance will become taxable benefits to employees across Canada, starting in January 2013. Employer-paid premiums for private health services plans (including extended health, drug, dental and H.S.A. plans), are not included in this and will continue to be non-taxable benefits for federal income tax purposes.

This leads to the question: as a result of these changes, will you make changes to how you share the cost of the benefit plan with your employees?

What is a "Taxable Benefit"?

A **taxable** benefit is a benefit that an employer provides to an employee that must be included in the employee's income each pay period to determine the total amount that is subject to source deductions (e.g.: income tax, CPP, EI).

Historically, employer-paid premiums for life insurance and disability coverage (to ensure a disability benefit remains tax free) have been considered taxable benefits.

For detailed information, see the Canada Revenue Agency's website or booklet titled *T4130: Employers' Guide - Taxable Benefits and Allowances*:
www.cra-arc.gc.ca/E/pub/tg/t4130/t4130-e.html

The Benefit of Cost Sharing

We know benefits are an important tool for employers to attract and retain high quality employees, and are a major component of your employees' total compensation package. We also know employees place a high value on their group benefits because they provide coverage that would not otherwise be available to individuals, or would not be affordable.

When employees participate in the cost of their benefits, it increases their awareness of the value of these benefits. Further, it may get them thinking about the appropriateness of their level of coverage. By sharing in the costs of their benefits, employees will want to explore their options. In particular, employees should consider if it is necessary to have duplicate coverage under extended health care (EHC) and dental plans.

Calculating Taxable Benefits

Each employer must decide how to share the cost of benefits with its employees. Depending on how benefit premiums are shared, you may be required to include the value of those premiums in an employee's income as a taxable benefit.

As one of Johnstone's value-added services, we can show you the tax implications of your cost sharing arrangement on your monthly invoice. If you would like us to calculate the taxable benefit for your employees (based on your cost sharing arrangement) complete the reverse side of this *Journal* and return it to Johnstone's.

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COST SHARING QUESTIONNAIRE

As a result of the change in the tax status of employer-paid premium for AD&D and CI benefits, Johnstone's wants to confirm how clients share the cost of benefits with their employees. With this information, we can help you by calculating (as tax effectively as possible) the taxable benefit amount for each of your employees on your monthly invoice.

Please complete and return this questionnaire (which confirms your current cost sharing arrangement) to Johnstone's by fax at (604) 983-2935 or email to admin@jbenefits.com

Current Cost Sharing Option 1		
Do you, the employer, contribute 100% of all group benefit premiums?	Yes	No
If yes, are premiums for short and/or long term disability benefits included in the employees' pay as taxable income? Note: if employer paid disability premiums are not added as income to the employee's monthly pay, a disability claim is considered taxable income to the employee.	Yes	No

Current Cost Sharing Option 2		
Do you, the employer, contribute a percentage or fixed dollar of your total monthly premium? Note: as a percentage, Johnstone's will distribute premiums as tax effectively as possible.	Yes	No
If yes, please detail the percentage split of total premium between the employer and employee:		
	Employer (% or \$)	Employee (% or \$)
Contribution		

Current Cost Sharing Option 3		
Does the employer contribute to certain benefits at varying percentages?	Yes	No
If yes, please specific for each benefit that you include in your plan.		
	Employer %	Employee %
Life Insurance		
AD&D		
Dependent Life Insurance		
Group Critical Illness		
Short Term Disability		
Long Term Disability		
Extended Health Care		
Dental Care		
Employee/Family Assistance Plan		

If none of these scenarios apply to how you share the cost of benefits, please provide a description below, as we may need to contact you to discuss how the taxable benefits apply.

Company name:	Date:
Name of signing authority:	Signature:*

*Note, remitting by email attachment does not require a signature.