

# New Report on the Taxation of Benefit Plans

In late 2016, reports began to surface about a federal government tax fairness initiative that included the review of a lengthy list of existing tax rules. Among the items examined was the tax exempt status of Private Health Services Plans (PHSPs), with the goal of making these benefits taxable for individual plan members. PHSPs typically include health and dental benefits and may also include a Health Spending Account (HSA). With the exception of Quebec, where it is taxable at the provincial level, PHSPs are currently tax free federally and provincially.

The prospect of taxing employer-sponsored health and dental benefits was met with strong opposition from plan members and sponsors, insurance carriers, medical practitioners and other stakeholders. Statements by Prime Minister Justin Trudeau in February 2017 confirmed that a possible tax on health and dental benefits was no longer being considered.

The issue has re-emerged with the release today of a **Parliamentary Budget Officer report** that estimates the federal fiscal impact (i.e., potential revenue streams) of including employer-paid health benefits in the taxable income of employees.

A year ago, Aon conducted a rapid response survey asking employers how they might react if the government were to alter the current tax status of private health services plans – see **Benefits Redefined: What if everything Changed?** Reviewing the report may help to inform discussion on this issue.

Though there is no indication at this time that this will shape government policy, we will monitor developments closely and provide updates as required.

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