

This Month:

- The Fundamentals of Term Insurance
- Remitting GST/HST on taxable benefits

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- ✓ EASY, PAINLESS CONVERSION OR STARTUP
- ✓ DEDICATED ACCOUNTANT TO HANDLE YOUR MATTERS
- ✓ ALL YEAR-END SERVICES
- ✓ PERSONAL LOCAL SERVICE



The Fundamentals of Term Insurance

Richard Weber is a licensed life insurance agent and CPA who will be contributing a series of articles focusing on different types of insurance and how they can benefit individuals and small business owners. This is the first article in the series. Richard's website: <http://www.richardweber.ca/ospreyinsurance/>

Life insurance is often purchased to replace one's income or pay off debts if they die prematurely. This helps protect a family's future and maintain their standing of living.

What is Term Insurance?

Term insurance (i.e. "temporary insurance"), in contrast to permanent life insurance, provides coverage for only a limited period of time. Therefore, it is appropriate when the risk being insured has a known, finite duration. (For example, in the case of a business owner, it can provide protection for the period until their anticipated retirement date.)

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If the insured individual dies during the policy term then a tax-free, lump sum amount is paid by the insurance company to the beneficiary. The beneficiary can use the proceeds at their discretion.

Term insurance provides peace of mind during the term of the policy and normally at a low cost. It is easy to understand and simple to buy. The optimal term insurance policy should have the appropriate term, conversion / exchange options and smaller premium jumps at renewal.

While term insurance is a valid tool in estate planning on its own that should not be ignored, *it can also play a vital role for businesses.* This will be addressed in the next article of the series.

Remitting GST/HST on Taxable Benefits



As an employer, you are responsible for remitting GST/HST on employee taxable benefits unless the benefit is tax exempt or zero-rated. A common example of a tax benefit that is not exempt includes the automobile standby charge and operating expense benefit.

The rate that needs to be remitted depends on the location your employee ordinarily worked in, or the location to which he or she ordinarily reported to.

You are considered to have collected an amount equal to a percentage of the value of the benefit for GST/HST purposes, based on one of the following rates:

Automobile operating expense benefit:

- 11% for Nova Scotia; Prince Edward Island (PEI), New Brunswick, Newfoundland and Labrador;
- 9% for Ontario;
- 3% for the rest of Canada.

Other Than Automobile Operating Expense Benefits:

- 14/114 for Nova Scotia, PEI, New Brunswick, Newfoundland and Labrador;
- 12/112 for Ontario;
- 4/104 for the rest of Canada.

The above rates may be reduced for large businesses.