

Highlights from the 2010 federal and provincial budgets

We've reviewed the 2010 federal budget and all provincial and territorial budgets. This year, the focus of all budgets has been on sustaining the momentum to economic recovery and introducing measures to return to balanced budgets, while maintaining or enhancing vital public services.

Below is an overview of the Federal budget released on March 4, 2010.

Work-sharing arrangements

As we informed you in [Focus Update #215](#), the Federal Government announced plans to extend the duration of Work-Sharing arrangements from 52 weeks to 78 weeks.

Changes to the Medical Expense Tax Credit (METC)

We also communicated the changes to the Medical Expense Tax Credits (METC). These changes are to ensure that the intended purpose of the METC is maintained. The budget announced that expenses incurred as a result of purely cosmetic procedures will no longer be considered eligible medical expenses for personal income tax purposes. Some examples provided are liposuction, hair replacement, botulinum toxin injections and teeth whitening. Cosmetic procedures required for medical or reconstructive purposes will continue to qualify for the METC.

For more information, go to: [Federal Budget 2010](#).

Here's a look at the British Columbia, Ontario, Quebec, Nova Scotia, Saskatchewan and Newfoundland and Labrador budgets:

BRITISH COLUMBIA – March 2

Harmonized Sales Tax (HST)

British Columbia restated their plan to move to a single Harmonized Sales Tax at a rate of 12% effective July 1, 2010.

For more information, go to: [British Columbia 2010](#).

ONTARIO BUDGET – March 25

Harmonized Sales Tax (HST)

Ontario restated their plan to move to a single Harmonized Sales Tax at a rate of 13%, effective July 1, 2010.

Changes to Ontario Retail Sales Tax Act (RST)

Because the Harmonized Sales Tax is being implemented in Ontario, an amendment is proposed to this Act to ensure that certain costs and fees, such as the administration fees related for benefits plans, are

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not subject to both the HST and the RST. Therefore, the RST rate of 8% will continue to apply to benefits plans, except on fees where the HST applies.

Changes to statutes – drugs

Ontario also announced it will introduce changes to the statutes governing Ontario's drug system to facilitate lower generic drug prices.

We are monitoring the situation and will provide more information after we assess the impact of the legislation on private plans.

For more information, go to: [Ontario Budget 2010](#).

QUEBEC BUDGET – March 30

Quebec announced several measures, with the most significant tax impact to Group Benefits and our clients outlined below. More information will be released as it becomes available.

Quebec Premium Tax (QPT) rate increase effective March 31, 2010.

- The compensatory tax rate of 0.35% increased to 0.55% effective March 31, 2010. This means the Quebec premium Tax rate is now 2.55%.
- This tax increase is intended to be temporary starting March 31, 2010 and ending March 31, 2014.
- This tax rate increase affects Group Benefits plans as communicated in [Focus Update #222](#).

Quebec Sales Tax (QST) on goods and services will increase

- In the March 2009 Budget, Quebec announced an increase in the rate from 7.5% to 8.5% effective January 1, 2011.
- In addition to this increase, Quebec announced in this budget that a further 1% increase to 9.5% will occur on January 1, 2012.
- Quebec also announced their plans to adopt many of the Harmonized Sales Tax attributes being proposed by the Federal Department of Finance, subject to Quebec specific details.

These proposed changes will have an impact on all Group Benefits goods and services where both GST and QST currently apply. The impact of these proposed changes will be communicated closer to the effective date of each change.

Note: The QST rate of 9% that is charged on Group Benefits insurance and ASO contracts is not impacted by this tax rate increase.

For more information, go to: [Quebec Budget 2010](#).

NOVA SCOTIA BUDGET – April 6

The current Harmonized Sales Tax rate of 13% will increase to 15% effective July 1, 2010. This proposed change will impact Group Benefits goods and services where the HST applies.

For more information, go to: [Nova Scotia Budget 2010](#).

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SASKATCHEWAN BUDGET – March 24

In [Focus Update #219](#), we informed you that the Government of Saskatchewan announced it would no longer cover chiropractic services for most Saskatchewan residents as of April 1, 2010.

For more information, go to: [Saskatchewan Budget 2010](#).

NEWFOUNDLAND AND LABRADOR BUDGET – March 29

Newfoundland and Labrador announced that coverage for insulin pump therapy will be expanded to include people aged 18 to 25. Currently, the program is open to children with Type I diabetes up to the age of 18 who meet the criteria set up for the program. The government has not set a date for this change.

Although this is good news, we believe there will be no measurable impact on plan sponsors with Newfoundland and Labrador residents.

For more information, go to: [Newfoundland and Labrador Budget 2010](#).

OTHER BUDGETS

Although the remaining provinces and territories are directing money to health care initiatives, committing to decreasing wait times, and increasing access to health professionals, their budgets do not contain any issues relevant to Group Benefits.

More to come...

We will send out updates as we work through the impact and implementation of the changes included in each budget listed above.

Questions?

Contact your Sun Life Financial group benefits representative.

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