

Quebec premium tax change and Quebec Sales Tax (QST) harmonizing with GST effective January 1, 2013

We first communicated to you in [December 2011](#) that the Quebec and federal government announced the harmonization of the Quebec Sales Tax (QST) with the GST in the “Memorandum of Agreement concerning a Canada – Quebec Comprehensive Integrated Tax Coordination Agreement,” effective January 1, 2013.

Bill 5, *An Act to amend the Act respecting the Quebec sales tax and other legislative provisions*, was introduced on November 14, 2012 and received royal assent on December 7, 2012, and is now law. In addition, the Quebec budget was released on November 20, 2012, and included proposed changes that will affect group benefits plans.

These changes impact how the QST and GST will be calculated on our services where these taxes currently apply on our fees, as well as the current Quebec premium tax rate of 2.55%, which will reduce to 2.30%.

What does this mean to you?

Below is an overview of the impact to Insurance and ASO arrangements.

Changes to the Quebec premium tax rate will be as follows:

- Renewals and premium rates released after January 1, 2013 will include the proposed 2.30% tax rate.
- Financial statements prepared on Refund Accounting arrangements will include a pro-rated tax rate to reflect the rate in force before and after the proposed effective date of January 1, 2013.
- ASO statements and invoices prepared for ASO arrangements with Quebec content will include the proposed tax rate beginning January 1, 2013.

Changes to the QST and GST will be as follows:

As a result of the QST and GST harmonization, the GST will be removed from the QST calculation base and QST for services will be calculated directly on the fees not including GST. In conjunction with the calculation change, the QST tax rate will also increase from 9.5% to 9.975%. The GST rate will remain at 5%. Therefore, effective January 1, 2013 statements and invoices will include 5% GST and 9.975% QST (new rate) on fees for services, where applicable.

Examples of these services in group benefits include:

- ASO contracts without stop loss insurance
- Health spending account (when it is the only ASO arrangement)
- HealthyRETURNS
- Salary Continuance Services and Absence Analytics and Support

Services currently not subject to the 5% GST and the 9.5% QST rates are not impacted.

Examples of these financial services include:

- Group insurance premiums
- ASO with stop loss insurance

Note: The QST rate of 9% that is currently charged on group benefits insurance and ASO contracts is not impacted by this new harmonized tax rate structure.

Questions?

Please contact your Sun Life Financial group benefits representative.