

Tax increases in New Brunswick and Newfoundland and Labrador, effective July 1, 2016

The governments of New Brunswick (NB) and Newfoundland and Labrador (NL) announced tax increases in their budgets that impact group benefits products and services, effective July 1, 2016. Below is the implementation plan that Sun Life will use to address these increases.

Premium Tax

The NL premium tax rate will be 5.00%, up from the rate of 4.00%. Below is an overview of how this may affect group insurance policies and ASO arrangements when there is NL content:

1. Refund financial statements

Effective July 2016, refund financial statements will include a pro-rated premium tax rate to reflect the tax rate in force before and after the change effective date.

2. Group insurance premium rates

Premium rates will be modified to reflect the 5% premium tax rate using the following approach:

- a) Non Refund and Refund arrangements: If you received a renewal package by the end of May this year or later, the premium rates include the 5% premium tax rate. Where applicable, an adjustment load will be included to reflect the tax impact between the effective date of the tax increase and the effective date of the renewal premium rates.
- b) Premium rates under an extended rate guarantee will be adjusted when the guarantee period has ended.

3. ASO Billing Statements

The new premium tax rate will appear on ASO statements and/or invoices for July 2016. These will be mailed to you in August 2016.

Harmonized Sales Tax (HST)

The NB and NL HST rate will be 15%, up from 13%. Contracts that are currently charged the NB or NL HST will be impacted by this change.

The HST transition rules to change the tax rates indicate that invoices and/or statements prepared and dated on or after July 1, 2016 will include the 15% HST rate. Examples of the types of services in group benefits that will be affected by the tax rate change include:

- ASO contracts without stop loss insurance
- HealthyRETURNS
- Salary Continuance Services
- Sun Life RightDirections
- Health spending accounts (when it is the only ASO arrangement)

Note: Contracts currently exempt from GST/HST will continue to be exempt (e.g., group insurance premiums, or ASO with stop loss insurance).

A reminder notice about this change will be included with the first invoice or statement you receive after the change is in effect.

Questions?

Contact your Sun Life Financial group benefits representative.