Q&As - For Participating Employers
Provincial Sales Tax (PST) Application to Insurance Premiums

1. How does the PST apply to Disability Income Plan premiums?

Employer PST is payable on the premium of 1.94% of employees basic monthly salary. Any additional premiums paid by Participating Employers to fund the employer's matching share of pension plan contributions are non-taxable. For Example:

Given an employer rate of 2.15%, the calculation is as follows:

Participating Employer: XYZ Company		Pay Period Commencing:			August-01-17
Employee Group:		Pay Period Ending:			August-31-17
	Number of Insured Employees	Basic Salary	Rate		Premium Due
Employer Premiums	2	$10,000.00	1.940%		$194.00
Total Premium Remittance					$194.00
				PST 6%	$11.64
	Number of Insured Employees	Basic Salary	Rate		Premium Due
Additional Employer Premium	2	$10,000.00	0.210%		$21.00
				TAX EXEMPT	
Total Remittance					**$226.64**

2. Is the PST that is paid on the employer share of the insurance premiums a taxable benefit that is to be added to the employee's T4 Statement of Remuneration Paid?

Group Life Insurance Plan:

Employer paid premiums are a taxable benefit so the PST being paid on those premiums generates a taxable benefit. For example:

Given an annual salary of $62,500 (Basic group life coverage is $125,000):

Employer			
Employer Share	$25,000 x $0.00022	$5.50	Taxable Benefit
6% PST	$5.50 x 6%	$0.33	Taxable Benefit
Total Employer Remittance		**$5.83**	

The total to be added to the employee's T4 is a reportable taxable benefit of $69.96 ($5.83 x 12 months).

Employee			
Employee Share	$100,000 x $0.00022	$22.00	Employee Source Deduction
6% PST	$22.00 x 6%	$1.32	Employee Source Deduction
Total Employee Remittance		**$23.32**	

Disability Income Plan (DIP):

Employer-paid disability premiums are a non-taxable benefit. Therefore the employer-paid PST on these premiums is also a non-taxable benefit.

3. **For employees who are retiring, and electing to continue their group life insurance coverage under the Election to Continue to Age 65 provision or the Election to Continue to Age 75 provision, who is to collect the PST on retiree group life insurance premiums?**

   Currently, for employees retiring under PEPP, the employer requests 3 months of premiums to be remitted to PEBA with their group life insurance retirement paperwork. This is to ensure group life insurance coverage does not lapse until the retiree's Pre-Authorized Debit is set up.

   Provided that the retiree elects to continue their group life insurance into retirement, the employer will need to request for the retiree to submit 3 months of premiums (Postdated Cheques or Lump Sum Payment Cheque) plus PST to PEBA along with their group life insurance retirement paperwork.

   Once the Pre-Authorized Debit is set up for the retiree, the PST along with the premium will be deducted directly out of the retiree's bank account.

   PEBA will collect the PST on group life insurance premiums for the retiree and submit to the Ministry of Finance.

4. **Will the employer need to contact the employees on leave of absence to collect the PST on Disability Income Plan and Group Life Insurance premiums effective August 1, 2017?**

   Yes, the employer will be required to contact the employees on leave of absence to obtain the PST on premiums for the duration of the leave of absence. Along with the premium submission to PEBA, the employer will need to separate the PST and insurance premiums on the Group Life Insurance and Disability Income Plan Leave of Absence Form.

   A new Group Life Insurance/Disability Income Plan Leave of Absence form can be located on the PEBA Website. Click here to download the form.