

Tax Advantages of Employee Benefits

Maximizing Value for Ontario SMEs



Health & Dental



Life Insurance



Retirement Plans



HSA & EAP



Why Employee Benefits Matter for SMEs



Attract & retain talent — 87% less likely to leave



Competitive advantage — Level playing field



Employee wellness — Healthier workforce



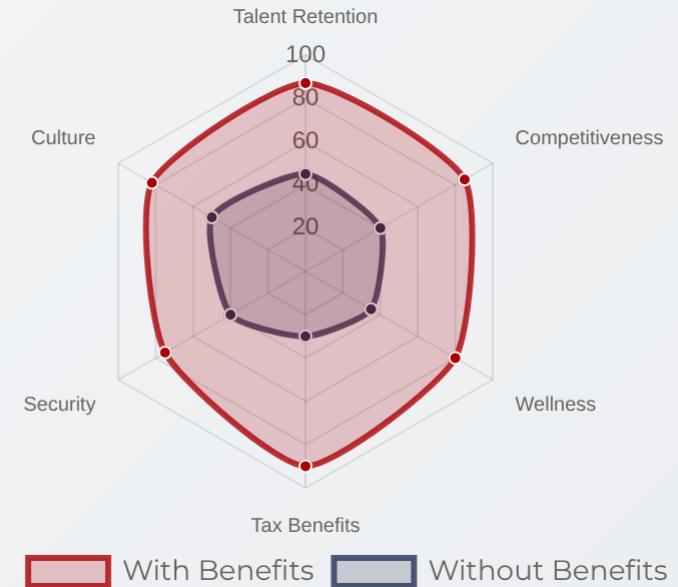
Tax advantages — Deductible business expenses



Peace of mind — Financial security



Company culture — Enhanced loyalty



87% Less Turnover

Tax Advantages: Employer vs. Employee

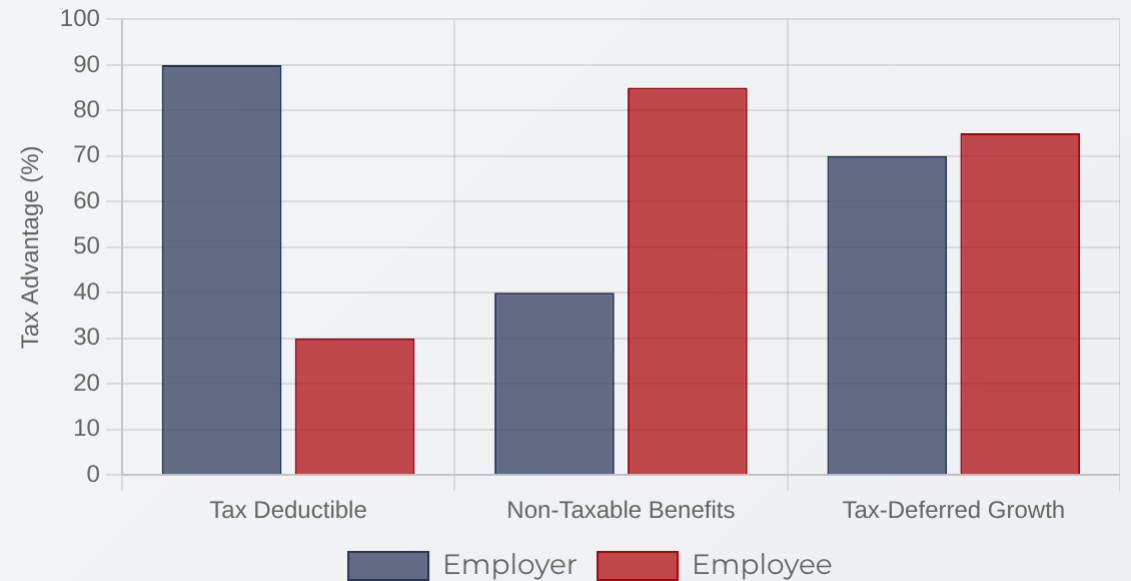


Employer Advantages

- ✓ Premiums tax-deductible
- ✓ Reduces taxable income
- ✓ Enhances retention

Employee Advantages

- ✓ Many benefits non-taxable
- ✓ Premiums may be tax-deductible
- ✓ Financial security



Tax Efficiency by Benefit Type

- **Most Efficient:** Health, Dental, HSA, EAP
- **Moderately Efficient:** Retirement Plans
- **Less Efficient:** Life, Critical Illness

General Taxation Principles

- **Health & dental:** Non-taxable (except Quebec)
- **Life insurance:** Employer-paid premiums taxable
- **Disability:** Benefits taxable if employer paid

Health and Dental Insurance

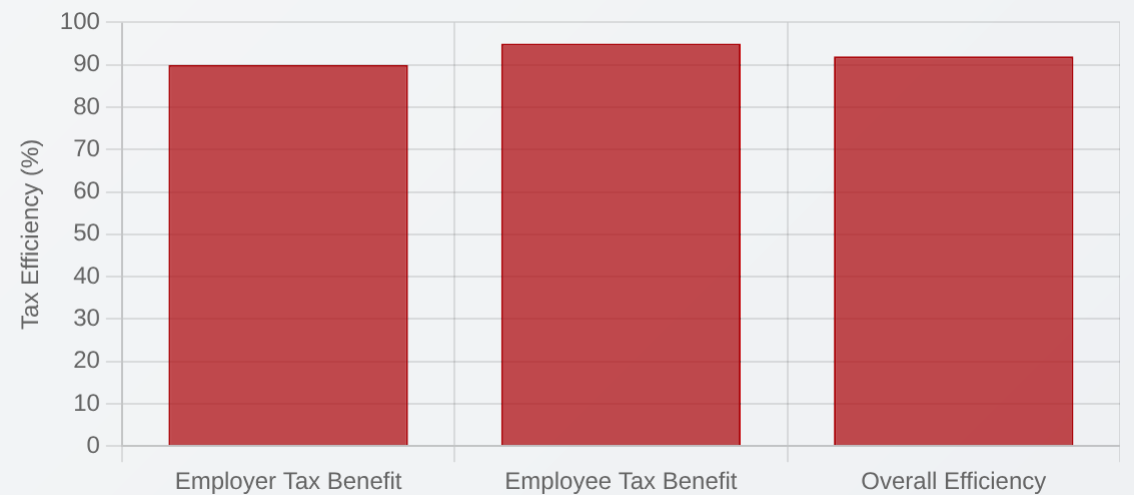


Employer Tax Treatment

- ✓ Premiums tax-deductible
- ✓ Reduces taxable income
- ✓ Ontario: 2% Provincial Premium Tax
- ✓ Ontario: 8% Retail Sales Tax

Employee Tax Treatment

- ✓ Ontario: Non-taxable benefit
- ✓ Employee-paid premiums: Tax credit eligible
- ✓ Benefits received: Non-taxable



Extended Health Care Plans

- Prescription drug coverage
- Vision care (glasses, contacts)
- Paramedical services (physio, massage)

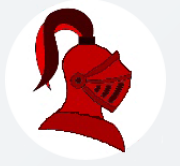
Dental Plans

- Preventive care (cleanings, exams)
- Restorative services (fillings, crowns)
- Orthodontics (braces)

Provincial Considerations

- Quebec: Employer-paid premiums taxable
- Ontario: No provincial tax on health benefits

Life and Disability Insurance



Group Life Insurance Moderate

- ✓ **Employer:** Premiums tax-deductible
- ✓ **Employee:** Premiums taxable benefit
- ✓ **Death benefit:** Non-taxable to beneficiary

Disability Insurance Moderate

- ✓ **Employer-paid premiums:** Not taxable
- ✓ **Benefits received:** Taxable if employer paid
- ✓ **Employee-paid premiums:** Benefits tax-free
- ✓ **Short-term & long-term options**



Critical Illness Insurance Moderate

- **Employer:** Premiums tax-deductible
- **Employee:** Premiums taxable benefit
- **Lump-sum payment:** Non-taxable
- **Covers specified conditions** (cancer, heart attack, stroke)

Executive Health Insurance Moderate

- **Non-group plans:** Taxable benefit to employee
- **Employer:** Premiums tax-deductible
- **Individual plans** for key executives
- **May include enhanced coverage options**

Retirement Savings Plans

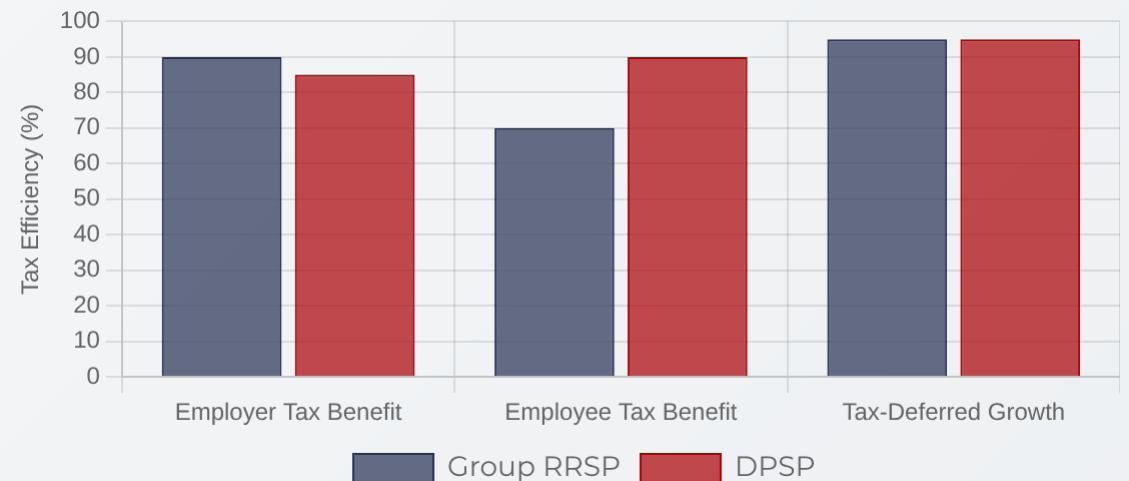


Group RRSP Tax Efficient

- ✓ **Employer:** Premiums tax-deductible
- ✓ **Employee:** Contributions taxable benefit
- ✓ Employee can offset with RRSP deduction
- ✓ Withdrawals taxable as income

Deferred Profit Sharing Plan (DPSP) Tax Efficient

- ✓ **Employer:** Contributions tax-deductible
- ✓ **Employee:** Contributions not taxable when made
- ✓ Benefits taxable when received/withdrawn
- ✓ Based on company profits



Contribution Limits

- **RRSP:** 18% of previous year's earned income
- **RRSP:** Annual maximum (indexed to inflation)
- **DPSP:** 1/2 of employer's profit (max 18% of salary)
- **DPSP:** Annual dollar limit applies

Strategic Considerations

- **DPSP:** Better for cash flow management
- **RRSP:** More employee control & flexibility
- Consider combining both plans

Health Spending Accounts and EAP



Health Spending Accounts (HSA)

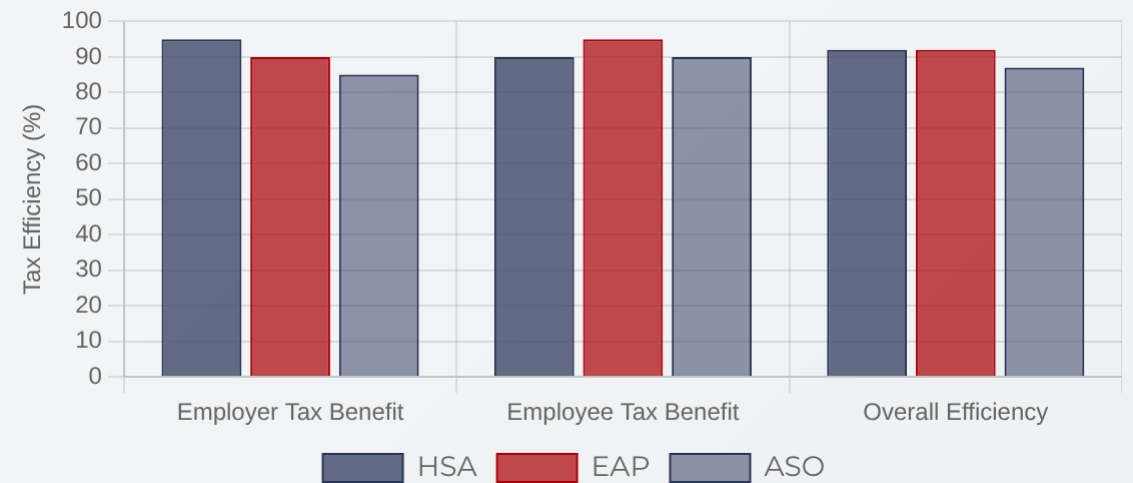
Tax Efficient

- ✓ **Employer:** Contributions tax-deductible
- ✓ **Employee:** Benefits non-taxable
- ✓ Employee-paid premiums: Tax credit eligible
- ✓ Flexible coverage for various health expenses

Administrative Services Only (ASO)

Tax Efficient

- ✓ **Employer:** Self-funded plan, claims tax-deductible
- ✓ HST applies to administration fees
- ✓ **Employee:** Benefits non-taxable
- ✓ Cost control & transparency for employers



Employee Assistance Programs (EAP)

Tax Efficient

- ✓ **Employer:** Costs tax-deductible
- ✓ **Employee:** Non-taxable benefit
- ✓ Confidential counseling & support services
- ✓ Mental health, financial, legal assistance

⚖️ Tax Efficiency Comparison

- **Most tax-efficient:** HSA, EAP, ASO
- **Least tax-efficient:** Life, critical illness
- **Combine benefits for optimal tax strategy**

Key Takeaways






Tax Advantage Summary

Best Practices for SMEs

- Understand tax implications before implementing
- Balance taxable and non-taxable benefits
- Consider employee demographics when selecting plans
- Review benefits annually for optimization

Expert Guidance

-  Consult with benefits experts to maximize tax advantages
-  Consider provincial tax differences (Ontario vs. Quebec)
-  Leverage tax-efficient benefits to attract & retain talent

Contact RedHelm

 www.redhelm.ca

 info@redhelm.ca

 1.866.230.5565

