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# **Guide** to the Insurance Premium Tax Return



## General Information

### Enquiries

#### Telephone Enquiries

Please contact the Ministry of Revenue between  
8:30 a.m. and 5:00 p.m. at:

1 866 ONT-TAXS (1 866 668-8297)

1 800 263-7776 teletypewriter (TTY)

#### Internet Enquiries

This publication and various other English and French bulletins  
published by the Ministry of Revenue may be obtained online at:

**[ontario.ca/revenue](http://ontario.ca/revenue)**

#### Address

Ministry of Revenue  
33 King Street West  
PO Box 620  
Oshawa ON L1H 8E9

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## The Corporations Tax Act

This guide is provided for convenience only. For legislative accuracy refer to the *Corporations Tax Act*, R.S.O. 1990, Chapter 40, as amended (“the Act”). Failure to comply with the provisions of the Act may result in loss of your Ontario Charter, dissolution and forfeiture of the corporation’s property to the Crown.

References to the Act are noted in this manner – s.5 (meaning refer to section 5).

References to the Ontario Ministry of Revenue Information or Interpretation Bulletins are noted – Inf.B.4003R1 or Int.B.3004.

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## Corporate Tax Harmonization and Simplification

For taxation years ending after December 31, 2008, corporations have to file a harmonized T2 Corporation Income Tax Return with the Canada Revenue Agency. The harmonized return includes the following Ontario corporation taxes: corporate income tax (including tax credits) corporate minimum tax, capital tax, and special additional tax on life insurance corporations.

However, the harmonized T2 Corporation Income Tax Return **does not** include the computation of Ontario insurance premium tax. Corporations subject to Ontario insurance premium tax must report the liability by filing the Ontario Insurance Premium Tax Return.

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## Submitting your Insurance Premium Tax Return

The Ontario Insurance Premium Tax Return is applicable for taxation years ending after December 31, 2008. This return is to be filed by insurance corporations carrying on business through a permanent establishment in Ontario as well as by other entities liable to calculate, collect and remit Ontario premium tax under the Act. This includes incorporated and unincorporated entities such as:

- administrators of funded and unfunded benefit plans, also referred to as Uninsured Benefit Arrangements
- insurance brokers placing insurance contracts with unlicensed insurers
- reciprocal or inter-insurance exchanges within the meaning of the *Insurance Act*.

A completed Insurance Premium Tax Return and supporting documents must be submitted within 6 months after the end of your taxation year. If the Insurance Premium Tax Return is filed late, a penalty may be imposed.

## Rules for Calculating Penalty

The following penalties may be imposed for filing incomplete or late tax returns:

- A taxpayer having one late filed tax return may be subject to a penalty of 5 per cent of the deficiency in the tax account for the taxation year, plus an additional 1 per cent for each full month that the tax return is late, to a maximum of 12 months.
- A taxpayer having two late filed tax returns within four taxation years may be subject to a penalty on the latter return of 10 per cent plus 2 per cent for each full month that the tax return is late to a maximum of 20 months.

For additional details on these penalties, refer to Inf.B.4004R, Penalties and Fines.

The bulletin may be obtained by contacting the Ministry’s Information Centre at 1 866 ONT-TAXS (1 866 668-8297) or by downloading a copy from our website at: [ontario.ca/revenue](http://ontario.ca/revenue).

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## Tax Payments

Payments can be made using any of the following methods:

- at any financial institution in Ontario where an entity maintains an account
- electronically, using a financial institution’s Internet Banking Service
- by mail or delivery to a ServiceOntario centre or a Ministry of Revenue tax office drop box.

Internet Banking, where offered, is an online tax payment service available 24 hours a day, seven days a week, whereby a payment can be remitted through the financial institution’s website.

Send your tax payment(s), payable to the Minister of Finance, and completed Insurance Premium Tax Return to:

Ministry of Revenue  
Client Accounts and Services Branch  
33 King Street West  
PO Box 620  
Oshawa ON L1H 8E9

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## Application of Payments

Any amount paid, applied or credited in respect of amounts payable, will be applied first against any tax owing, secondly against any penalty owing, thirdly against any interest owing, and fourth against any other amounts owing.

## Payment of Instalments

Instalments are not required under the following circumstances:

- **First Year Filing** – all taxes must be paid on or before the balance of tax due date, which is either two or three months after the end of the taxation year. (Refer to **Balance of Tax** on page 6.)
- **Tax payable for either the current or previous taxation year is less than \$2,000** – all taxes must be paid on or before the balance of tax due date, which is either two or three months after the end of the taxation year. (Refer to **Balance of Tax** on page 6.)

### Quarterly Instalments

Tax must be paid by quarterly instalments (every three months) if your tax payable for the current year or preceding year is equal to or greater than \$2,000 and less than \$10,000. Quarterly instalments should be calculated according to one of the following methods:

- $\frac{1}{4}$  of the tax payable for the current taxation year
- $\frac{1}{4}$  of the tax payable in the previous taxation year
- for the first quarter of the taxation year,  $\frac{1}{4}$  of the tax payable two years ago; and for the next three quarters,  $\frac{1}{3}$  of the difference between last year's tax payable and the instalment paid for the first quarter.

### Monthly Instalments

Tax must be paid by monthly instalments if your tax payable for the current taxation year and for the previous taxation year are each \$10,000 or more.

Each instalment, usually due on the last day of the month, should be calculated according to one of the following methods:

- $\frac{1}{12}$  of the tax payable for the current taxation year
- $\frac{1}{12}$  of the tax payable in the previous taxation year
- for the first two months,  $\frac{1}{12}$  of the tax payable two years ago; and for the next 10 months,  $\frac{1}{10}$  of the difference between last year's tax payable and the amount paid for the first two months.

If, for the calculation of quarterly or monthly instalments, you use the first method and the instalments remitted are less than the actual tax owing for the current year and the tax instalments calculated using the other two methods, interest will be assessed on the deficiency in the instalment account.

When calculating instalments, if one of the previous two taxation years used to calculate the instalment was less than 365 days, the tax payable for the year must be grossed up to a full 365 days. If one of the previous taxation years was less than 183 days, the tax for that year is substituted by the greater of:

- the tax payable grossed up to 365 days, and
- the tax payable for the last preceding year that did exceed 182 days.

A corporation that is the successor corporation of amalgamated corporations must use the total predecessor corporations' tax liabilities in the computation of instalments.

A corporation that is involved in a wind-up or rollover must include the subsidiaries' tax liabilities or the transferor corporations' tax liabilities in the calculation of instalments.

## Calculating Daily Compound Interest

### Notice of (Re) Assessment

1. **Debit Interest**, at the rate provided in Section 503 of Regulation 183, is calculated and charged daily for every day that there is a deficiency in your account (includes unpaid taxes, interest, penalties and other unpaid amounts). A corporation's account is divided for interest purposes, by period of time, into an instalment account for the instalment period and a tax account for the period after the instalment period. The instalment period is the period from the first day of your taxation year to the day before the balance of tax due date or the day before the most recent (re) assessment for the taxation year, whichever is earlier.
2. **Instalment credit interest**, at the rate provided in Section 503 of Regulation 183, is calculated daily for each day that there is a surplus in your instalment account, from the last day of the first month in the instalment period to the end of the instalment period.
3. **Credit interest on overpayments**, at the rate provided in Section 503 of Regulation 183, is calculated and allowed daily for each day there is a surplus in your tax account after the end of your instalment period for the taxation year. If a return is not filed on time, no credit interest will be allowed for the period from the day your return was required to be filed to the day after your return is filed.

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## Balance of Tax

The difference between the current year tax liability and the amounts paid by instalments represents the balance of tax due.

The balance of tax due must be paid within three months after the end of your taxation year if your corporation was a Canadian-controlled private corporation throughout the taxation year and had taxable income of not more than the corporation's business limit for Ontario purposes for the previous taxation year.

In all other cases, the balance of tax is due within two months after the end of your taxation year.

If the previous taxation year was less than 51 weeks, the corporation's business limit for Ontario purposes must be prorated (i.e., business limit for Ontario x the number of days in the taxation year /365). The taxable income must not be more than this prorated limit.

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## Identification

Complete the page accurately in order to avoid delays in processing the return and to enable proper identification of your application.

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## Certification

Complete the 'Certification' section by providing the name, address, and title of the authorized signing officer of the corporation. Be sure to sign and date the tax return.

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## Insurance Premium Tax

Every insurer is liable to the premium tax on total taxable premiums unless exempted by one of the following provisions:

### Exemptions

- a. fraternal societies with respect to contracts entered into prior to the first day of January, 1974, (s.74(7)(d))
- b. mutual benefit societies, pension funds, employees' mutual benefit societies and non-profit medical insurance associations (s.74(7)(e) and (f))

## Partial Exemptions

- c. premium paid for annuities (s.74(1))
- d. marine insurance premiums (s.74(7)(a))
- e. premiums payable under contracts of insurance issued on the premium note plan by mutual insurance corporations insuring agricultural and other non-hazardous risks, the sole business of which is carried on in Ontario (s.74(7)(b))
- f. premiums payable to mutual insurance corporations insuring agricultural and other non-hazardous risks, which are parties to the agreement pursuant to s.169 of the *Insurance Act*, establishing the Fire Mutuals Guarantee Fund (s.74(7)(c)).

### Note:

1. Fraternal societies are liable to the premium tax with respect to all insurance contracts entered into on or after January 1, 1974.
2. The premium tax applies to insurers, including underwriters and syndicates of underwriters, operating on the plan known as Lloyds.
3. Segregated fund premiums (other than annuities) are subject to premium tax.
4. Associations registered under the *Prepaid Hospital and Medical Services Act* are deemed to be insurance companies for purposes of the insurance premium tax. This change is effective for premiums received under new or substantially modified contracts and for renewals of existing contracts coming into effect after May 19, 1993.

## Insurance Premium Tax Rates

Life, accident and sickness premiums are taxed at the rate of 2 per cent and all other premiums are taxed at the rate of 3 per cent.

### Additional Tax of 1/2 of 1 Per Cent on Property Premiums

Every insurance corporation writing property premiums in Ontario is liable to the additional tax of 1/2 of 1 per cent on property premiums. This also applies to fraternal societies as defined in the *Insurance Act* and to underwriters and syndicates of underwriters which operate on the plan known as Lloyds. There are no exceptions.

## Premium Tax on an Uninsured Benefit Arrangement (UBA)

Complete this section if you administer an Ontario UBA and are liable to collect and remit premium tax related to the UBA. This provision applies to corporations and to unincorporated entities. If reporting UBA premiums, enter the amount of UBA premiums on line **510** on page 2 of the tax return.

If a UBA plan has more than one administrator at the same time, one administrator may file an election in a letter form to account for all tax owing for the plan. The letter must include the name of the plan, name and address of all administrators of the plan and a certification that all tax has been accounted for during the period covered by the election.

If partners of a partnership are each administrators of the same plan, the partners may wish to account for their UBA liability for the taxation year by filing a joint tax return for their UBA tax only. A letter signed by each partner must be filed with each joint return certifying that the partners' UBA liability has been reported in full for the taxation year.

### Insurance Placed with an Unlicensed Insurer

If you are a registered insurance broker who has placed insurance with an insurer not licensed in Ontario, you should answer "yes" to the following question on page 1 of the return, "**Are you an insurance broker remitting premium tax with respect to insurance contracts placed with unlicensed insurers?**".

If you are a corporation with an Ontario permanent establishment and purchase insurance directly or indirectly from an unlicensed insurer, then the corporation must pay the premium tax.

Please enter gross premiums placed with unlicensed insurers subject to tax on lines **390**, **440**, and **480** as applicable, and the related premium taxes on lines **511**, **512** and **513**.

### Insurance Exchanges

If you are a reciprocal or inter-insurance exchange, please enter the total net premiums subject to tax on lines **445** and **485** as applicable, and the related taxes on lines **512** and **513**.

You should also answer "yes" to the following question on page 1 of the return, "**Are you a reciprocal or inter-insurance exchange within the meaning of the Insurance Act?**".

Insurance exchanges are required to pay premium tax under the Act for premiums collected in taxation years commencing after 1997.

## Calculation of Premium Tax Payable

In the calculation section, carry forward the amounts of total taxable premiums and enter payments made. If you are requesting a refund:

- For the full overpayment, complete line **975**.
- If you want the total overpayment to be applied to a particular taxation year, complete the "**Apply to**" field but leave line **980** blank.
- If you want to apply a specific amount to a taxation year, complete the "**Apply to**" field and put the amount in line **980**. Any remaining balance will be refunded.

## Voluntary Disclosure

It is the policy of the Ontario Ministry of Revenue that any corporation or individual, who voluntarily discloses a violation of a statute administered by the ministry, be allowed to settle any related debt by making full payment, including interest.

If the above condition is met, the ministry will not prosecute or impose civil penalties for gross negligence or willful evasion. The identity of an individual or corporation making a voluntary disclosure will be held in strict confidence, as are all matters between the ministry and its clients.

For more information, please obtain a copy of the ministry's Voluntary Disclosure Bulletin by contacting the Ministry's Information Centre at 1 866 ONT-TAXS (1 866 668-8297) or by downloading a copy from our website at: [ontario.ca/revenue](http://ontario.ca/revenue).