

### TAX TREATMENT AT-A-GLANCE

Ranked from most to least tax efficient. Each benefit line is scored on **corporate deductibility**, **employee premium tax status**, and **payout tax status** - then classified into 1 of 4 efficiency tiers.

| RANK | BENEFIT COVERAGE LINE                                 | CORPORATE TAX TREATMENT (EMPLOYER)                 | EMPLOYEE PREMIUM TAX STATUS (FEDERAL CRA)                                | EMPLOYEE PAYOUT TAX STATUS (REIMBURSEMENTS / CHECKS)             | TAX EFFICIENCY CLASSIFICATION                                                         |
|------|-------------------------------------------------------|----------------------------------------------------|--------------------------------------------------------------------------|------------------------------------------------------------------|---------------------------------------------------------------------------------------|
| 1    | Emergency Out-of-Country Travel Medical               | 100% Deductible as a Business Operating Expense    | Tax-Free Benefit (Exempt under CRA guidelines)*                          | 100% Tax-Free Payout                                             | <b>TIER 1: MAXIMUM EFFICIENCY</b><br>Completely tax-free corporate asset              |
| 2    | Accidental Death & Dismemberment (AD&D)               | 100% Deductible as a Business Operating Expense    | Tax-Free Benefit (Exempt under CRA guidelines)*                          | 100% Tax-Free Payout to employee or beneficiary                  | <b>TIER 1: MAXIMUM EFFICIENCY</b><br>Completely tax-free corporate asset              |
| 3    | Long-Term Disability (LTD) (Employee-Paid Structure)  | Not Applicable (Funded 100% via payroll deduction) | Tax-Free Benefit (Paid out of employee's after-tax income)               | 100% Tax-Free Monthly Check                                      | <b>TIER 2: OPTIMIZED PROTECTED STRUCTURE</b><br>Protects long-term income from taxes  |
| 4    | Short-Term Disability (STD) (Employee-Paid Structure) | Not Applicable (Funded 100% via payroll deduction) | Tax-Free Benefit (Paid out of employee's after-tax income)               | 100% Tax-Free Weekly Check                                       | <b>TIER 2: OPTIMIZED PROTECTED STRUCTURE</b><br>Protects long-term income from taxes  |
| 5    | Short-Term Disability (STD) (Employer-Paid Structure) | 100% Deductible as a Business Operating Expense    | Tax-Free Benefit while employed                                          | Fully Taxable Income (Subject to standard income tax deductions) | <b>TIER 3: DEFERRED TAX EXPOSURE</b><br>Tax-free today, but payouts are heavily taxed |
| 6    | Group Life Insurance                                  | 100% Deductible as a Business Operating Expense    | Taxable Benefit under Section 6(1)(a) (Must report on T4 Box 14/Code 42) | 100% Tax-Free Lump-Sum paid to the beneficiary                   | <b>TIER 4: SUB-OPTIMIZED STRUCTURE</b><br>Creates an annual personal tax footprint    |
| 7    | Dependent Life Insurance                              | 100% Deductible as a Business Operating Expense    | Taxable Benefit under Section 6(1)(a) (Must report on T4 Box 14)         | 100% Tax-Free Lump-Sum paid to the employee                      | <b>TIER 4: SUB-OPTIMIZED STRUCTURE</b><br>Creates an annual personal tax footprint    |
| 8    | Critical Illness Insurance                            | 100% Deductible as a Business Operating Expense    | Taxable Benefit under Section 6(1)(a) (Must report on T4 Box 14)         | 100% Tax-Free Lump-Sum paid to the living employee               | <b>TIER 4: SUB-OPTIMIZED STRUCTURE</b><br>Creates an annual personal tax footprint    |

**\*Note on Provincial Variations:** While Emergency Out-of-Country Travel Medical premiums are exempt from federal income tax across Canada, the province of Quebec treats employer-paid health premiums as a provincial taxable benefit on the year-end Relevé 1 slip.

### WANT THIS TAILORED TO YOUR PLAN?

Talk to an HRS specialist about optimizing your benefits mix for maximum tax efficiency.

[TALK TO A SPECIALIST](#)

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