

# COMMENT BACKGROUND



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## **COLLATERAL INSURANCE**

Income Tax Act provision:

- paragraph 20(1)(e.2) – premiums on life insurance used as collateral

Canada Revenue Agency (CRA) Interpretation Bulletin:

- IT-309R2 *Premium on life insurance used as collateral*

CRA Technical Interpretation:

- document 2005-0162001E5 dated December 2005

## **INSURED ANNUITY STRATEGY**

Income Tax Act provisions:

- subsection 138(12) – a life insurance policy includes an annuity
- subsection 70(5.3) – deemed value of a policy disposed of at death
- Regulation 304 – prescribed annuity contracts

CRA Technical Interpretation:

- document 9321275 dated September 2006

Note that there are potential issues to be aware of when implementing an insured annuity strategy. For example, the CRA has indicated in the past (document 9606425 dated April 1996) that the two contracts might be treated as a single, non-exempt life insurance policy if neither contract would be issued without the other.

## **ATTENTION SNOWBIRDS**

United States Internal Revenue Service Publications:

- Publication 519 – *US Tax Guide for Aliens* – available from the IRS website at the following address: <http://www.irs.gov/publications/p519/index.html>
- IRS form 8840 – *Closer Connection Exception Statement for Aliens*

## **PRESCRIBED INTEREST RATE**

Income Tax Act reference:

- Reg. 4301 – application of the prescribed rate, rate-plus-2% and rate-plus-4%

## **GOVERNMENT PENSION PLANS: BENEFITS AND CONTRIBUTIONS FOR 2006**

- Details on these Income Security Programs, and updated benefit and contribution rates, are posted on Social Development Canada's website at [www.sdc.gc.ca](http://www.sdc.gc.ca) and on the Quebec government's website at [www.gouv.qc.ca](http://www.gouv.qc.ca).

ISP Information Card – Old Age Security and Canada Pension Plan (including Quebec benefits): [www.sdc.gc.ca/en/isp/statistics/pdf/janmar06.pdf](http://www.sdc.gc.ca/en/isp/statistics/pdf/janmar06.pdf)