

Consumer Taxes

TVQ. 523-1 **The Collection and Remittance of the Tax on Insurance Premiums Under a Contract of Group Insurance of Persons**

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Reference(s): *An Act respecting the Québec sales tax (R.S.Q., c. T-0.1), sections 523, 526, 526.1 and 528*

This bulletin discusses how section 523 of the *Act respecting the Québec sales tax* (the “Act”) applies to a person who is required to collect and remit the tax on insurance premiums under a contract of group insurance of persons.

THE ACT

1. Section 523 of the Act provides that a person who receives payment of a premium for a policy of insurance of persons shall collect the tax on insurance premiums at the same time. In addition, the person is required to remit the tax to the Minister unless he is required to remit the premium to another person who holds a registration certificate under section 526 of the Act, in which case he is required to remit the tax at the same time as the premium to that other person.
2. Under section 526 of the Act, every person required to remit the tax on insurance premiums to the Minister, with the exception of a person referred to in section 528 of the Act, is required to register and hold a registration certificate issued in accordance with section 526.1 of the Act.

APPLICATION OF THE ACT

3. Under a contract of group insurance of persons, the participants (employees, members, etc.) in the insurance contract remit their insurance premiums to the insurance contract policyholder (employer, organization, etc.). The policyholder subsequently remits the insurance premiums he has received together with his own insurance premium, where applicable, to the insurer or to a third person who holds, or does not hold, a registration certificate.

The Insurance Premiums are Directly Remitted to the Insurer

4. If, for example, an employer or an organization remits his insurance premium or its insurance premium and the insurance premiums of his employees or its members directly to an insurer who holds a registration certificate, then the employer or the organization must remit the tax collected in respect of the insurance premiums of his employees or its members, together with the premiums, to the insurer. In addition, the employer or the organization must remit his own insurance premium

or its own insurance premium and the tax connected with it. The insurer then transmits the tax to the Minister.

5. If the insurer does not hold a registration certificate, then the employer or the organization must directly remit to the Minister the tax collected in respect of the insurance premiums of his employees or its members, together with the tax on his own insurance premium or its own insurance premium.

The Insurance Premiums are Remitted to a Third Person Who Holds a Registration Certificate

6. If the employer or the organization remits his insurance premium or its insurance premium and the insurance premiums of his employees or its members to a third person and that person holds a registration certificate, then the employer or the organization must remit the tax collected in respect of the insurance premiums of his employees or its members, together with the premiums, to that third person. In addition, the employer or the organization must remit his own insurance premium or its own insurance premium and the tax connected with it.

7. Furthermore, if that third person is required to remit the insurance premiums of the employer or the organization and the insurance premiums of the employer's employees or the organization's members to the insurer and the latter holds a registration certificate, then the third person must pay to the insurer the tax collected in respect of those insurance premiums, together with those premiums. The insurer then transmits the tax to the Minister. In a case to the contrary, i.e. if the insurer does not hold a registration certificate, then the third person must directly transmit the tax collected in respect of the insurance premiums to the Minister.

The Insurance Premiums are Remitted to a Third Person who does NOT Hold a Registration Certificate

8. If the third person does not hold a registration certificate, then the employer or the organization must directly transmit the tax collected in respect of the insurance premiums of his employees or its members, together with the tax on his own insurance premium or its own insurance premium to the Minister.

9. This bulletin has effect since July 1, 1992. It also has effect prior to that date, i.e. for the purposes of the *Retail Sales Tax Act* (R.S.Q., c. I-1).