

SASKATCHEWAN REPEALS PST ON LIFE INSURANCE

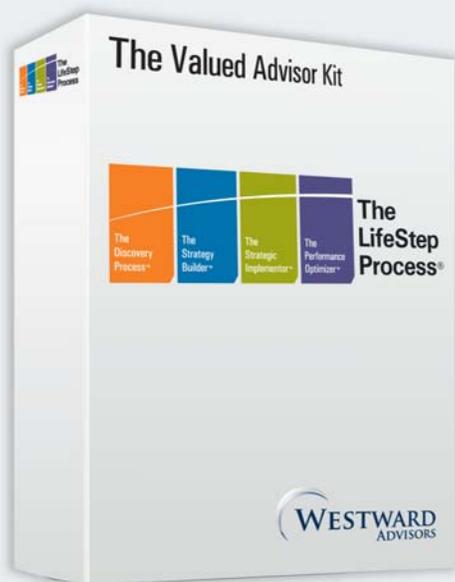


WESTWARD'S VIEW

Saskatchewan will no longer apply a 6% provincial sales tax to individual and group life insurance policies. The tax exemption is effective immediately and applies retroactively to policies issued on or after August 1, 2017, the day the new tax came into effect.

The roll back is a result of extensive submissions to the Saskatchewan government from the insurance industry, including the Conference for Advanced Life Underwriting (CALU). It sends a strong message to other provinces that may be considering similar legislation that applying PST to life insurance products is unsuitable. Life insurance continues to be GST exempt.

Westward welcomes the change and congratulates CALU for its efforts in demonstrating to the Saskatchewan government why the tax was inappropriate.



The opinions expressed in this memorandum are strictly those of Westward Advisors Ltd. This memorandum is for information purposes only and is not legal or tax advice.

Background

The Saskatchewan 2017 provincial budget introduced a 6% provincial sales tax (PST) that applied to all individual and group life policies issued on insureds resident in Saskatchewan. The tax became effective August 1, 2017, with grandfathering for permanent life insurance policies issued before that date.

Just seven months later, on February 26, 2018, the province repealed the legislation and is making plans to refund the PST collected to date — estimated to be \$65 million — so affected policyholders can be reimbursed.

Since the legislation was first proposed in the spring of 2017, the insurance industry has been vigilant in its opposition. CALU, along with Advocis, which represents financial planners, mounted a sustained public relations campaign combined with government initiatives to dissuade the government from taxing life insurance. Calls to repeal the legislation grew stronger after it became law last summer when the budget was passed.

Aiding the campaign was a leadership change in the Saskatchewan Party, which saw Scott Moe replace Brad Wall as premier after Wall retired earlier this year. Moe said that rescinding the law will help families and small business save money and invest.

Going forward, new and existing life insurance policies will not be subject to the 6% provincial tax on premium payments, which is in keeping with other Canadian provinces.

The Saskatchewan Ministry of Finance plans to work with the insurance industry to refund the PST collected and remitted on life insurance policies, so insurers can give refunds to affected policyholders. No date has been given as to when those affected will receive their refunds.

Westward appreciates and applauds the extensive efforts of CALU and other stakeholders in helping to reinstate the exemption of PST on life insurance premiums. Westward's Vice President of Planning & Finance, Wayne Stone, is a CALU Associate Member and a member of the CALU Corporate Insurance Technical Task Force.

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