



# **PRIVATE HEALTH SERVICES PLAN (PHSP)**

## **Information Package for All Businesses**



**For more information:**

**Call: 1 (866) 996-7477**

**or**

**E-Mail: [phsp@stratabenefits.ca](mailto:phsp@stratabenefits.ca)**

*Administered by:*



***A Private Health Services Plan (PHSP) is an allowance under the Income Tax Act, defined in the Income Tax Interpretation Bulletin IT-339R2.***

## **ADVANTAGES OF A PRIVATE HEALTH SERVICES PLAN**

The PHSP is not an insurance program; it runs based on CRA's guidelines for eligible medical expenses and allows you to use your business to reimburse you tax-free for your medical expenses, and then deduct 100% of that reimbursement from your business income when filing your Income Tax Return.

### **Plan Set-Up:**

#### **Corporations:**

- For Incorporated operations the PHSP Effective Date can be aligned either with the current calendar year or with your fiscal year.
- All participants need to have an employee connection to the business (in the form of a T4) in order to be eligible for participation, but there is no minimum for the amount of income received.
- The annual reimbursement limits are determined by the employer and do not need to be equal for each employee class that is created.
- Participating employees have the option to carry forward unused credits or expenses at the end of the benefit year (option to be determined at plan set-up)

#### **Self Employed Businesses** (Sole Proprietorship, Partnership, With or Without Employees):

To qualify as a Self Employed owner, you must meet one of the following parameters:

1. Your net income from businesses in which you are regularly and actively engaged must represent at least 50% of your net income for the year, or
  2. Your net income from sources other than business does not exceed \$10,000
- If you are considered Self Employed the plan year will be based on the current calendar year (with a January 1<sup>st</sup> Effective Date)
  - The annual reimbursement limits for owners and employees are based on CRA's guidelines of \$1,500 per adult and \$750 per child under each employee (Example: A couple with one child would have \$3,750 each year)
  - The option to carry forward unused credits or expenses does not apply for Self Employed plans; the benefits are "use it or lost it"

***NOTE: The total deduction permitted can be utilized by any one member of your family.***

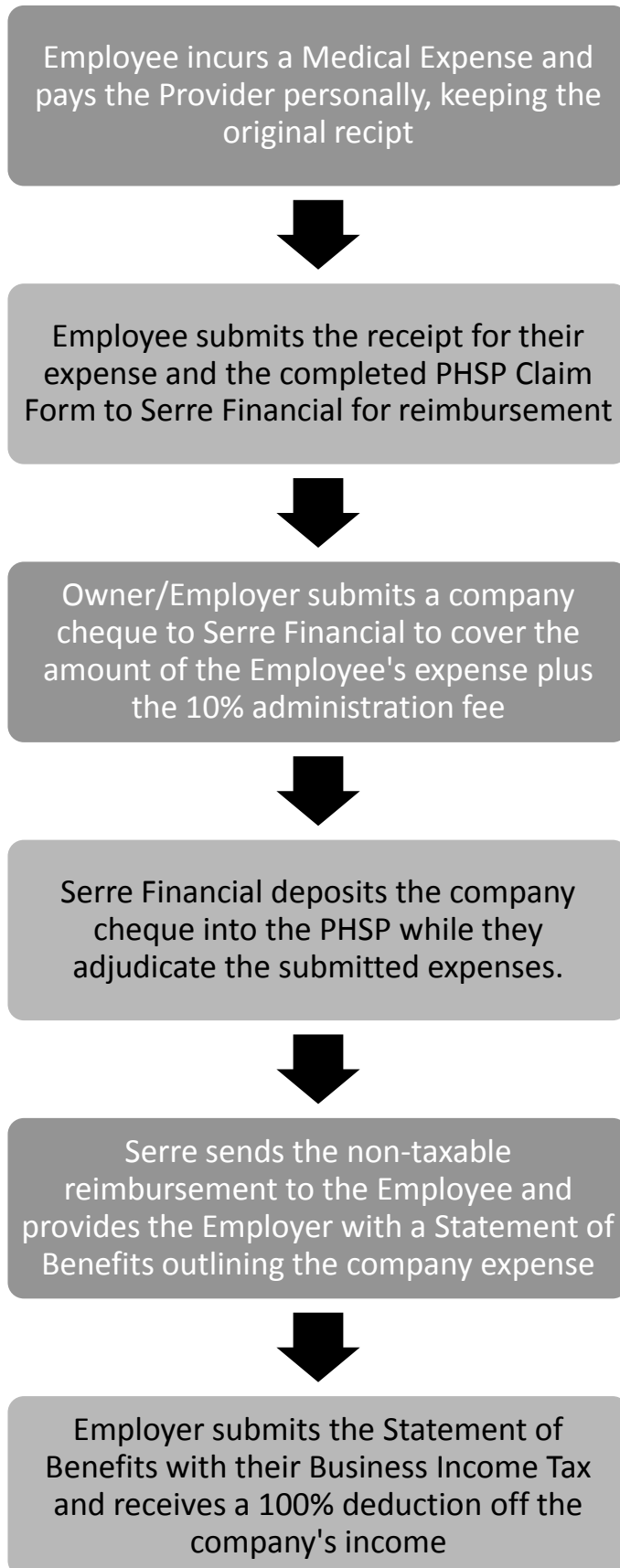
#### **Eligible Expenses:**

Eligible expenses for the PHSP include those expenses recognized as a deduction under the Income Tax Act. If you have coverage under a traditional insurance plan then the eligible expenses include deductibles, co-payments and amounts that exceed your plan maximums, as well as many health costs that are typically excluded in an insurance program such as:

- All Prescription Drugs (including smoking cessation, fertility, etc.)
- Dental Procedures such as: regular cleanings, endodontics and periodontics, dental implants, dentures, orthodontia
- Eyeglasses, Contact Lenses, Laser Eye Surgery
- Mileage to medical appointments that are greater than 40KM one-way
- Paramedical Practitioner appointments and treatments (provided they are performed by a licensed practitioner)

Please see a more detailed listing of eligible expenses later in this information package.

## Claims Process



# Tax Savings Illustrations

Savings calculated based on British Columbia Tax Rates. Savings will vary by province.

You have a **\$1,000** health care or dental bill; assume an annual income of \$50,000.  
It is now time to pay the bill; you have two choices:

1<sup>st</sup> Choice  
(without a PHSP)

Your company pays you  
\$1,341

\$1,341  
In earnings  
(eligible business expense)

\$1,000 to pay the bill

\$341 in income tax

Plus CPP and  
Employment Insurance

2<sup>nd</sup> Choice  
(with a PHSP)

Your company pays \$1,100

\$1,100  
to Serre Financial  
(eligible business expense)

\$1,000 returned to the  
employee tax free

\$105 admin. Fee + GST  
retained by Serre Financial

No CPP and  
No Employment Insurance

**SAVE \$236  
with the PHSP!**

## Illustration #1

### Assumption:

- 35% personal tax bracket
- \$1,000 in medical expenses
- CPP 10%

### Medical Expense Tax Credit

**Medical Expense  
Tax Credit  
= \$0  
(zero dollars)**

With the Medical Expense Tax Credit Option, your medical expenses are less than the deductible. Therefore, the Medical Expense Tax Credit does nothing.

### Private Health Services Plan

**Expense  
processed  
through PHSP is  
the cost of the  
claim plus 10% =  
\$1,100**

(i.e. additional cost of \$100)

### Reduction in tax & CPP:

45% of \$1,100 = \$495

### Net Savings = \$395

(\$495 less the PHSP net cost of \$100)

## Tax Savings Illustrations -- Self-Employed

The choice is clear, **zero dollars** in savings vs. **\$395** on \$1,000 of medical expenses.

## Illustration #2

### Assumption:

- 35% personal tax bracket
- \$3,000 in medical expenses
- CPP 10%

### Medical Expense Tax Credit

**Medical Expense  
Tax Credit  
= \$466.20  
(zero dollars)**

In this illustration, you have accumulated enough medical expenses to qualify for some tax relief from the Medical Expense Tax Credit of **\$466.20**.

### Private Health Services Plan

**Expense  
processed  
through PHSP is  
the cost of the  
claim plus 10% =  
\$3,300**

(i.e. additional cost of \$300)

### Reduction in tax & CPP:

45% of \$3,300 = \$1,485

### Net Savings = \$395

(\$1,485 less the PHSP net cost of \$300)

Again, the choice is clear, **\$466 vs. \$1,185** on \$3,000 of medical expenses.

*That's over double the savings!*

# List of Eligible Expenses

## Premiums for Health Care Plans:

- \*Critical Illness (No Return Of Premium)
- \*Disability
- \*Individual Health & Dental Plans
- \*Travel Health Insurance
- \*Extended Health Care & Dental
- \*Long Term Care

## Professional Services Rendered:

- \*Acupuncturist
- \*Chiroprapist
- \*Chiropractor
- \*Christian Science Practitioner
- \*Dental Hygienist
- \*Dental Mechanic
- \*Dentist
- \*Dermatologist
- \*Dietician
- \*Gynaecologist
- \*Jungian Psychoanalyst
- \*Massage Therapist
- \*Medical Doctor
- \*Medical Practitioner
- \*Naturopath
- \*Neurologist
- \*Nurse
- \*Obstetrician
- \*Occupational Therapist
- \*Oculist
- \*Optician
- \*Optometrist
- \*Osteopath
- \*Paediatrician
- \*Physiotherapist
- \*Plastic Surgeon
- \*Podiatrist
- \*Practical Nurse
- \*Professional Tutor (for learning disabilities)
- \*Psychoanalyst
- \*Psychologist
- \*Psychiatrist
- \*Speech Language Audiologist
- \*Speech Language Pathologist
- \*Speech Therapist
- \*Surgeon
- \*Mileage for Appointments >40km one way
- \*Meals for Appointments >80km one way

Note: A qualified medical practitioner is registered or licensed in accordance with the laws of the province and practitioner's governing body

## Dental Services

- \*X-Rays
- \*Examinations
- \*Diagnostic
- \*Emergency Treatments
- \*Extractions
- \*Orthodontics
- \*Denture Repair & Replacement
- \*Gum Treatment
- \*Veneers
- \*Crowns
- \*Oral Surgery
- \*Fillings
- \*Root Canals

## Laboratory & Medical Tests

- \*Blood Tests
- \*Cardiographs
- \*Metabolism Tests
- \*MRI & CT Scans
- \*X-Rays
- \*Spinal Fluid Tests
- \*Stool Examination
- \*Urine Analysis

## Medical Treatments

- \*Audiology
- \*Blood Transfusion
- \*Bone Marrow Transplant
- \*Diathermy
- \*Injections
- \*Electric Shock Treatments
- \*Healing Services
- \*Hydrotherapy
- \*Insulin Treatments
- \*Nursing
- \*Organ Transplant
- \*Pre/Post Natal Treatments
- \*Radium Therapy
- \*Speech Pathology
- \*Ultra-Violet Ray Treatments
- \*Whirlpool Baths
- \*X-Ray Treatments

## Hospital Services

- \*Anaesthesiologist
- \*Oxygen Mask/Tent
- \*Vaccines
- \*Operating Room Fees
- \*X-Ray Technician
- \*Private/Semi Private Room Fees

## Medicines

- \*Prescription Drugs
- \*OTC Drugs Prescribed by Licensed Practitioner
- \*Insulin
- \*Oxygen
- \*Diabetic Supplies (with prescription)
- \*Vitamin B12 (pernicious anaemia)

**The above listing is intended to be general rather than exhaustive. When in doubt, contact Serre Financial and a Private Health Services Plan (PHSP) representative will be pleased to provide additional details as to eligibility.**