

## **Cost-Plus Private Health Services Plan Coverage for Shareholders**

**With respect to the shareholder-manager of a corporation, there is a general presumption that a benefit with respect to a private health services plan would be conferred on the individual in his or her capacity as a shareholder and included in income pursuant to subsection 15(1) (see Technical Interpretation No. 9505265). Revenue Canada appears to have reversed this position.**

**In a recent interpretation, Revenue Canada indicated that “when equivalent coverage under a private health services plan is extended to all employees, including the employees who are shareholders, the benefit provided to the employee-shareholders from such coverage is normally considered to be an employment benefit rather than a shareholder benefit”. Where all employees of the corporation are shareholders, Revenue Canada states:**

**Similarly, when all employees of a corporation are shareholders and it is reasonable to conclude, based on the particular facts of the situation, that the private health services plan coverage has been provided as part of a reasonable remuneration package, the benefit from such coverage is also considered to be an employment benefit rather than a shareholder benefit. In such a case, the benefit is not included in the employee-shareholders’ income by reason of the exclusion in subparagraph 6(1)(a)(i) of the Act, and the corporate employer is entitled to a deduction in respect of the contributions made for such coverage, subject to any limitations imposed under the Act.**

**■ *Technical Interpretation, Business and Publications Division,  
July 27, 1998,***

Document No. 9815645