Insurance premiums and HST

The pending July 1 implementation of a harmonized sales tax (HST) in Ontario has lawyers wondering what is and is not subject to HST.

Base insurance premium

Insurance premiums themselves are not subject to federal sales tax, as they are considered an exempt supply under the relevant legislation. Therefore LAWPRO does not currently charge GST on its insurance premiums, and come July 1, 2010, **will not be charging HST on insurance premiums**. This means that any existing payment arrangements lawyers may have made for payment of premiums by instalments will not be affected by the HST.

However, lawyers do pay the eight per cent provincial sales tax (PST) on insurance premiums; as the Ontario government has not indicated that it intends to repeal this section of its tax law, we expect that insurance premiums will continue to be subject to PST.

Transaction levies

Similarly, the implementation of the HST will not affect the real estate or civil litigation levies when they are paid to LAWPRO, as these are insurance premiums that DO NOT attract sales tax.

However, when the same levies are disbursed to clients, they do attract sales tax, as per federal regulation. So effective July 1, 2010, the $65 real estate transaction levy, which currently is subject to only five per cent federal GST will be subject to the full 13 per cent ($8.45) of HST which, like the GST, lawyers will remit directly to the Canada Revenue Agency. Similarly, the $50 civil litigation transaction levy, when disbursed to the client, will be subject to the 13 per cent HST ($6.50).

More information

LAWPRO'S detailed FAQs on Insurance Premiums and the HST are now available on our website. Watch for our email bulletin, *Insurance News*, for further details.

As well, The Law Society will be putting on a seminar explaining the implications of the HST for lawyers - *HST - The Ontario Harmonized Sales Tax and Your Practice* on Wednesday June 23, 2010, from 12 noon to 1:30 p.m. Watch The Law Society website for registration details.