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Overhead expense disability insurance – tax consequences

The case of *Beliveau v. The Queen*, 2018 CCI 87 considered the tax treatment of disability insurance benefits that covered a professional dental surgeon's overhead expenses during her period of disability.

Her insurance policy reimbursed expenses the dental surgeon incurred to continue her professional practice during her period of disability. These reimbursements were included in Beliveau's income. Complicating the situation was the fact that Beliveau paid for her insurance coverage with her own after-tax dollars and did not deduct the premiums as a business expense even though she could have.

Because income-replacement benefits received from insurance purchased with after-tax personal dollars are non-taxable, the court distinguished Beliveau's income-replacement disability benefits from the overhead expense reimbursements she received.

Overhead expense benefits "are not of a personal nature and are supposed to replace the operating expenses of the appellant's practice which are included in calculating the net income derived from the operation of the practice and deducted for income tax purposes."

The court found Beliveau not deducting the premiums and paying for them with personal dollars "did not change the nature of the benefits received, nor their tax treatment."

Archived IT-223 dated May 26, 1975 outlines the tax treatment of overhead expense coverage and this has not changed: premiums are deductible; the actual expenses incurred are deductible, and any benefits payable under the overhead expense coverage are included as income.



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