

# Briefing

Compliance News Affecting Benefit Plans

May 2026

## News from Ontario



## Ontario Premium Tax on Employee Life and Health Trusts

The Ontario Government recently passed [Bill 97](#), which includes changes to the *Corporation Tax Act* (CTA) that would allow benefit plans, including Employee Life and Health Trusts (ELHTs), to elect to be treated as unfunded benefit plans.

An ELHT is a vehicle through which life and health benefits are provided to members. Employers are responsible for making contributions to the trust.

### How would ELHTs be affected?

In recent audits of ELHTs, the Ontario Ministry of Finance (the Ministry) has taken the stance that, in accordance with the CTA, ELHTs should be paying a 2 percent Insurance Premium Tax (IPT) on all contributions remitted to the trust as they are received.

The Ministry's position is that ELHTs are funded benefit plans, as defined in the CTA, and, therefore, are subject to IPT. If an ELHT is deemed by the Ministry to not comply with the CTA, the Ministry may impose fines.

Contributions that fund benefits for members who reside outside Ontario or that pay for benefits taxable to employees, such as accidental death or dismemberment and long-term disability insurance, would not be subject to IPT.

The legislation would allow ELHTs to elect to be an unfunded benefit plan and not subject to IPT on contributions as they are remitted. Instead, IPT would be charged on taxable benefits paid from the plan.

### Action item

The Government has indicated that funded benefit plans will in the near future be able to apply to be treated as an unfunded benefit plan. A limited retroactive window will be available, allowing elections to apply no earlier than April 1, 2026. Details on the application process have not been released.

Until a plan has completed the conversion process, trustees of ELHTs should consult legal counsel to ensure they are compliant with the CTA to avoid any potential penalties.



Segal can be retained to work with plan sponsors and their legal counsel on determining the implications. For assistance or if you have questions about the regulations and the law, contact your Segal consultant, or [get in touch via our website](#).

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