INDEX

Α

21-year deemed disposition rule, 363

• "Crummey" trust and, 390

Accounting for life insurance, 241

Accounting standards, 72

Accrual reporting

• annuities, 477

Accrual taxation, 7-8, 477

- · annuities
- • introduction of, 477
- · annuity contracts
- • post-1989 contracts, 488
- • pre-1990 contracts, 502
- deferred annuities, 509
- contracts last acquired after December 31, 1989, 514
- contracts last acquired after March 31, 1977 and before January 1, 1990, 513
- • contracts last acquired prior to April 1, 1977, 511

Accumulating fund, 7–11, 92, 489, 496, 497, 511, 592

Adjusted cost base, 3, 4, 5, 6, 7, 8

- calculation of, 84–90
- • examples of, 84–90
- defined, 3, 4, 84–90
- formula, 85-86
- grandfathered policies, 11, 12, 13
- keyperson insurance strategy and, 245

- · pro-rating, 11
- reduction by NCPI, 10-11, 84-85

Adjusted purchase price, 490, 505, 507

Advanced death benefit, 68

Aggressive tax planning, 154

Annuitant

- death of, 514, 528
- defined, 473, 494

Annuities, see also Annuity contracts, Charitable annuities, Deferred annuities, Insured annuities, Segregated funds, Structured settlements

- accrual taxation rules, 488
- • exempted, 488
- deemed disposition rules, 532
- · deferred, 509
- defined, 473
- general, 1, 473
- grandfathered, 488
- immediate, 487
- income
- • requirement to report, 477
- life annuities, 473–475, 487
- non-prescribed, 512, 514, 522, 530, 535
- prescribed, 488, 489, 491, 494–500
- qualifying as structured settlement, 557
- reporting requirements, 489, 512

Annuities (cont'd)

- segregated fund, 474
- · taxation of
- • accrual taxation, 477
- • Carter Commission, 476
- • early, 474
- • tax reform and, 482
- term annuities, 473

Annuitization, 3, 7, 11, 82, 512, 513, 514

• as disposition, 11

Annuity contracts, see also
Annuities, Charitable annuities,
Deferred annuities, Insured
annuities, Segregated funds

- death, taxation on, 500
- contract transferred to beneficiary, 501
- general, 500
- • lump sum paid to beneficiary, 501
- • termination of contract, 500
- general, 487
- income averaging annuity contracts (IAACs), 487, 489, 505
- last survivor, 479, 493
- payments, 489
- prescribed annuity contracts (PACs), 488
- • defined, 488, 491
- • payments, 490
- proceeds of disposition, 490, 495
- surrenders, 512
- · taxation of
- • post-1989 contracts
- • accrual taxation of, 488
- • dispositions, taxation of
- • • adjusted cost basis, 497

- • • overview, 495
- • • proceeds of disposition, 496
- • • what constitutes, 496
- • overview, 488
- • payments, taxation of, 489
- • prescribed annuity contracts,
- • taxation on death
- • • contract transferred to beneficiary, 501
- • • general, 500
- • • lump sum paid to beneficiary, 501
- • • termination of contract on death, 500
- pre-1990 contracts
- • contracts acquired after
 December 1, 1982 and before
 January 1, 1990
- • • accrual taxation, 506
- • • adjusted cost basis, 507
- • • dispositions, taxation of, 507
- • • payments, taxation of, 507
- • • taxation on death, 507
- • contracts acquired before December 2, 1982
- • • accrual taxation, 503
- • • adjusted cost basis, 504
- •••• disposition, taxation of, 505
- • • payments, taxation of, 504
- • • pre-1982 unallocated income, 504
- • • taxation on death, 505
- • overview, 502

Assignment

- absolute
- general, 98
- • general rule, 98

Assignment (cont'd)

- • gifts, non-arm's length transfers, 99
- • tax-free rollovers, 100
- • generation transfers and intergeneration transfers, 101
- • inter vivos transfer to spouse/common-law partner, 104
- • transfer out of a personal trust, 106
- • transfer to spouse/common-law partner at death, 105
- business loan protection, 243
- • deductibility, 243
- • disposition, as, 244
- charity, to, 460
- collateral life insurance deduction, 543
- exempt life insurance policy, 195, 213
- leveraged insured annuities
- • collateral life insurance deduction, 543
- partnerships, 440
- structured settlements, 558

Attribution rules

- corporate, 123
- intergenerational transfers, 196
- spousal, 104
- trusts, 365

В

Beneficiary

- 21-year deemed disposition rule, 390
- • "Crummey" trust, 390
- · annuity contracts
- • contract transferred to, 501

- • death of owner, lump sum paid, 501
- capital beneficiaries, 356, 363
- charity as, 454, 455, 459, 460, 463, 464
- children, 185, 187, 191
- common-law partner, 187
- • annuity contracts, 492
- corporation
- • business insurance trust, 370
- · defined, 188
- grandchildren, 187, 188, 191
- · irrevocable
- creditor protection, 191
- • intergenerational transfers, 196
- • notice of transfer, 196
- minor, 186, 352
- partnership property, 422
- personally-owned insured annuities,
 529
- · private corporation
- • business insurance trust, 370
- • credit to capital dividend account, 240
- Québec, 186
- same-sex partners, 192
- segregated funds, 567
- shareholder designated, on corporate-owned life insurance, 229
- spouse, 192
- term-to-100 life insurance policy, 528
- trusts, 328, 330
- · withdrawal rights
- • "Crummey" Trust, 390

Benefits, see also Death benefit

· employees

Benefits (cont'd)

- • group life insurance premiums, 228
- • premiums paid by corporation, 229
- · shareholders
- beneficiary designation on corporate-owned life insurance, 229
- • living buyout, 163
- • premiums paid by corporation, 229
- • transfer of ownership of corporate-owned insurance, 230
- specified insurance benefit, 72
- taxable conversion benefit, 71

Bill C-43, 22

- August 29, 2014 draft legislation, 21
- changes to 8 percent rule, 26
- changes to 250 percent test, 26
- changes to actuarial assumptions and reserve methods, 24
- changes to calculation of ACB of policy, 28
- changes to capital portion of annuity payments from PACs, 26
- changes to dispositions, 29
- changes to joint policies, 27
- changes to NCPI calculation, 25
- effective date, 22
- grandfathering (G2 policies), 29
- pre test, 23

Bill C-139, *see* Notice of Ways and Means Motion and Bill C-139

Borrowing, *see also* Business loan protection, Keyperson insurance protection

• general, 143

- leveraged insured annuity, see
 Insured annuities, leveraged insured annuities
- leveraged life insurance programs, see Leveraged life insurance programs

Business loan protection

- assignment of, 244
- • deductibility of, 243
- • disposition, as, 243
- benefits of strategy, 245
- · deductibility, 245
- defined, 243
- exempt policy, 245
- generally, 243
- implementation, 244
- private corporation, 243
- tax rules, 244

Buy/sell arrangements, *see also* Shareholders, Stop-loss rules

- bare trustee, 285
- business insurance trust and, 370
- capital dividend account, use of, 276, 283
- corporate- vs. personally-owned life insurance, 249
- • allocation of cost of premiums, 250
- • creditor protection, 251
- ease of administration, 250
- • family law (Ontario), 250
- policing of policy premiums, 250
- potential transfer of ownership,
 252
- corporate-owned life insurance and sale of business to third party, 252

Buy/sell arrangements (cont'd)

- personally-held life insurance on other shareholder for crisscross buy-sell, 253
- tax complexity, 251
- • tax leverage, 249
- eligible dividend tax regime, 284
- generally, 248
- split-dollar insurance arrangements, 321
- · structuring agreement
- corporate share redemption method, 276
- • stop-loss rules and, 276
- • crisscross purchase method, 254
- • hybrid (combination) method, 270
- • stop-loss rules, 276
- • optimization clauses, 276
- • overview, 248
- • promissory note method, 260
- • share redemption method, 264
- • trustee with holding company method, 260

C

Canada United States Income Tax Convention (1980), 392, 407

Capital cost allowance

• recapture of, 186, 187, 372, 452

Capital dividend account (CDA), 210, *see also* Capital dividend election, Dividends

- business loan protection strategy and, 245
- · buy/sell agreements
- • business insurance trusts, 370
- share redemption method, 264
- • use of, 283

- collateral assignment and, 217, 218, 240
- corporate-owned insured annuity, 533
- corporate partners
- proceeds of insurance policy, 418
- creditor insurance arrangements and, 217
- · defined, 211
- election under, how made, 225
- estate planning and holding companies, 294
- keyperson strategy and, 245
- leverage insurance and, 161
- leveraged insured annuity (LIA), 552
- life insurance capital dividend account, *see* Life insurance capital dividend account
- miscellaneous issues, 226
- non-residents, 220
- payment of capital dividend, 225
- planning to maximize, 220
- private corporation, of
- • defined, 221, 224
- stop-loss rules, 276
- • fifty percent solution, 282
- • spousal rollover, 280

Capital dividend election, 225

Capital gains

- · deemed disposition, 186
- donations and, 453
- exemption, 121, 141, 186
- • lifetime capital gains, 121
- qualified farm property, 186
- qualified small business corporation shares, 186

Capital gains (cont'd)

- retirement compensation arrangements, 303
- segregated funds, 469
- share redemption agreements, 277
- • fifty percent solution, 282, 287, 355, 365, 377
- • spousal rollover, 280

Capital losses

- retirement compensation arrangements, 297
- segregated funds, 469, 473, 474, 567
- share redemption agreement, 264
- • fifty percent solution, 282, 287, 355, 365, 377
- • spousal rollover, 280
- trusts
- • life insurance, 360

Capital property

- charitable donations of, 452
- deemed disposition of, 186
- depreciable, 186, 452
- emigration, 399
- trusts
- • life insurance, 360

Capital replacement, 467

Carter Commission Report, 2, 6, 476, 482

Cash surrender value (CSV), 84

- annuity contracts, 489
- borrowing against policy, 143
- · defined, 84
- full surrender, 91
- leveraged insured annuities, 544
- partial surrenders, 92

- RRSP owning life insurance policy, 379
- spousal trusts, 372
- term-to-100 policies, 536
- transfers
- • amalgamations, 141
- corporate-owned insurance transferred to shareholder, 127
- • intercompany shareholdings, 132
- miscellaneous transfers, 141
- non-arm's length, 99
- • partner to partnership, 423
- partnership to partner, 422
- shareholder to corporation, 138
- • sister companies, 130
- • wind-ups, 142

Certificate of Compliance, 406

Charitable annuities, see also Annuities, Annuity contracts, Deferred annuities, Insured annuities, Segregated funds

- general, 517
- issued after Dec. 20, 2002, 520
- • eligibility for s. 60(1) rollover and, 524
- further technical clarifications,
 522
- Income Tax Technical News No. 26, 521
- split-receipting, 520
- issued before Dec. 21, 2002, 517
- • benefits of structure, 520
- • charitable foundations, and, 420
- • example of how they work, 518
- • financial realities, 519
- • general description, 517
- • variations, fixed term annuities, 519

Charitable annuities (cont'd)

- IT-110R3, 446, 518
- IT-111R2, 517
- Mortality Tables, 518, 523

Charitable foundations, 445

- · defined, 445
- disbursement quota, 449
- private foundations, 445
- public foundations, 445

Charitable giving, *see also* Charitable annuities, Charity, Gifts

- · defined, 446
- general, 446
- split-dollar insurance arrangements, 329

Charitable organization

• defined, 445

Charity, *see also* Charitable annuities, Charitable giving

- anti-avoidance rules, 454
- excepted gifts, 455
- • "loan back" transactions, 455
- • non-qualifying securities, 455
- beneficiary, as, 449, 455
- capital replacement, 467
- corporate donations, 450
- · defined, 445
- disbursement quota, 449
- • 10-year gifts, 449
- donation tax credit, 451
- · donations
- • capital property, 452
- • election, 452
- • in year of death, 455
- • life insurance, see Gifts
- limits, 452
- • mutual fund, units of, 469

- • non-arm's length, 454
- • publicly-listed securities, 453
- • segregated fund, interest in, 469
- segregated funds, gifts of, 469
- shares, 466
- • stock options, 453
- tax shelter arrangements, 456
- excepted gifts, 455
- federal tax credit, 450
- gifts, see Gifts
- "loan back" transactions, 455
- non-qualifying security, 454
- · reduced inclusion rate
- publicly-listed securities, 454
- stock options, 454
- RRSP or RRIF insurance, 468
- tax incentives, 450
- annual limits, 452
- anti-avoidance rules, 454
- • Bill C-43 changes, 451
- • general, 450
- tax shelter donation arrangements, 456

Child

• defined, 101

Civil Code (Québec)

 collateral assignment (hypothecation), 218

Collateral insurance, *see* Assignment of policy

Common-law partner

- · annuity contracts
- • rollover, 497
- • transfer, 497
- · deferred annuity
- • rollover, 511

Common-law partner (cont'd)

- defined, 494
- inter vivos transfers, 104
- rollover, 187
- • annuity contracts, 497
- • deferred annuity, 511
- share redemption strategies, 270
- transfer of property, 363

Corporate attribution rules, 123

Corporate investment

- financial considerations, 293
- impact of corporation owning cash value life insurance policy, 292
- introduction, 292
- post-mortem tax considerations in comparing alternatives, 294

Corporate-owned insurance, see also Buy/sell arrangements, Split-dollar insurance arrangements, Stoploss rules

- amalgamations, 141
- · charitable gifts by
- deductibility, 231
- deemed retirement compensation arrangement, 247
- group life insurance, 228
- • deductibility, 228
- · insured annuities
- capital dividend account, 535, 538
- • cash flow example while living, 533
- • deemed disposition on death, 535
- • general, 527
- • tax implications at death, 530, 535
- valuation, 536
- multi-life insurance, 63–65, 103, 428, 430, 432

- retirement compensation arrangement
- • deeming rules, 312, 314
- share redemption agreements, 275, 282
- shareholder designated as beneficiary, 226
- · shares, see Shares
- split-dollar insurance arrangement, see Split-dollar insurance arrangements
- stop-loss rules, see Stop-loss rules
- transfer of policies, 125
- • amalgamations, 141
- • between related corporations
- • intercompany shareholdings, 132
- • sister companies, 130
- • corporation to insured, 230
- • corporation to shareholder, 127
- • partner to partnership, 423
- • partnership to partner, 422
- • shareholder to corporation, 138
- • wind-ups, 142
- transfers on death
- • to common-law partner, 372
- • to spouse, 372
- United States estate tax, 381
- wind-ups, 142

Corporation, see also Private corporation, Retirement compensation arrangements (RCA), Supplementary Executive Retirement Plan (SERP)

- · annuity income
- • reporting requirements, 510
- charitable donations, 452
- · corporate partner

Corporation (cont'd)

- • death of, 419
- • proceeds of insurance policy, 419
- • sole shareholders, 419
- financial statements, 242
- · leveraged insurance arrangements
- • living buyout, 165
- • facts, 165
- • structure, 165
- • tax risks
- • • shareholder benefit issue,
- • • loan outstanding, 167
- • • time of repayment, 169
- pay a bonus, 162
- • facts, 162
- • structure, 162
- • tax risks
- • • RCA rules, 163
- • retirement redemption, 159
- • facts, 159
- • structure, 160
- • tax risks
- • • capital dividend account and,
- • • interest deductibility, 160
- • • leveraged insurance and, 161

Creditor

- protection from, 560, 569, 576, 584
- • partners, 443
- · protection of
- • buy/sell agreements, 251

Creditor insurance arrangements, 217

• capital dividend account and, 217

D

Death benefit, 8–9, 12–16

- · advanced, 68
- capital gains exemption, 121
- gifts of life insurance to charities, 456
- prescribed increase in, 13
- • defined, 13
- prescribed premium, 14
- • defined, 14
- split-dollar insurance arrangements
- • corporate-owned death benefit, 324
- • employee/shareholder owned death benefit, 322
- universal life insurance, 55

Deductibility

- · assignments
- • generally, 231
- historical perspective, 234
- Interpretation Bulletin IT-309R2, 239
- • related matters, 240
- • s. 20(1)(e.2), 235
- • amount deductible, 236
- • requirements for deductibility, 235
- · business loan protection
- • assignment of, 243
- charitable gifts
- • corporate-owned insurance, 231
- · donations
- • corporations, 452
- gifts, 233
- group life insurance, 228
- · interest
- • leveraged insured annuity, 541

Deductibility (cont'd)

- leveraged life insurance program
- • corporate applications
- • • retirement redemption, 159
- • immediate borrowing application, 173, 175
- • • collateral loan to invest, 173
- • • policy loan, 175
- • individual retirement application, 156
- • policy loan, 94
- • segregated funds, 474
- keyperson protection, 245
- NCPI
- from ACB, 84–87
- premiums
- • charitable gift, 232
- • collateral insurance
- • generally, 232
- • historical perspective, 234
- • Interpretation Bulletin IT-309R2, 239
- • related matters, 240
- • creditor's life insurance, 240
- • generally, 231
- • group life insurance, 228
- • registered life insurance policy, 232
- • Registered Retirement Savings Plans (RRSPs), 233
- • s. 20(1)(e.2), 235
- • amount deductible, 236
- • requirements for deductibility, 235
- retirement compensation arrangements
- • employer contributions, 302

- • qualifying employee contributions, 302
- • shareholder contributions, 302
- split-dollar arrangements
- • taxable benefit, 337

Deductions

- collateral life insurance deduction, 543
- retirement compensation arrangements
- • employer contributions, 302
- • qualifying employee contributions, 302

Deferred annuities, 509, see also Annuities, Annuity contracts, Charitable annuities, Insured annuities, Segregated funds

- accumulating fund, 511
- accrual taxation, 512
- annual reporting, 510
- annuitant, 509
- death of, 509
- contracts last acquired after December 31, 1989
- • accrual taxation, 514
- • annual reports, 514
- • annuitization, 514
- • death of annuitant, 514
- • generally, 513
- • policy gains, 514
- • surrender, 514
- • partial, 514
- contracts last acquired after March 31, 1977 and before January 1, 1990
- accrual taxation, 513
- adjusted cost base, 513
- annual reports, 513

Deferred annuities (cont'd)

- • annuitization, 513
- • death of annuitant, 514
- • general, 513
- • policy gains, 513
- • prescribed annuity, 513
- • surrender, 513
- • partial surrender, 513
- contracts last acquired prior to April 1, 1977
- • accrual taxation, 512
- • adjusted cost base, 512
- • annuitization, 512
- • death of annuitant, 513
- • general, 511
- • policy gains, 512
- • prescribed annuity, 512
- • surrender, 512
- • partial surrender, 512
- defined, 509
- disposition, 510
- exceptions, 511
- general, 509
- Guaranteed Investment Certificates (GICs) and, 509
- last acquired, 510
- life contingency, 509
- life insurance, as, 509
- maturity date, 509
- partial surrender, 512, 513, 514
- policy gains, 512, 513, 514
- policy loan, 510, 511
- prescribed annuity, 478, 479, 488
- • defined, 478
- • payments, 489
- · registered, 514
- surrender, 512, 513, 514

• transfer, 511

Deferred Profit Sharing Plan, 300, 379, 400, 476, 484, 487, 515

Demutualization

- defined, 71
- tax regime, 71

Dependants, 185

Disposition, *see also* Proceeds of disposition, Surrender of policy

- annuitization as, 11
- change of trustees, 364
- deemed disposition on death, 3-4
- • corporate-owned insured annuity, 533, 537
- • deferred annuity, 496, 509
- • funding tax liability, 187
- • leveraged insured annuity, 538
- • non-residents
- • clearance requirements, 404
- • personally-owned insured annuity
- • non-prescribed, 530
- • prescribed, 530
- • policy dividends, 98
- • valuation, 108
- deemed disposition rules on emigration, 399
- • exceptions, 399
- deferred annuities, 510
- defined, 77–80
- exclusions, 80-83
- general rules, 76
- non-residents
- clearance requirements, 404
- dual residents, 403
- • general, 403
- tax treaties, impact of, 407
- • taxable, 403

Disposition (cont'd)

- other properties deemed disposed of, 120
- terminology, 76
- transfer of ownership, 98
- trusts
- • 21-year deemed disposition rule, 363
- under promissory note method, 125

Dividend options

- accumulate at interest, 53
- cash, 53
- exempt policies, 189
- premium offset, 55
- purchase bonus paid up additions,
 54
- reduce premiums, 53
- term insurance enhancements, *see* Term insurance

Dividends

- capital dividend account, 54, *see also* Capital dividend account
- · capital dividends, 210
- • buy/sell agreement
- • business insurance trust, 370
- • share redemption method, 264
- • defined, 210
- • election, 210
- • leveraged insured annuity, 540
- • payment of, 225
- · declaration, 225
- · deemed, 265
- eligible dividend tax regime, 284
- participating whole life insurance, see Participating whole life insurance
- · policy, see Policy dividend
- tax-free, 210

Double taxation

- dual residents, 403
- non-United States persons, 403
- segregated funds, 571
- share redemption agreements, 265
- United States estate tax, 381

Draft legislation of August 29, 2014, see Bill C-43

Ε

Election

- capital dividend election, 225
- · charitable donations
- • capital property, 452
- out of spousal rollover, 105

Emigration

- corporate-owned policies, 401
- deemed disposition, 399
- fair market value, 399
- immigration, 400
- individuals, 400
- property subject to, 399
- reporting requirements, 401
- tax, 399
- taxable Canadian property, 399
- trust owned policies, 401

Employee

- benefits, 228
- beneficiary designation under corporate owned life insurance, 229
- • group life insurance premiums,
- • premiums paid by corporation, 229
- transfer of ownership of corporate owned life insurance, 230

Employee (cont'd)

- split-dollar insurance arrangements
- • employee-owned death benefit, 322

Estate

- collateral insurance, 189
- create, 189
- · equalization, 190
- estate taxes, 188
- funding deemed disposition, 186
- other costs, 188
- planning
- capital dividend account and, 205, 206
- preservation of, 186
- probate fees, 188
- · replenishing, 189
- RRIFs, 187
- RRSPs, 187
- share redemption agreement, 265
- United States estate taxes, *see*United States tax considerations and estate planning

Exempt policy, see also Disposition

- business loan strategy and, 245
- · cash values of, 189
- collateral assignment, 189
- dividend options, 195
- exempt test, 198, see also Exempt test
- gifts to charities, 453
- inter vivos family trusts, 196
- intergenerational transfers, 196
- introduction of, 7, 8–10
- keyperson insurance strategy and, 247
- leveraging, 195, *see also* Leveraged life insurance programs

- non-residents
- • clearance requirements, 404
- policy dividend, 195
- policy loans, 195
- probate fees and, 189
- retirement compensation arrangements, 372
- split-dollar arrangements, 203
- supplementary executive retirement plans, 297
- • life insurance funded strategies
- front end leveraged RCA (FELRCA), 312
- • leveraged life insured SERP strategy, 308
- life insured SERP strategy, 308
- • split-dollar life insured strategy, 310
- · tax exempt accumulations, 195
- taxation of, 75
- term-to-100, 528
- · withdrawals, 195

Exempt test, see also Bill C-43

- background, 16-18
- draft legislation of August 23, 2013, 20–21
- federal budget of 2012, 18-20

F

Fair market value

- · cash surrender value and, 110, 111
- charitable donations
- • capital property, 452
- corporate-owned insured annuity, 533
- corporate-owned life insurance on deceased shareholder, related parties and other shareholders, 109

Fair market value (cont'd)

- deemed disposition on emigration, 400
- deemed disposition upon death, 109
- interest in life insurance, 106
- leveraged insured annuity, 537
- life insurance shares, 112
- non-qualifying security, 454
- · partnership property
- • death of corporate partner, 417, 418
- partnerships
- funding buy/outs with life insurance
- • criss-cross method, 427
- • • basic, 427
- • • basic with corporate partners, 429
- • • beneficiary designated, 431
- • • trustee'd, 430
- • partnership purchase of interest, 433
- • • corporate partners, 419
- • • individual partners, 419
- • surviving partners purchase interest, 436
- shares held by spousal trust, 120
- transfers between intercompany shareholdings, 132
- wind-ups, 142

Family business succession planning

- intergenerational transfer of small business and farms, 290
- introduction, 285
- role of life insurance in arm's length business succession plans, 289

- role of life insurance in common family business succession plans, 286
- • sale to successor during life for promissory note, 286
- transfer at death to successor, 287
- use of estate freeze to transfer ownership to successor during life, 287

Federal budget

- 1968, 2–4
- • relief for existing policies, 4
- taxation of policy gains on disposition, 3–4
- 1977, 4–5
- • new tax anniversary date, 5
- • policy loans as disposition, 5
- 1981, 5–6
- 2012, 18-20

Financial Accounting Standards Board (FASB), 241

Foreign life insurance

- foreign property reporting rules, 397
- general, 396
- taxation of, 398

Forms

- Form T3, 571
- Form T4A, 591
- Form T733, 299
- Form T1135, 409, 583
- Form T1161, 402
- Form T2054, 225, 640, 650, 660
- Form T2062B, 405
- Form T2064, 406
- Form T2068, 406
- Form T2210, 96, 181, 612, 679
- Form T5008, 573

G

General Anti-Avoidance Rule (GAAR), 544

- applicability, 544
- defined, 544
- · leveraged insurance arrangements
- • application re interest deductibility, 148
- • general areas of concern, 152
- • immediate borrowing application, 173
- individual retirement application, 156

Gifts

- capital replacement, 467
- · charitable, see also Charity
- defined, 446
- • split-dollar policy, 447
- deductibility, 233
- excepted, 455
- · life insurance
- • general, 456
- •• IT-244R3, 460, 461
- • methods of gifting
- • bequest of proceeds, 458
- • charity-owned policy, 459
- • • anti-trafficking provisions and charity, 463
- • • assignment of policy, 460
- • • benefits of, 463
- • • disbursement quota and 10year gifts, 449
- • • example, 462
- • • tax consequences of transfer, 462
- • • value of policy, 461
- • donor-owned policy, 464
- • general, 458

- • types of policies, 457
- non-qualifying security, 454
- other insurance supported gifts, 466
- private company shares, 466
- segregated funds, 469

Governance, 72

Grandfathered policies, 7, 12

- effects of changes made to, 12
- stop-loss rules, 276
- tax rules, 12

Group life insurance premiums

- benefits, 228
- · deductibility of, 228

Guaranteed Investment Certificates (GICs), 509

Guaranteed Investment Funds (GIFs)

- defined, 576
- hybrid allocation method, 576
- time weighted units, 577

Н

$\begin{array}{c} \textbf{History of life insurance taxation}, \\ 1-30 \end{array}$

Holding companies, 208, 220, 221, 251, 252, 258, 260, 263, 269, 275, 280, 328

• split-dollar insurance arrangements, 328

Hypothecation, 218

ī

Immigration, see Emigration

Income

- · accrued, 476
- calculation of, 598

Income (cont'd)

- defined, 476
- partnerships, 240, 420
- · unallocated, 504

Income averaging annuity contracts (IAACs), 487, 533

Income Tax Act

• excerpts, 717

Income Tax Act Regulations

• excerpts, 747

Income Tax Folios

- S3-F2-C1, Capital Dividends, 161, 212, 217, 419, 420, 426, 639
- S3-F6-C1, Interest Deductibility, 95, 96, 145, 147, 160, 182, 442, 542, 660
- S7-F1-C1, Split-receipting and Deemed Fair Market Value, 446, 447, 521, 684

Income War Tax Act, 1917, 2, 474

Information Circular

- IC 72-17R6, 404
- IC 89-3, 106, 107, 109, 110, 125, 129, 133, 139, 423, 461

Insured

· defined, 188, 194

Insured annuities, see also Annuities, Annuity contracts, Charitable annuities, Deferred annuities, Leveraged insured annuities, Segregated funds

- advantages, 528
- annuity characteristics, 527
- charitable context, 555
- · corporate-owned
- accounting for, 537
- • advantages, 538

- capital dividend account, 535
- • cash flow example, 533
- • general, 533
- • planning considerations, 538
- • tax implications at death, 535
- defined, 527
- disadvantages, 528
- insurance characteristics, 527
- leveraged insured annuities before Mar. 21, 2013
- advantages, 539
- • general, 538
- general description, 539
- risks involved
- • collateral life insurance deduction, 543
- • deemed disposition at death, 544
- early payment penalty, 541
- • general, 540
- • General Anti-Avoidance Rule (GAAR), 544
- • interest deductibility, 541
- • interest rate fluctuations, 540
- • tax shelter rules, 547
- leveraged insured annuities on or after Mar. 21, 2013
- consequences of being LIA policy, 552
- • defined, 549
- • general, 548
- • life insurance policy (LIA), 549
- • subsequent CRA activity surrounding, 554
- non-prescribed annuities, 512, 514, 535
- owner profile, 528
- · personally-owned

Insured annuities (cont'd)

- • cash flow example, 529
- • general, 529
- • planning considerations, 530
- • treatment at death, 530
- prescribed annuities, 491
- term-to-100 life insurance policy, 50, 528, 536, 539, 544
- trusts, owned by, 532

Interest

- · deductibility
- Income Tax Folio S3-F6-C1, 96, 145, 147, 160, 182, 442, 542, 660
- • leveraged insured annuity, 539, 540, 541
- leveraged life insurance program
- • corporate applications
- • • retirement redemption, 159
- • GAAR, 148
- • immediate borrowing application, 173, 175
- • • collateral loan tied to policy, 179
- • • policy loan, 179
- • partnership agreement, 416, 424
- • policy loan, 94
- • segregated funds, 574
- rate fluctuations, 540

Intergenerational transfers, 196, 208, 290

International Financial Reporting Standards (IFRS), 72

International issues

- emigration, see Emigration
- general, 399
- non-residents, see Non-residents

United States estate taxes, see
 United States tax considerations and estate planning

Interpretation Bulletins

- IT-67R3, 134
- IT-87R2, 75, 591
- IT-110R3, 446, 518
- IT-111R2, 517, 518, 519, 520, 521
- IT-242R, 416
- IT-244R3, 460, 461, 603
- IT-278R2, 417
- IT-305R4, 376
- IT-309R2, 234, 237, 238, 239, 240, 606
- IT-355R2, 96, 182, 610
- IT-365R2, 558, 559, 561, 565, 614
- IT-408R, 379, 619
- IT-416R3, 621
- IT-430R2, 161, 217, 218
- IT-430R3, 162, 217, 218, 219, 240, 418, 419, 622
- IT-447, 357
- IT-529, 626
- IT-533, 442, 684

Irrevocable life insurance trusts (ILIT), 188, 390

Ives Commission, 475, 476

Κ

Keyperson insurance protection

- benefits of strategy, 247
- deductibility, 247
- · defined, 245
- exempt policy, 247
- general, 245
- implementation, 246
- • identify problem, 246

Keyperson insurance protection (cont'd)

- • initiate plan in event of death, 246
- • solve problem, 246
- private corporation, 247
- retirement compensation arrangement and, 328
- split-dollar insurance arrangements, 327
- tax rules, 247

L

Lenders

• insurance proceeds received by, 216

Level premium system, 42

Leveraged insured annuities (LIAs) (on or after Mar. 21, 2013)

- consequences of being, 552
- · defined, 549
- general, 548

Leveraged life insurance programs

- corporate applications examples
- • living buyout, 165
- • analysis, 166
- • facts, 165
- • structure, 165
- • tax risks
- • • at time of repayment, 169
- • • back-to-back shareholder loan rules, 171
- • • shareholder benefit issue, 166
- • • use of capital dividend account, 173
- • • valuation of shares, 170
- • • while loan is outstanding, 167

- • pay a bonus, 162
- • analysis, 162
- • facts, 162
- • structure, 162
- • tax risks
- • • RCA rules, 163
- retirement redemption, 159
- • analysis, 160
- • facts, 159
- ••• structure, 160
- • tax risks
- • • capital dividend account and, 161
- • • interest deductibility, 160
- exempt life insurance policy, 189
- GAAR concerns, 150
- immediate borrowing application 10/8 plans historical reference, 175
- • 10/8 collateral loan tied to policy prior to 2013 budget
- • analysis, 178
- • collateral insurance deduction, 179
- • facts, 178
- • financial risk, 180
- • GAAR, 179
- • interest deductibility, 179
- • structure, 178
- • 10/8 policy loan prior to 2013 budget
- • analysis, 181
- collateral insurance deduction, 182
- • facts, 180
- • financial risks, 182
- • interest deductibility, 181
- • policy loan interest, 182

Leveraged life insurance programs (cont'd)

- • structure, 180
- • background and legislative changes, 178
- immediate borrowing application example, collateral loan, 173
- • analysis, 174
- • collateral insurance deduction, 174
- • facts, 173
- • financial risk, 174
- • interest deductibility, 174
- • structure, 173
- individual retirement application example, 156
- • facts, 156
- • financial risks, 157
- • banking risks, 158
- • interest rate risk, 158
- • leveraging indexed accounts, 158
- • life expectancy, 159
- • performance of product, 157
- • use of illustrations, 157
- • structure, 156
- • tax risks
- • GAAR, 159
- • interest deductibility, 159
- overview, 144
- aggressive tax planning, 154
- • compound interest, 145
- General Anti-Avoidance Rule (GAAR), application of re interest, 148
- • interest deductibility limitation and 2021 federal budget, 151
- • proposed legislation (2003) withdrawn, 147

- • simple interest, 145
- • special rules in Québec, 148
- partnership retirement obligations, 424

Life insurance

- · assignment of, see Assignment
- benefits of personal insurance
- • creditor protection during life, 191
- • dependant relief claims, 194
- • separation agreements and purpose of insurance, 195
- funding needs at death, 186
- • estate creation, increase or replenish, 189
- • estate equalization, 190
- • estate preservation, 186
- • • collateral insurance, 189
- • • estate taxes, 188
- •••• probate fees and other estate costs, 188
- • • tax liability for deemed dispositions, 186
- • • tax liability for registered plans, 187
- • protecting dependants, 185
- • intergenerational transfers of, 196
- • leveraging, 195
- • other personal insurance strategies, 198
- • policy loans, 195
- • withdrawals, 195
- defined, 1
- gifts to charities, see Gifts
- transfer of ownership
- corporate distributions, 99
- general, 98
- • general rule, 99

Life insurance (cont'd)

- • generational transfers, 101
- • gifts, 99
- • *inter vivos* transfer to spouse/common-law partner, 104
- • intergenerational transfers, 101
- • non-arm's length, 100
- • tax-free rollovers, 100
- • to spouse/common-law partner at death, 105

Life insurance capital dividend account (LICDA), 15–16, 212

Life insurance companies

- accounting standards for recognition and measurement of financial assets of insurers, 72
- disclosure in respect of participating and adjustable life insurance policies, 72
- impact of legislation and accounting standards, 71–72

Life insurance policy

- · accounting
- • authoritative support, 241
- • financial reporting, 242
- annuitized, 3-4
- · cash value, 331
- charitable gift, as, 456
- deemed disposition, see Disposition
- deferred annuities, 509
- defined, 1
- disposition of, see Disposition
- emigration, 399
- gift, as, 456
- · historical perspective
- • 1968 federal budget, 2-4
- • relief for existing policies, 4

- • taxation of policy gains on disposition, 3–4
- • 1977 federal budget, 4–5
- • new tax anniversary date, 5
- • policy loans as disposition, 5
- • 1981 federal budget, 5–6
- • Carter Commission Report, 2
- conclusion, 30
- • introduction, 1
- Notice of Ways and Means Motion, December 1, 1982 (Bill C-139), 7–16
- • pre-1968, 2
- · owned by
- RRSP, 379
- • trust, see Trusts
- · proceeds of
- received by corporate partners, 419
- • received by individual partners, 419
- received by lenders, 216
- • current position, 216
- • historical perspective, 217
- received by private corporation, 213
- • received by trust, 215
- reporting
- • authoritative support, 241
- • financial, 242
- role of, in arm's length business succession plans, 289
- transfers of, 125
- • amalgamations, 141
- • between related corporations
- • intercompany shareholdings, 132
- • sister companies, 130

Life insurance policy (cont'd)

- • corporation to insured, 230
- corporation to shareholder, 127
- • partner to partnership, 423
- • partnership to partner, 422
- • shareholder to corporation, 138
- • wind-ups, 142
- valuation of, 106

Life insurance products

- advanced death benefits, 68
- coverage options, 64
- • multi-life, 64
- • private corporation situations, 64
- • splitting of, 65
- • single life and joint, 64
- non-forfeiture options, *see* Non-forfeiture options
- participating policyholders, 70
- • demutualization, 71
- • demutualization benefits tax regime, 71
- permanent, 40
- • gifts to charities, 456
- • limited-pay whole life, 51
- participating vs non-participating,
 40
- pricing of, 42
- • traditional whole life, *see*Traditional whole life
- • univeral life, see Universal life
- substitute life, 103
- term, see Term insurance
- term-to-100, 23, 50, 51, 66, 108, 115, 190, 322, 335, 340, 461, 528, 536, 539, 544
- universal life, see Universal life
- · valuation of, 106

• variable life insurance policies, 70

Life insurance shares, 112

Limited-pay whole life insurance, 51

Lump sum payments, 557

M

Maximum Tax Actuarial Reserve (MTAR), 7, 489, 500, 501

Mortality tables, 11, 33, 34, 46, 85, 238, 479, 490, 514

Mutual fund trusts, 474, 568

Mutual funds, 453, 484, 568

- charitable donations of, 453
- distinction from segregated funds, 474, 568
- GIFs and, 576

Ν

Net amount at risk, 60, 63, 85

Net cost of pure insurance (NCPI), 7

- calculation of, 10, 46, 85
- changes to calculation, 24-25
- collateral insurance and, 237
- deduction from ACB, 85
- reduction of ACB by, 10-12, 85
- · split-dollar insurance arrangements
- • premium based on term insurance, 335
- • transfers, 345

Non-arm's length transfers, 99

• grandfathered policies, 15

Non-forfeiture options, 66

- automatic premium loan, 67
- · cash value, 66
- extended term values, 67
- reduced paid-up values, 66

Non-residents

- Canadian "purchaser", 404
- clearance requirements, 404
- dual-residents, 403
- general, 398
- insured non-resident, 220
- insurer non-resident, 220, 409
- *inter vivos* gift or non-arm's length transfer, 406
- non-resident "purchaser", 407
- non-resident spouses, 407
- tax treaties, 407
- taxable dispositions, 404
- withholding tax/section 116, 404

Notice of Ways and Means Motion and Bill C-139, 7–16

- old rules (grandfathered policies) pre-1982 (G1 policies)
- • effect of changes to, 12–15
- • life insurance capital dividend account, 15–16
- • tax rules, 11–12
- rules prior to 2017 (G2 policies)
- • accrual taxation, 7–8
- • annuitization as disposition, 11
- • exempt policies, 8–10
- • pro-rating ACB, 11
- • reduction of ACB by NCPI, 10–11

0

Office of the Superintendent of Financial Institutions (OSFI), 562

Options

- dividend options, see Dividend options
- investment options, 57

 non-forfeiture options, see Nonforfeiture options

P

Partner, 414, *see also* Partnership, Partnership agreement

- death of corporate partner, 418
- death of individual partner, 417
- liability, 414
- proceeds of life insurance policies and
- • corporate partners, 419
- • individual partners, 419
- retirement, 416
- • funding the withdrawal of, 427
- transferring life insurance policy to partner, 422
- transferring life insurance policy to partnership, 423

Partnership, *see also* Partner, Partnership agreement

- agreement, *see* Partnership agreement
- annuities
- • reporting requirements, 487
- defined, 413
- financial statements, 242
- general, 413
- general taxation of, 415
- • consequences of partner retirement, 416
- • death of individual partner, 417
- death of sole shareholder of corporate partner, 418
- • income, 415
- • partner retirement, 416
- • partnership interest, 416
- vear-end, 415

Partnership (cont'd)

- income, 415
- insurance needs, 424
- • collateral insurance, 425
- • funding partnership agreement, *see* Partnership agreement
- • key partner coverage, 425
- • personal insurance, 424
- liability, 414
- limited liability partnership (LLP), 414
- proceeds of life insurance policies and, 419
- • individual partners, 419
- corporate partners, 419
- transferring policy to partner, 422
- transferring policy to partnership, 423
- unlimited liability, 414
- year-end, 415

Partnership agreement, see also Partner, Partnership

- · funding
- • creditor protection, 442
- • funding buy/outs with life insurance
- • choosing structure for, 438
- • criss-cross method, 427
- • • basic, 427
- • • basic with corporate partners, 429
- • • beneficiary designation, 431
- • • trustee'd, 430
- • general, 428
- • partnership purchase of interest, 435, 436
- • • corporate partners, 435
- • • individual partners, 433

- • splitting the premium, 437
- • surviving partners purchase interest, 436
- general, 428
- • interest deductibility, 441
- • partnership retirement obligations, 438
- • leveraged life insurance, 440
- • magnitude of obligation, 439
- • pay-as-you-go, 439
- • sinking fund, 439
- • with life insurance, 440
- general, 414

Personal injury

• defined, 558

Plaintiff

• taxation of, 557

Policy

- exempt, 7, 8-10, 18
- · interest in
- adjusted cost base
- • defined, 4, 6

Policy dividend, 1–4, 98, 196, 237

- non-residents
- • clearance requirements, 404

Policy gains

- deferred annuity, 513
- disposition of interest, 77
- non-residents, 403
- transfer of ownership, 98

Policy loan, 5, 71, 81, 83, 84, 94

Policyholder

- borrowing against policy, 143
- taxation of, 1-2
- • Carter Commission, 2

Premiums

- calculation of, 33–38
- · deductibility of
- charitable gift, 233
- · · collateral insurance
- • generally, 233
- • historical perspective, 234
- • Interpretation Bulletin IT-309R2, 239
- • related matters, 240
- • s. 20(1)(e.2), 235
- • • amount deductible, 236
- • • requirements for deductibility, 235
- • creditor's life insurance, 240
- • employee benefits, 233
- • generally, 233
- • group life insurance, 228
- • registered life insurance policy, 232
- • Registered Retirement Savings Plans (RRSPs), 233
- defined, 5
- group life insurance, 228
- level premium calculation, 33–38, 46
- level premium system, *see* Level premium system
- loan, 67
- paid by corporation on personallyowned insurance, 229
- · partnership buyouts
- • criss-cross method, 427
- • basic, 427
- • basic with corporate partners, 428
- • beneficiary designated, 431
- • trustee'd, 430

- • splitting premium, 437
- prescribed, 12–15
- reserve calculation, 47
- · split-dollar insurance arrangements
- • general, 321
- • premium split based on cash value, 336
- premium split based on term insurance, 335

Premiums payable under a life insurance policy

· defined, 84

Prescribed annuity contracts (**PACs**), 26, 478, 479, 488, 494, 496, 500

Pricing

- · elements of premium calculations
- • expenses, 35
- • general, 33
- • investment income, 36
- • lapse, 36
- • mortality, 33–34
- • wellness and lifestyle, 34
- impact of assumptions, 39
- level premium calculation, 46
- permanent policies, 42
- · taxes, and, 37

Private corporation

- business loan protection strategy, 243
- capital dividend account, 210, 220
- keyperson insurance strategy and, 245
- life insurance proceeds received by, 213
- tax integration, 210
- tax planning, 2017 measures, 199

Private corporation (cont'd)

- income converted to capital gains, 205
- • income sprinkling, 200
- • intergenerational transfer of family business, 208
- • passive investment portfolio, 203

Probate fees, 188

- gifts of life insurance, 459, 464, 470
- mutual funds, 569
- personally-owned insured annuities,
 529
- segregated funds, 569
- testamentary insurance trusts and, 365

Proceeds of disposition

- adjusted cost base, 84-90
- • in excess of, 3–4
- annuity contracts, 483, 497
- defined, 83
- dividends, 3-4
- policy dividends, 98

Promissory note

• disposition of shares under, 125

Property

- · capital property
- • deemed disposition of, 186
- • depreciable, 187
- • emigration, 399
- • trusts
- • life insurance, 360
- deemed disposition, see Disposition
- property subject to emigration tax, 399
- · segregated funds, 469
- taxable Canadian property, 399
- trust property, 360

• United States *situs* assets, 188, 382, 391

Provincial premium and sales taxes, 411

Q

Qualified farm or fishing property, 121, 186, 201

Qualified small business corporation shares, 121, 186, 259, 264, 269, 293, 537

Québec

- beneficiaries, 188, 192
- · Civil Code
- collateral assignment (hypothecation), 218
- trust provisions, 350

R

Registered Retirement Income Funds (RRIFs), 186, 187, 191, 192, 299, 304, 307, 340, 358, 379, 391, 400, 449, 451, 464, 468, 480, 481, 491, 515, 568, 574, 582, 584

• RRIF insurance, 468

Registered Retirement Savings Plans (**RRSPs**), 156, 186, 187, 190, 191, 192, 233, 299, 304, 307, 340, 358, 379, 400. 449, 451, 464, 468, 476, 478, 480, 481, 487, 489, 491, 505, 514, 568, 574, 582, 583, 619, 634, 636

- IT-408R, 379, 619
- owning life insurance policy, 379
- RRSP insurance, 468
- segregated funds, 476, 478, 568
- trusts and life insurance, 379

Regulations, 747

• 201, 553

Regulations (cont'd)

- 230, 573
- 300, 21, 26, 479, 490, 505, 523
- 301, 498–500, 505
- 304, 13, 190, 478, 480, 489, 491, 494, 495, 522, 529, 532, 533
- 305, 13, 504
- 306, 9, 22, 26, 27, 81, 553
- 307, 7, 8, 22, 86, 93, 489, 497
- 308, 11, 25, 85, 86, 237, 238, 498
- 309, 12, 13, 14, 503
- 310, 21, 22, 24, 27, 490
- 1400, 561
- 1401, 7, 22, 24, 28, 37, 82, 86, 489
- 2101, 225, 226, 643
- 3702, 449, 458
- 4900, 379, 619

Reports

- · annuities
- • reporting requirements, 478
- deferred annuities, 514
- · financial statements
- • corporations, 242
- • partnerships, 242
- retirement compensation arrangements, 319

Restricted financial institution

• defined, 174, 232, 236

Retirement compensation

arrangements (RCA), *see also* Supplementary executive retirement plan (SERP)

- accounting for RCA funded by life insurance, 319
- anti-avoidance rules, 298
- audit initiative by CRA, 299
- · deductibility

- • employer contributions, 302
- • "prohibited investment", 299, 301
- • qualifying employee contributions, 302
- shareholder contributions, 302
- deeming rules, 314
- · defined, 299
- front end leveraged RCA (FELRCA), 312
- general, 297
- introduction, 297
- PACs, 479
- salary deferral arrangements (SDA), 300
- SERP, 305
- split-dollar insurance arrangements,
 328
- · taxation of, 301
- winding up, 317

Rollover

- children, 101
- common-law partner, 104, 105, 511
- · deferred annuity, 511
- grandchildren, 101
- intergenerational transfers, 101
- RRIFs, 187
- RRSPs, 187
- spousal rollover, 101, 104, 280, 287, 428, 429, 432
- deferred annuity, 511
- • partnership property, 418
- share redemption, methods, 264
- survivor spouse, 187
- tax-free, 100
- · trust property
- life insurance, 360

S

Segregated funds, see also Annuities

- acquisition fees, 573
- adjusted cost base, 573
- advantages, 582
- annuities, 474
- · capital gains/losses, 483
- charitable donations of, 469
- combined with guaranteed interest account, 583
- contracts and rules for investment in Québec, 585
- corporation to corporation transfers, 582
- deemed disposition, 572
- deemed inter vivos trust, 484
- defined, 474, 567
- disposition of interest in, 572
- dividend tax credit, 483
- double taxation, potential for, 572
- flow-through treatment, 483
- "fund of fund" investments, 576
- general, 1, 69, 567
- guarantee top-up payments, 577
- guarantee withdrawal benefits, 578
- guaranteed interest accounts and, 583
- Guaranteed Investment Funds (GIFs), 576
- held by corporations, 579
- history, 473
- hybrid allocation method, 577
- interest deductibility, 574
- introduction of, 482
- investment management fees, 574
- maturity, 567
- mutual funds and, 474, 568

- non-resident beneficiary, 584
- non-resident insurer, 409
- non-resident purchaser, 407
- policies held by corporations, 579
- property of, 485
- registered investments, as, 574
- residency, 575
- securities, as, 488
- surrender, 489
- T5 Supplementary form, 483
- · taxation of
- 1970–1977, 482
- 1978-present, 484
- general, 569
- • income earned in fund, 571
- time-weighted units, 570
- • defined, 570
- transfers in and out of fund, 483
- withholding taxes and, 575

Shareholders

- agreement, 253
- benefits, 228
- beneficiary designation on corporate-owned life insurance, 229
- • living buyouts, 165
- • premiums paid by corporation,
- transfer of ownership of corporate-owned insurance, 230
- business insurance trusts, 370
- buy/sell agreements, see Buy/sell arrangements
- · deductibility
- retirement compensation arrangements, contributions to, 297

Shareholders (cont'd)

- leveraged insurance to pay bonus to, 162
- sole shareholders, death of, 418
- split-dollar insurance arrangement, see Split-dollar insurance arrangements
- transfer of policies, 125
- corporation to shareholder, 127
- • related corporations, 132
- • shareholder to corporation, 138
- • sister companies, 130

Shares

- buy/sell agreements, *see* Buy/sell arrangements
- capital gains exemption, 121
- charitable donations of, 453
- deemed disposition upon death, 109
- • corporate-owned life insurance on deceased shareholder, related parties and other shareholders, 109
- • life insurance shares, 112
- · disposition of
- • under promissory note, 125
- gifts
- • private company shares, 466
- · grandfathered
- • stop-loss rules, 712
- held by spousal trust, 120
- qualified small business corporation shares, 186
- share redemption agreement, 265, 277, 282
- stop-loss rules, see Stop-loss rules
- valuation of, 109

Specified insurance benefit

• defined, 72

Split-dollar insurance arrangements,

- adjusted cost basis, 344
- agreements, 347
- alternative to, 347
- buy/sell arrangements, 328
- charitable gift, as, 329
- corporate ownership and, tax issues related to, 344
- defined, 321
- executive benefits, 327
- family situations, 329
- funding policy deposits
- • general, 335
- premium split based on cash value, 336
- premium split based on term insurance, 335
- generally, 321
- holding company, 328
- implementation of, 329
- • actuarial opinions, 336
- co-ownership and split dollar agreements, 329
- funding premiums and allocating costs, 335
- • other legal steps, 336
- type of product and numerical assumptions, 331
- keyperson insurance, 327
- premium allocation
- • general, 335
- premium split based on cash value, 335
- premium split based on term insurance, 335
- retirement compensation arrangements, 328
- · situations using arrangements

Split-dollar insurance arrangements (cont'd)

- • buy/sell arrangements, 328
- • charitable giving, 329
- • executive benefits, 327
- • family situations, 329
- • holding company, 328
- • keyperson insurance, 327
- • retirement compensation arrangements, 328
- Supplementary Employment Retirement Plan
- split-dollar life insured SERP strategy, 310
- · tax treatment
- assessing benefit, 337
- • characterizing taxable benefit, 341
- • deductibility of benefit, 343
- • employee vs. shareholder, 341
- • general, 337
- • other contexts, 343
- • charitable advantage rules, 343
- • quantifying the benefit, 340
- • RCA advantage rules, 344
- transfers, 341
- types
- • corporate-owned death benefit, 324
- • employee/shareholder owned death benefit, 322
- • general, 321
- uses, 321

Split receipting arrangements

- further clarifications, 522
- general rules, 520
- Technical News No. 26, 521

Spousal trusts, 372

- insurance policy, 372
- life insurance and, 372
- rollover, 105, 280
- • share redemption strategies, 277
- shares held by, 120
- · United States estate tax
- tax credit relief, 381, 392

Spouse

- · annuity contracts
- rollover, 497
- • transfer, 497
- · deferred annuity
- • rollover, 501
- • transfer to, 501
- inter vivos transfers, 104
- share redemption strategies
- • rollover, 105, 280
- spousal attribution rules, 104
- tax-free rollovers, 100

Stop-loss rules, 276

- application, 277
- buy/sell agreements
- • hybrid method, 270, 275, 276
- share redemption method, 264
- grandfathering rules, 278
- planning, 280
- • fifty-percent solution, 282
- • spousal rollover, use of, 280
- share redemption agreements, 277
- summary, 283

Structured settlements

- advantages of, 563, 565
- annuity qualifying as, 557
- assignment of, 562
- benefits to payor, 565

Structured settlements (cont'd)

- casualty insurer, taxation of, 559
- defined, 557
- disadvantages, 564
- · discount method, 565
- discount rate, 565
- financial reporting, 562
- general, 557
- inflation and, 565
- lump sum payments and, 557, 560
- owner, taxation of, 561
- plaintiff, taxation of, 557
- practical application, 563
- recipient, taxation of, 557
- reserve, 561
- social benefit, 558
- social policy, 560
- technical requirements, 558

Succession plan, 285

Succession planning, *see* Family business succession planning

Supplementary executive retirement plan (SERP)

- defined, 297
- funded, 297
- generally, 297
- investment options, 305
- life insurance strategies
- • front end leveraged RCA (FELRCA), 312
- leveraged life insured SERP strategy, 308
- life insured SERP strategy, 308
- • split-dollar life insured SERP strategy, 310
- unfunded, 297

Surrender of policy

- annuity contracts, 478, 483, 512
- deferred annuity, 512
- · defined, 91
- full surrender, 91
- · non-residents
- • clearance requirements, 404
- partial surrender, 92, 512
- segregated funds, 572, 573, 575

Т

Tax integration

· defined, 210

Tax Relief Reconciliation Act, 2001, 386

Tax shelter donation arrangements, 456

Tax shelter rules, 547

Taxable Canadian property

- · defined, 399
- disposition, 399

Taxable conversion benefit

· defined, 71

Technical News

• No. 12, 711

Term insurance, 40, 48

- · conversion features, 48
- attained age conversion, 49
- original age conversion, 49
- · enhancements
- one year term to insure cash value, 54
- • options, 55
- premium offset, 55
- forms of, 50

Term insurance (cont'd)

- • 10- and 20-year renewable term insurance, 50
- • annual renewable term, 50
- • level term insurance, 50
- general attributes, 48
- gifts to charities, 456
- group term insurance, 458
- joint coverages, 49
- • joint first-to-die, 50
- • joint last-to-die, 49
- split-dollar insurance arrangements
- • NCPI, 335
- • premium split, 335
- term-to-100, 50

Traditional whole life, 52

- coverage options, 56
- credit options, 53
- • accumulate at interest, 53
- • cash, 53
- • premium offset, 55
- • purchase paid-up additions, 54
- • reduce premiums, 53
- • term insurance enhancements, 54
- • enhancement options, 55
- • one-year term to insure cash value, 54

Trustee, 349

- authorization
- • to invest in life insurance, 361
- · buy/sell agreements
- criss-cross purchase method
- • use of holding company, 258
- • use of trustee, 255
- defined, 349
- duties, 350
- · partnership buyouts

- • criss-cross method, 427
- • basic, 427
- • basic with corporate partners, 429
- • beneficiary designated, 431
- • trustee'd, 430

Trusts

- 21-year deemed disposition rule
- • "Crummey" trust, 390
- alter ego trust, 377
- beneficiaries, see Beneficiaries
- business insurance trusts, 370
- "Crummey" trust, 390
- defined, 349
- · generally, 349
- income splitting tax rules, 359
- attribution, 358
- • tax on split income (TOSI), 359
- insurance proceeds received by, 360
- inter vivos family trusts, 196
- inter vivos trusts, 377
- investments, 360
- irrevocable life insurance trusts (ILIT), 390
- joint partner trusts, 377
- life insurance and, 360
- • alter ego trusts, 377
- • attribution planning, 365
- • avoidance of 21-year rule, 363
- • business insurance trusts, 370
- change of trustee, 364
- • joint partner trusts, 377
- retirement compensation arrangements, 372
- RRSPs, 379
- • spousal trusts, 372
- • testamentary insurance trusts, 365

Trusts (cont'd)

- • United States estate tax and, 371
- mutual fund trust, 474, 484, 568
- property, 350
- Québec provisions, 186, 350, 361, 366
- registered retirement savings plans (RRSPs), see Registered Retirement Savings Plans (RRSPs)
- retirement compensation arrangements, 372, see also Retirement compensation arrangements, Supplementary Executive Retirement Plan (SERP)
- segregated fund trust, see Segregated funds
- SERP, *see* Supplementary Executive Retirement Plan (SERP)
- spousal trusts, 372
- • insurance policies, 372
- • rollover, 105, 280
- • shares held by, 114
- United States estate tax, 371
- · taxation of
- • 2016 amendments, 354
- • attribution rules, 358
- • conduit taxed as individual, 353
- • general considerations, 353
- • income splitting, 358
- residence of trust, 357
- • trust reporting, 357
- • types of personal trusts, 354
- testamentary insurance trusts, 354
- unit trusts
- • annuities
- • reporting requirements, 479

U

Undepreciated capital cost (UCC), 187

United States tax considerations and estate planning

- estate, gift and generation skipping taxes, 382
- • current laws, 386
- Economic Growth and Tax
 Relief Reconciliation Act, 2001,
 386
- • overall reduction in transfer taxes, 386
- • portability, 388
- • state death taxes, 387
- • Taxpayer Relief Act of 2012, 386
- estate tax and life insurance proceeds, 388
- • corporate ownership, 389
- • "Crummy" trust, 390
- • irrevocable life insurance trusts (ILITs), 390
- • personal ownership, 388
- three-year lookback, 389
- residence and domicile, 381
- tax considerations, 394
- • excise tax, 398
- • general rules, 394
- life insurance taxation, 395
- reporting of foreign insurance, 397
- transfer tax system, 382
- • carry-over vs. step-up adjustments, 385
- • estate taxes, 382
- generation skipping tax, 385
- gift taxes, 384

United States tax considerations and estate planning (cont'd)

- transfer taxes for non-United States persons, 391
- • planning for life insurance, 394
- • the Protocol, 392
- • marital credit, 392
- • prorated unified credit, 392
- • small estate relief, 394
- • tax credit relief, 393

Universal life

- bonuses, 59
- · coverage options
- • multi-life, 64, 428, 432
- • partnerships, 428, 432
- • private corporation situations, 64
- • splitting of, 65
- • single life and joint, 63
- expenses, 59
- • administration fees, 62
- • cost of insurance (COI), 59
- • level COI, 60
- • limited-duration level COI, 60
- • limited-duration yearly renewable COI, 60
- • yearly renewable COI, 60
- • death benefit types, 63
- • deposit loads, 62
- market value adjustments, 63
- • policy transaction fees, 62
- • surrender charges, 61
- general attributes, 56
- investment options, 57
- options, 459, 466
- riders, 459
- split-dollar insurance arrangements

- • employee/shareholder death benefit, 325
- • premium split based on term insurance, 335

٧

Valuation

- corporate attribution rules and, 123
- deemed disposition upon death, 109
- corporate-owned life insurance on deceased shareholder, related parties and other shareholders, 109
- • life insurance shares, 112
- interest in life insurance policy, 106
- other properties deemed disposed of, 120
- shares held by certain trusts, 120
- type of insurance product and, 108

Value

defined, 4, 100, 108, 121, 126, 128, 424, 462, 497

Variable insurance contracts, see Segregated funds

W

Withholding tax

- non-residents, 404
- section 116 clearance, 404
- segregated funds and, 575
- tax treaties, impact of, 403