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New position on private health services plans - Questions and answers

The Canada Revenue Agency (CRA) has taken a new position on what qualifies as a private health services plan (PHSP).

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▼ What is the CRA's new position on PHSPs?

The CRA now considers that a plan is a PHSP as long as all or substantially all of the premiums paid under the plan relate to medical expenses that are eligible for the medical expense tax credit (METC). The plan must also meet all other conditions as outlined in paragraph 3 of [Interpretation Bulletin IT-339R2, Meaning of private health services plan \[1988 and subsequent taxation years\]](#). To find out what expenses are eligible for the METC, see [Which medical expenses can you claim?](#)

▼ What was the CRA's old position on PHSPs?

The CRA's old position was that **all** medical expenses covered under a plan had to be eligible for the METC for the plan to qualify as a PHSP.

▼ When did the CRA's new position take effect?

The new position came into effect January 1, 2015.

▼ What does "all or substantially all of the premiums paid under the plan relate to medical expenses that are eligible for the METC" mean?

All or substantially all generally means 90% or more. Therefore, in most cases, 90% or more of the premiums paid under a plan have to be for coverage of medical expenses that are eligible for the METC.

For example, *Company ABC* pays \$100 a month for its group employee insurance plan. This \$100 premium is based on the following:

1. \$70 relates to coverage for prescription drugs that an employee lawfully buys, as prescribed by a medical practitioner and recorded by a pharmacist;
2. \$20 relates to coverage for dental services paid to a dentist;
3. \$8 relates to coverage for medical tests such as electrocardiograms, urine analysis, and x-rays; and
4. \$2 relates to coverage for non-prescription vitamins.

Since the first three items are eligible for the METC and total more than 90% of the entire premium, the CRA would consider the plan to be a PHSP (assuming that all other conditions have been met).

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