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Please note that the following document, although believed to be correct at the time of issue, may not represent the current position of the CRA.

Prenez note que ce document, bien qu'exact au moment émis, peut ne pas représenter la position actuelle de l'ARC.

PRINCIPAL ISSUES: Can premiums paid by an individual to purchase additional medical travel insurance be claimed as a medical expense?

POSITION: To be a medical expense under 118.2(2)(q), one of the requirements is that the premiums must be paid to a private health services plan. Insufficient information to conclude. General comments provided.

REASONS: Our reading of the legislation

XXXXXXXXXX

2007-022990
Allan Nelson, CMA
(613) 443-7253

June 7, 2007

Dear XXXXXXXXXXXX :

Re: Medical Travel Insurance
Technical Opinion Request

This is in reply to your electronic mail to us dated April 2, 2007. You asked whether premiums paid by you and your wife to purchase additional medical travel insurance can be claimed as a medical expense on your income tax return. It is our understanding that the insurance is only for you and your wife and the premiums have been paid to acquire separate policies at each of XXXXXXXXXXXX . It is also our understanding that the insurance is for personal travel and is not deductible in computing any business income for you or your wife.

Our Comments

As can be seen in the following discussion, in some instances the cost to acquire certain medical travel insurance policies can qualify as a medical expense. Without reviewing the terms of your existing travel medical insurance policies, we cannot comment on whether the premiums you paid to purchase those policies would meet the requirements to be a medical expense. In this instance, your local Tax Services

Office could more appropriately answer your question. However, we can provide the following general comments.

As noted in paragraph 64 of our Interpretation Bulletin IT-519R2 (Consolidated), entitled "Medical Expense and Disability Tax Credits and Attendant Care Expense Deduction", amounts paid to acquire certain travel medical insurance policies can qualify as a medical expense under paragraph 118.2(2)(q) of the Income Tax Act. In order to qualify, the amounts must be paid as a premium, contribution or other consideration to a private health services plan ("PHSP"). Paragraph 3 of our Interpretation Bulletin IT-339R2, entitled "Meaning of private health services plan", lists basic elements that must be present in the plan in order to be a PHSP.

3. A private health services plan... is a plan in the nature of insurance. In this respect the plan must contain the following basic elements:
- (a) an undertaking by one person,
 - (b) to indemnify another person,
 - (c) for an agreed consideration,
 - (d) from a loss or liability in respect of an event,
 - (e) the happening of which is uncertain.

Paragraph 4 of the same Interpretation Bulletin IT-339R2 explains that in order to be a PHSP, the coverage under the plan must be for hospital care or expense or medical care or expense which normally would otherwise have qualified as a medical expense under the Income Tax Act. In this regard, see paragraphs 19 to 66 of our Interpretation Bulletin IT-519R2 (Consolidated), which sets out the Canada Revenue Agency's general position regarding the expenses that qualify as medical expenses.

Please note that if the particular medical travel insurance policy covers items that would not otherwise be a medical expense under subsection 118.2(2) of the Income Tax Act (for example, if, in addition to covering medical expenses such as hospital and medical practitioner costs, the policy also provided coverage for non-medical expenses, such as death benefits), it is our view that the entire amount of premiums paid to acquire the policy would not qualify as a medical expense.

All of the Interpretation Bulletins referred to in this letter are available on our Internet web site at www.cra-arc.gc.ca. Alternatively, you may request copies by phoning 1-800-959-2221.

We hope that our comments will be of assistance to you.

Yours truly,

Gwen Moore
for Director
Business and Partnerships Division
Income Tax Rulings Directorate
Legislative Policy and Regulatory Affairs Branch