

Non-Prescription Drugs: Taxable?

In late February 2008, the Federal government's budget included intentions to clarify the taxability of insurance coverage (or reimbursement of the cost) of non-prescription drugs.

Some sources are indicating the reimbursement of over-the-counter drugs (drugs available without a prescription) is now considered taxable, even when the drug is prescribed by a physician. This

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would be a departure from existent legislation and insurers' current practice, which allows coverage for any drug that has a drug identification number when it is prescribed by a physician and dispensed by a

pharmacist. This is the standard definition used under Health Spending Accounts and for drug plans that include coverage for drugs that can legally be purchased without a prescription.

Revenue Canada has advised the Canadian Life and Health Insurance Association (CLHIA) that their **intention within the budget was to clarify the eligibility of expenses and tax**

credits under the Medical Expense Tax Credit for personal income tax purposes, and the budget will not affect private drug benefit plans.

Krieger + Associates monitors our clients' plans to ensure they are competitive and tax effective. The **majority of drug plans in Canada** cover only drugs that legally require a prescription, and these plans **will not be impacted**. If Revenue Canada decides to change the definition of eligible drugs in the future, Health Spending Accounts and drug plans that cover prescribed drugs may be affected. We will keep you apprised of any further developments if they apply to your drug plan or Health Spending Account.

We invite your feedback on this or any other subject. If you'd like to ask a question or discuss an issue, please reply to this email, or call us anytime at 1-877-KRIEGER.

Sources: Benefits Canada and Insurer Bulletins

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