Backdating guidelines

Backdating plans upon setup

The CRA does not give an official ruling on backdating and that is why the industry interprets it so many ways. Some say it is okay to backdate to the first day of the current year or first day of the last fiscal year etc. But the CRA does not definitively say either way.

Backdating is an issue only when you are setting the plan up to pay for claims that have already been incurred. As CRA looks for an element of risk in these plans and their set up, this could be considered off side. These plans have to be set up like a plan of insurance in that you cannot set an insurance plan up to pay for claims that have already happened. If you do, the insurer would require a disclosure from the person asking for the back dating to confirm there have been no claims.

CIRCUMSTANCES FOR BACKDATING TO OCCUR SAFELY

1. The plan is simply being set up to match the company's year end and not to facilitate claims that have already happened for the owner.
2. There was a plan in place with another carrier but for one reason or another it was not used. In this case you are simply just switching the plan and original dates (and plan design) from another carrier.

If you want the plan to be set up at corporate year end (backdated) and you are concerned about the intention, the system has the ability to set up a class with a back dated date; however, it will only allow claims to start from the day you are setting up the plan.

If they do want to backdate to include the claims from the date it was backdated, we advise the client to discuss with their accountant and ensure they understand the risk of doing so. That risk being that CRA could look at the plan as lacking the necessary element of risk in the plan and see it as offside.