



July 2010

IMPORTANT INFORMATION RE ELIGIBLE MEDICAL EXPENSES UNDER THE INCOME TAX ACT

In the most recent Federal Budget a change was made to the listing of Eligible Medical Expenses under the Income Tax Act. This will affect expenses that can be claimed under Health Service Spending Accounts (HSSA's).

The change is as follows:

For expenses incurred March 4, 2010 or later, this budget proposes that expenses incurred for purely cosmetic procedures be ineligible under the Medical Expense Tax Credit except when required for medical or reconstructive purposes.

Examples of purely cosmetic procedures include but are not limited to:

- . Liposuction
- . Hair replacement procedures
- . Botox injections
- . Teeth whitening
- . Including related expenses e.g. travel

Expenses for purely cosmetic procedures may no longer be covered going forward if the HSSA is to maintain its tax effectiveness (except in Quebec where health benefits paid for by the plan sponsor are taxable).

What Does this Mean to our Plan Sponsors?

As a result of the above changes, it is ClaimSecure's position to cover these cosmetic procedures under the HSSA programs we administer until such time as the above rules receive Royal Assent. This means that the CRA and METC rules have not been officially enacted until this occurs.

IMPORTANT NOTE: Once the CRA and METC rules are official, any claims received with a service date after March 4, 2010, will not be eligible as per the above rules.

Below is a link for the Canada Revenue Agency's listing of eligible medical expenses. These are the expenses that can be claimed through an HSSA.

<http://www.cra-arc.gc.ca/tx/ndvdl/tpcs/ncm-tx/rtrn/cmpltng/ddctns/lns300-350/330/llwxpns-eng.html>

