

## Too good to be true – Yep

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On December 4, 2025, the CRA published a Tax tips 2025 Warning about aggressive tax schemes involving insurance products. (<https://www.canada.ca/en/revenue-agency/news/newsroom/tax-tips/tax-tips-2025/warning-cra-identified-aggressive-tax-schemes-involving-insurance-products.html>). This one was centered on purported critical illness (CI) insurance. Similar warnings were issued in the past concerning offshore disability insurance and offshore leveraged insured annuities.

The CI scheme involves a loan from a third-party lender connected to the promoter, to a shareholder, who, transfers the borrowed funds to their corporation in exchange for a promissory note. The corporation pays the premium under a CI policy issued by an offshore company. The promissory note held by the shareholder allows a tax-free withdrawal of funds from the corporation. The CI policy provides the only security for the loan made by the lender and cancels the shareholder's obligation to repay the lender.

Not surprisingly, the CRA states "these arrangements are problematic because they appear to be legitimate insurance transactions but are actually designed to let shareholders take money out of their company without paying taxes." And, "the insurance products used often do not meet the standards of valid insurance policies and are only used to support the tax scheme." Basically, a sham.

It may be trite to say, if something seems too good to be true it probably is. However, it is surprising to us how much airtime these types of schemes seem to get. At Tompkins Insurance, the planning we do is "progressive, not aggressive."

### FOOTNOTE:

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