

# STAMP DUTY ON INSURANCE POLICIES

## 2000-01 Budget Amendments

*Taxation (Administration) Act / Stamp Duty Act*

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### TERRITORY REVENUE MANAGEMENT

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### Purpose of this Circular

1. The purpose of this circular is to advise of proposed amendments to the *Taxation (Administration) Act* and *Stamp Duty Act* in relation to stamp duty on life insurance and general insurance policies to:
  - implement the measures announced in the 2000-01 Northern Territory Budget; and
  - clarify that duty is to be calculated on premiums **inclusive** of any GST payable in respect of the policy.
2. The proposed amendments are to take effect from **1 July 2000**.
3. The circular also advises insurers of a new electronic returns package that is available.

### General Insurance - 2000-01 Budget Amendments

4. The rate of duty is to increase from 8% to 10% of the premium paid or payable;
5. Duty at the rate of 10% is to apply to policies against a liability for injury to third persons or property of persons (i.e. indemnity insurance). This replaces the current nominal duty charge of \$5.
6. As currently structured, premiums paid under the Territory's *Motor Accident Compensation Act* do not constitute indemnity insurance and thus are not affected by this change. Furthermore, the exemption for policies taken out in pursuance of a requirement of the *Work Health Act* will continue to apply.
7. Transitional provisions apply to ensure that policies issued prior to 1 July 2000 attract the previous nominal duty charge **unless** the policy was issued after 16 May 2000 to take effect on or after 1 July 2000. In such cases, duty at the rate of 10% of the premium will apply.
8. The nexus for the imposition of duty is to be amended to provide that duty is only payable in respect of property in the Territory or a risk that, in the normal course of events, may occur within or partly in the Territory. The amendments reflect the current administrative practice. Similarly, the provisions relating to the issue of policies issued outside of the Territory are to be amended to clarify that they apply in relation to a risk that in the normal course of events, may occur within or partly in the Territory.
9. Provision is also made to apportion premiums where the policy covers property or a risk in and out of the Territory. The amendments provide that the Commissioner may adopt a Schedule of Apportionment to be developed in consultation with any person the Commissioner considers suitable.

10. The amendments reflect the current administrative practice and the agreement with the Insurance Council of Australia and other jurisdictions, which culminated in the issue an Apportionment Schedule in 1996. A revised Apportionment Schedule reflecting the above changes will be issued shortly to take effect from 1 July 2000.

### **Life Insurance - 2000-01 Budget Amendments**

11. The stamp duty rate for life insurance remains unchanged.

12. The nexus for duty is to be amended to provide that duty is only payable in respect of a person(s) whose principal place of residence is in the Territory. The amendments ensure that a double duty liability does not arise in relation to a policy issued by an insurer in the Territory in respect of a person who resides outside of the Territory.

13. Provision is also made to apportion premiums or the amount insured where the policy is in respect of persons whose principal place of residence are variously in the Territory and elsewhere. This would be of particular relevance to group life policies.

14. Consistent with the arrangements for general insurance, the Commissioner may adopt an Apportionment Schedule that may be developed in consultation with persons the Commissioner considers suitable.

### **Premiums Inclusive of GST**

15. With the introduction of GST, the proposed amendments clarify that duty is to be calculated on the premium inclusive of any GST paid or payable in relation to the policy. The GST legislation has already been amended to obviate the tax cascade that might otherwise have arisen due to peculiar interaction of GST and stamp duty on insurance policies. The amendments are to take effect from 1 July 2000.

### **Electronic Returns Package**

16. To ease compliance costs for insurers, an electronic returns package (in Excel format) will be available from 1 July 2000 from the office's Internet website, or as a diskette version upon request. The electronic returns package incorporates the above changes, and thus, applies for liabilities arising on or after 1 July 2000. The package provides a convenient alternative as it calculates the tax, generates the monthly remittance advice and maintains your monthly worksheets electronically.

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Reference should be made to the *Financial Relations Agreement (Consequential Provisions) Bill 2000*, *Taxation (Administration) Amendment Bill 2000* and *Stamp Duty Amendment Bill 2000* for precise details of the proposed amendments. For general information, please contact this office on ☎ (08) 8999 7941.

COMMISSIONER OF TAXES