STAMP DUTY ON GENERAL INSURANCE
2001-02 Budget Amendments

Taxation (Administration) Act / Stamp Duty Act

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TERRITORY REVENUE MANAGEMENT

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Purpose of this Circular

1. This circular provides information on changes to insurance duty announced as part of the Northern Territory 2001-02 Budget. Firstly, changes have been made regarding the collection of stamp duty from Australian insurers on policies of insurance executed outside the Territory. **The commencement date for this change is being determined in consultation with the industry, and will be advised in due course.**

   Secondly, certain stamp duty exemptions (including insurance duty) for Northern Territory Government Business Divisions (GBDs) cease to apply from 1 July 2001.

2. This circular also notes that an effect of last year's amendments to the *Stamp Duty Act* was to confirm beyond doubt that the limited stamp duty exemptions on certain instruments executed by public benevolent institutions (PBIs) and similar bodies do <u>not</u> extend to insurance duty.

3. Revenue Circular RA001, which sets out information on the revenue circular system, is incorporated into and is to be read as one with this Circular.

New arrangements for the collection of stamp duty on policies of insurance

4. The *Taxation (Administration) Act* imposes tax on a policy of insurance over property in the Territory, or a risk, contingency or event concerning an act or omission that, in the normal course of events, may occur within (or partly within) the Territory.

5. Currently where an insurance policy is issued or renewed <u>outside the Territory</u> in respect of which tax is payable, the <u>insured person</u> is required to furnish a return with the Commissioner and pay the appropriate tax. In addition, the person with whom the insurance is effected (<u>the insurer</u>), or the agent or broker whom arranges the insurance must lodge an information return in respect of the insurance.

6. However, it has been industry practice that the insurer, agent or broker who lodges the information return also pays the tax liability and recovers the amount of tax paid from the person effecting the insurance (the insured person).

7. The new arrangements give effect to the industry practice by requiring any "Australian insurer" to register as an insurer. An "Australian insurer" is a person:

   - who grants, issues or renews a policy of insurance in respect of which tax is payable; and

   - who is a body corporate incorporated in Australia or registered as a foreign body corporate under a law of a State, Territory or the Commonwealth

8. Accordingly, insurance agents and brokers will no longer be required to furnish returns and they will be deemed to be operating on behalf of the insurer for the purposes of stamp duty.

9. Registered insurers will be required, as is currently the case, to furnish a return of all premiums received in respect of insurance upon which tax is imposed within 21 days after the expiration of each month and pay the amount of tax payable in respect of those premiums. Australian insurers will no longer be required to provide the information return.

10. The *Taxation (Administration) Act* will continue to provide that an insurer can recover the tax from the person paying the premiums.

11. It is only where the insurance is granted, issued or renewed by an overseas insurer that the person taking out the insurance (the insured) will be required to lodge an information return and pay the tax. However, the overseas insurer will be jointly and severally liable for the tax. An overseas insurer will be defined as a person who grants, issues or renews a policy of insurance in respect of which tax is payable, who is not an Australian insurer.

12. Insurers, or persons taking out insurance with an overseas insurer are required to keep proper records of the full particulars of the policy of insurance on which tax is payable and must preserve such records for 5 years.

Exemption for GBDs from insurance duty ceases to apply

13. The current exemption from insurance duty for policies over the property of the Northern Territory Government and its statutory authorities (Item 27 of Schedule 2 of the *Stamp Duty Act*) is being limited. To enhance competitive neutrality, from 1 July 2001, the exemptions will not apply to Government Business Divisions unless specifically prescribed. Further information is available in Revenue Circular SD 014.

Stamp duty exemption for PBIs etc does not apply to insurance duty

14. From 1 July 2000, item 36 of Schedule 2 to the *Stamp Duty Act* was amended as part of measures announced in the 2000-01 Budget. Item 36 provides a limited exemption for certain benevolent entities such as public hospitals, public benevolent institutions, religious institutions, public education institutions and public schools.

15. Primarily, this amendment limited the stamp duty exemption provided in respect of any instrument of conveyance or lease to a benevolent entity such that it applies only to non-commercial dealings of the entity.

16. Previously, there had been a technical question as to whether the exemption extended to policies of insurance effected by such entities. Thus, this amendment also confirmed beyond doubt that the exemption only applies to conveyances and leases to such entities and does not operate to relieve duty on policies of insurance.

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The above is a general summary of the amendments. Reference should be made to the *Taxation (Administration) Amendment Act 2001* for precise details. For general information, please contact this office on ☎ (08) 8999 7949.

COMMISSIONER OF TAXES