



Insurance Duty

Any person carrying on the business of general and/or life insurance must pay insurance duty.

General insurance

General insurance is any kind of insurance that is applicable to:

- a property in NSW; or
- a risk, contingency or event that may occur within, or partly within, NSW; or
- both.

Car, home and contents insurance are examples of general insurance.

General insurance does not include life insurance, a life insurance rider or insurance that is exempt from duty.

Who is a general insurer?

A general insurer is a person or entity who:

- writes general insurance;
- does so otherwise than as an insurance intermediary; and
- is registered under the *Commonwealth Insurance Act 1973*.

Types of general insurance

The basis on which duty is calculated on a policy of General Insurance is dependent on the nature or type of policy.

There are three types of general insurance for duty purposes:

- **Type A** is general insurance other than type B or type C
- **Type B** insurance, being:
 - ▶ motor vehicle insurance
 - ▶ aviation insurance
 - ▶ disability income insurance
 - ▶ occupational indemnity insurance
 - ▶ hospital and ancillary health benefits insurance.
- **Type C** insurance, being:
 - ▶ crop insurance
 - ▶ livestock insurance

What is a premium for general insurance?

Premium means the total consideration given to an insurer by or on behalf of the insured person to effect insurance, without deductions by way of commission or discount to an insurance intermediary.

Premium includes:

- a fire service levy or emergency service levy paid or payable in connection with insurance by an insurer or any other person
- GST.

Premium does not include an amount paid to an insurance intermediary provided that the amount can be clearly identified as a fee. Duty is also excluded from the definition of premium.

When is a premium paid?

A premium is paid when either event occurs:

- the premium or instalment is received by the insurer, or
- an account of the insurer is credited with the amount of premium or instalment.

A premium, or instalment of a premium, is taken to have been received by an insurer if another person receives it on the insurer's behalf.

What duty is payable?

The amount of duty on a policy of general insurance depends on the type of insurance:

Duty payable on types of general insurance

- for Type A insurance, at 9 per cent of the premium
- for Type B insurance, at 5 per cent of the premium
- for Type C insurance, at 2.5 per cent of the premium.

Who is liable to pay the duty?

The general insurer is usually liable to pay the duty, however the cost may be passed onto the insured. Registration forms can be obtained from our website www.osr.nsw.gov.au or by contacting OSR directly during business hours.

A person who obtains, effects or renews any general insurance as an insured person, with a person who is not a registered insurer, is liable to pay duty as if they were a registered insurer.

Returns

A registered general insurer must lodge a return by the 21st day of the month and pay the appropriate duty, calculated on the premiums received during the preceding month.

Life insurance

Life insurance means insurance or assurance in respect of:

- a life or lives; or
- any event or contingency relating to or depending on a life or lives, of a person whose principal place of residence is, or persons whose principal places of residence are, in New South Wales at the time the policy that effects the insurance is issued.

Who is a life insurer?

A life insurer is a person or entity who:

- writes life insurance
- does so otherwise than as an insurance intermediary
- is authorised under the *Commonwealth Life Insurance Act 1995*.

Types of life insurance

The basis on which duty is calculated on a policy of Life Insurance is dependent on the nature or type of policy. There are four types of life insurance for duty purposes:

- **Policies of life insurance, other than a temporary or term insurance policy, or trauma or disability insurance** – any policy of life insurance that does not satisfy all the conditions of temporary or term policies, or trauma or disability insurance.
- **Temporary or term insurance policies** – where the only benefit is a death benefit payable on the death of the insured which must occur prior to a nominated date or age and no amounts are payable if this does not happen.
- **Life insurance riders** – are not considered to be policies of life insurance and have a separate rate of duty.
- **Trauma or disability insurance** – being insurance under which an amount is payable in the event of the disablement of the insured by accident or sickness, or the insured being found to have a stated condition or disease.

What is a life insurance rider?

A life insurance rider is insurance that:

- is attached to a policy of life insurance
- adds specified events and contingencies to those insured under the policy
- is subject to the terms and conditions of the policy.

What duty is payable?

The amount of duty on a policy of life insurance depends on the type of insurance:

- **Policies of life insurance, other than a temporary or term insurance policy, or trauma or disability insurance.**
- Duty is calculated at:
 - ▶ \$1 on the first \$2000, or part of \$2000, of the sum insured; and
 - ▶ 20 cents for every \$200, or part of \$200, in excess of the first \$2000.
- **Temporary or term insurance policies**
Duty is calculated at 5 per cent of the first year's premium on the policy
- **Life insurance riders**
Duty is calculated at 5 per cent of the first year's premium on the life insurance rider
- **Trauma or disability insurance**
Duty is calculated at 5 per cent of the premium paid to effect the insurance.

Who is liable to pay the duty?

The life insurer is usually liable to pay the duty. Registration forms can be obtained from our website at www.osr.nsw.gov.au or by contacting OSR directly during business hours.

MORE INFORMATION



www.osr.nsw.gov.au

OSR directory

Duties returns and gaming

(Parking space levy, insurance protection tax, gaming and racing)

Phone: 1300 139 817*

Fax: (02) 9689 8200

Email: returns@osr.nsw.gov.au

Duties (Conveyances, mortgages, contracts)

Phone: 1300 139 814*

Fax: (02) 9689 8280

Email: duties@osr.nsw.gov.au

Electronic Duties Return

Phone: 1300 308 863*

Fax: (02) 9689 6305

Email: edr@osr.nsw.gov.au



GPO Box 4042
Sydney NSW 2001
DX 456 Sydney



OSR offices:

Parramatta (Head Office)
Cnr Hunter and Marsden Street

Newcastle

Level 2, 97 Scott Street
(counter services only)

Wollongong

Level 6, 90 Crown Street
(counter services only)



Phone enquiries
8.30 am – 5.00 pm, Mon. to Fri.

Counter services
8.30 am – 4.30 pm, Mon. to Fri.

*Interstate clients please call (02) 9689 6200
Help in community languages is available.

Office of State Revenue: ISO 9001 – Quality Certified
Department of Finance & Services

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A person who effects a policy of life insurance or a life insurance rider as an insured person with a person who is not a registered insurer is liable to pay duty as if they were a registered insurer.

Returns

The registered life insurer must lodge a return by the 21st day of the month and pay the appropriate duty, calculated on the life insurance policies issued during the preceding month.

Exempt insurance

Exempt insurance includes insurance:

- covering only property of the Crown in the right of NSW
- effected by a separate policy for a distinct sum against loss by fire on the tools, implements of work or labour used by mechanics, artificers, handcrafters and labourers
- taken out by or on behalf of a non-profit organisation having as one of its objects a charitable, benevolent, philanthropic or patriotic purpose
- taken out by or on behalf of a society or institution whose resources are, in accordance with its rules or objects, used wholly or predominantly for the relief of poverty, promotion of education, defence or any other patriotic object, or where it is considered to be charitable
- covering mortgages or pools of mortgages acquired for the purpose of issuing mortgage-backed securities.

Also exempt is:

- hospital or medical benefits insurance
- Workers Compensation
- Compulsory Third Party for Motor Vehicles
- insurance of:
 - ▶ the hull of a floating commercial vessel
 - ▶ goods and merchandise, or the freight thereof, carried by land, sea or air
 - ▶ or both
- redundancy insurance in respect of a housing loan where the sum insured doesn't exceed \$124 000
- reinsurance (being a contract between two parties where one party indemnifies the other against liability or payment under a contract of insurance or reinsurance)
- an annuity:
 - ▶ issued, created or sold by a life company
 - ▶ purchased by a person from a life company
- policies of life insurance, being group superannuation investment policies, owned by the trustee of a superannuation plan for the benefit of more than one member of the plan.

Penalties

Failure to lodge payments on time will result in the imposition of interest and, in some cases, a further penalty. Interest and penalty tax is charged in accordance with the *Taxation Administration Act 1996*. OSR conducts random checks to ensure compliance.