



Insurance Protection Tax

The *Insurance Protection Tax Act 2001* was established by the NSW Government to set-up a fund to help builders warranty, and compulsory third party policy holders affected by the collapse of HIH Insurance Limited.

Who is liable?

Two types of taxpayers are liable:

- 1) Insurers who write general insurance and are registered under the *Commonwealth Insurance Act 1973* by the Australian Prudential Regulatory Authority (APRA). These insurers pay a proportion of \$65 million according to their market share of premiums. The assessed liability is paid in quarterly instalments.
- 2) Policyholders who take out general insurance policies with non-registered insurers pay a one per cent tax on the value of the premium. Liability arises from 29 November 2001.

General insurance includes insurance over property and/or risk in NSW and compulsory third party insurance. General insurance does not include life insurance, a life insurance rider or exempt insurance.

Registering for the tax

Registered insurers with APRA must register with the Office of State Revenue (OSR) within 30 days after the end of the month in which the insurer commenced to write general insurance business in NSW.

Lodging Annual Returns

Registered insurers must lodge a return by 15 August each year, which includes details of total premiums received from general insurance for the previous financial year.

Lodge your annual return online at www.osr.nsw.gov.au

Insurers who are related bodies corporate under the *Corporations Act 2001* can lodge a single return for the group. OSR will issue a single Notice of Assessment.

Each member of the group will have a joint and several liability for the tax assessed.

A policyholder who takes out insurance with a non-registered insurer must lodge a return within 21 days after the end of the month in which the premium was paid.

A payment of tax equal to 1 per cent of the premium must accompany the return.

An agent or broker may pay on behalf of the policyholder.



MORE INFORMATION



www.osr.nsw.gov.au



1300 139 817
8:30 am – 5:00 pm
Monday to Friday



(02) 9689 8200



returns@osr.nsw.gov.au

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

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Calculating liability

On or before 1 September each year, the Chief Commissioner of State Revenue:

- makes an assessment of the liability of each insurer to pay the tax imposed for that year, and;
- issues a notice of assessment to the insurer of its liability.

The liability of an insurer to pay the tax is assessed using the following formula:

$$A = B/C \times D$$

where:

A is the liability of the insurer for the year

B is the total amount of all premiums received by the insurer for general insurance in the preceding year less the total amount of any refunds of premiums made by it in relation to general insurance in the preceding year

C is the total amount of all premiums received by all insurers for general insurance in the preceding year less the total amount of any refunds of premiums made by those insurers in relation to general insurance in the preceding year

D is the total amount of tax imposed

Paying the tax

Insurers must pay their Insurance Protection Tax liability in quarterly instalments due by 15 September, 15 December, 15 March and 15 June each year.

Companies in 'run off'

Insurance companies in 'run-off' should advise OSR in writing of the details of their position. 'Run off' refers to companies not writing new business but remaining registered to honour outstanding claims.

The Chief Commissioner of State Revenue may, depending on the company's circumstances, cancel the registration and notify them of the cancellation. If such a company recommences writing general insurance, they will need to re-apply for registration.

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.