

REVENUE RULING NO. SD 129

STAMP DUTY ON POLICIES OF INSURANCE - CREDIT INSURANCE

PREAMBLE

1. The term Credit Insurance, Consumer Credit or Loan Insurance refers to p; a form of insurance which indemnifies lending bodies against loss on a loan due to disablement, unemployment and sometimes death of a borrower.

2. Some confusion has arisen in the interpretation of section 881 of the Stamp Duties Act 1920. That section provides as follows:

"Disability income policies of insurance

881 (1) in this section - "disability income policy" means -

(a) a policy of insurance under which -

(i) an amount is payable in the event of disablement of the insured by accident or sickness; and

(ii) the amount may be paid over a period of more than a year; and

(b) any policy of insurance of any class or description that is prescribed for the purposes of this section;

"term", in relation to a disability income policy, includes any period during or in respect of which any amount is payable by any person under the policy.

(2) For the purposes of this Act -

(a) a disability income policy shall be deemed to be renewed upon each anniversary of the date on which the policy was effected that occurs during the term of the policy and not to be renewed at any other time; and

(b) the amount insured under a disability income policy is the maximum amount payable under the policy in one year, being an amount that is not less than the maximum amount payable under the policy in any other year.">

3. Although most credit insurance policies are of a non-cancellable nature, they are not considered to be within the intent or the operation of Section 88 I.

RULING

4. Stamp duty on credit insurance policies is payable in accordance with paragraph (1)(b) under the heading "Policies of Insurance" in the Second Schedule to the Stamp Duties Act as follows:

"Upon every policy and every renewal of a policy of insurance for a term of more than one year -in respect of each year and also of any fractional part of a year in such term, for every \$100 and also any fractional part of \$100 insured \$0.07">

5. The following illustration indicates the principles to be followed when calculating the duty payable -

Policy covers a loan where:

- (a) Term of the policy is 3 years
- (b) Total repayments under the loan are \$12,000
- (c) Repayments under the loan are \$4,000 per annum
- (i) Where the policy provides for a capital payment in the event of sickness or accident, duty would be payable when the policy is issued and would be calculated on the total of each sum insured at the start of each year as follows -

	\$
1st year	12,000
2nd year	8,000
3rd year	4,000

	24,000

Stamp duty payable = \$24,000 x 7 cents per \$100 = \$16.80

- (ii) if however there is no provision for a capital payout, the maximum amount payable under the policy in any one year is \$4,000. Duty would be payable when the policy is issued and would be calculated as follows -

	\$
1st year	4,000
2nd year	4,000
3rd year	4,000

	12,000

Stamp duty payable \$12,000 x 7 cents per \$100 \$8.40.

Maximum amount of stamp duty

- Insurers are reminded that the total amount of duty payable on a non-life policy of insurance, or on any renewal of such a policy, shall not exceed 25% of the amount of premium payable by the insured in respect of the policy or renewal (section 86A of the Stamp Duties Act).

Date of Effect

- On 17 November 1986, the Commissioner of Stamp Duties made a determination on the method of calculating stamp duty payable on Consumer Credit Insurance by letter to the insurance Council of Australia Limited. This ruling re-affirms the method outlined in that letter of determining duty payable, and accordingly, it will be applied to policies issued or renewed on and from 17 November 1986.
- Should investigations conducted by the Office of State Revenue establish that stamp duty obligations have not been discharged properly, additional assessments will be issued.
- The remission of late payment penalties will be determined having regard to the promptness of the payment of any additional stamp duty payable by reason of the application of this Ruling to credit insurance policies issued since 17 November 1986. in general, no penalties will be imposed on insurers making voluntary disclosures of duty.

B. BUCHANAN
for Chief Commissioner
10 April 1989.

Last Updated: 17-Jan-2001