

REVENUE RULING NO. SD 069

POLICIES OF INSURANCE INVESTMENT-LINKED AND INVESTMENT ACCOUNT LIFE INSURANCE POLICIES

PREAMBLE

As a result of discussions with the Life Insurance Federation of Australia, stamp duty obligations in New South Wales have been determined with respect to investment-linked and investment-account life insurance policies.

Policies of life insurance are liable to stamp duty as at the date of execution. Duty is payable at an ad valorem rate depending upon "the sum insured". This approach is applicable for both investment-linked and

investment-account policies and this Ruling sets out the guidelines to be applied.

RULING

(1) Investment-Linked Policies

The benefit payable under an investment-linked policy of life insurance is usually calculated at maturity by reference to the number of units held by the policy owner in an investment portfolio having regard to the assets in that portfolio.

As the future value of any investment portfolio will be unknown

as at the date of execution of a policy the "sum insured" will be determined as follows:

- (a) Where the policy provides a guaranteed benefit, the amount so guaranteed will be the "sum insured".
- (b) Where the policy does not contain a guaranteed benefit the sum insured will be the maximum amount which, at the date of first execution of the policy, can be said to be the entitlement of the insured.

For those policies which provide for more than one premium, the first premium less non-recoverable charges will be the sum insured. For those policies which provide for a single premium only, that premium less non-recoverable charges will be the sum insured.

(2) Investment-Account Policies

The benefit payable under an investment-account policy of life insurance is usually calculated by reference to the dollar values of the "accounts" maintained by the life insurance company for the policy.

The "sum insured" for this type of policy will be determined as follows:

- (a) Where the policy provides a guaranteed benefit the amount so guaranteed will be the sum insured.
- (b) Where the policy does not contain a guaranteed benefit the sum insured will be the maximum amount which, at the date of first execution of the policy, can be said to be the entitlement of the insured.

For those policies which provide for more than one premium, the first premium less non-recoverable charges will be the sum insured. For those policies which provide for a single premium only, that premium less non-recoverable charges will be the sum insured.

These principles take effect on and from 1 January 1985, and any investment-linked or investment account business written after that date will attract stamp duty on the basis aforementioned. Payments should be made to cover obligations which have arisen since that date up to the time of the next periodic return and, thereafter, periodic returns should include payment on investment-linked and investment account policies in accordance with this Ruling.

Department of Finance investigators will be monitoring adherence to stamp duty obligations through field audits. However, it is recognised that insurance packages are changing constantly and any insurer which requires clarification of its stamp duty obligations on a particular product is invited to seek the advice of the Commissioner of Stamp Duties. Telephone inquiries should be directed to the Returns Branch of the Stamp Duties Division on telephone (02) 689 6256.

A. D. CLYNE,
Chief Commissioner of Stamp Duties,
2 November 1987.

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