Guideline

Duties information for the insurance industry
Duties Act 2001

What is duty?
Duty (previously known as "stamp duty") is a form of State Government taxation governed by the *Duties Act 2001* (the Act). The Act applies to instruments (includes a written document or written statement) executed or transactions effected on or after 1 July 2001.

Before this date, stamp duty was charged under the provisions of the *Stamp Duties Act 1931*.

Duty is charged on the amount of the premium paid for a contract that effects general insurance and on a policy of life insurance.

General insurance
This includes insurance applying to:
- property in Tasmania;
- a risk, contingency or event concerning an act or omission that may occur within or partly within Tasmania; or
- trauma, disabling or incapacitating injury, sickness, condition or disease.

Life insurance
This includes any insurance or assurance for:
- life (or lives) of a person (or persons) whose principal place of residence is Tasmania;
- an event or contingency relating to or depending on a life (or lives) of a person (or persons) whose principal place of residence is Tasmania;
- a policy of mortgage insurance; or
- an annuity.

A policy of **mortgage insurance is** a temporary policy of life insurance effected on behalf of a borrower for the repayment of a loan in the event of death.

Accident insurance is not included in the definition of life insurance. A policy of accident insurance is insurance against death by accident or otherwise than from a natural cause, and is general insurance for the purposes of the Act.

Rate of duty on a policy of general insurance

The rate of duty payable on a policy for general insurance is 10 per cent of the premium paid (inc. GST). Before 1 October 2012 the general insurance rate was 8 per cent of the premium paid.

Rate of duty on a policy of life insurance

The rate of duty payable on a policy of life insurance, other than a temporary, term, mortgage insurance or an annuity,* is:

- if the sum insured does not exceed $2 000, 10 cents per $200, or part, of the sum insured; or
- if the sum insured exceeds $2 000, $1 plus 20 cents per $200, or part, of the sum insured that exceeds $2 000.

Rate for a temporary or term policy

5 per cent of the first year's premium.

Rate for a mortgage insurance policy

2 per cent of the premium for the policy.

Duty for an annuity*

The rate of duty for an annuity* is $20. To attract the concessional rate of duty ($20), an annuity must comply with the definition of annuity contained in subsection 174(6) of the Act:

> For the purposes of subsection (5) a contract is an annuity if it satisfies the following requirements:
>
> a) the contract provides for the periodic payment of money to the annuitant in fee for life or for a specified term of years as an annual or more frequent entitlement;
>
> b) the periodic payment is a sum certain expressed as a dollar amount, but may be varied according to a predetermined formula;
>
> c) the periodic payments are not derived from the money paid for the contract but are derived solely from the contract and comprise income and not the repayment of capital.

All other annuities would attract ad valorem duty as a life insurance policy.

Apportionment of duty for general and life insurance

Liability for duty may be apportioned between Tasmania and other jurisdictions where property, risk or residency of the insured person (for life insurance) is located in more than one jurisdiction (Sections 186-188 of the Act).

A schedule of apportionment may be developed in consultation with any person the Commissioner considers suitable.

Revenue ruling *PUB-DT-2008-26 Insurance Duty – Apportionment of premiums between Australian jurisdictions* contains the insurance apportionment schedule developed in consultation with the Insurance Council of Australia.

The Act also provides that premiums must be apportioned between general, life and exempt insurance (Section 189 of the Act).

Duty exemptions

The common exemptions include:

- insurance covering property of the Crown;
- health insurance;
- workers compensation insurance;
- insurance for a hull of a floating vessel used for commercial purposes;
- insurance for the freight of goods;
- reinsurance contracts;
- insurance premiums paid that relate to a separate policy in a distinct sum for public liability insurance (effective 1 July 2002); or
- insurance taken out by a medical establishment as defined in Section 3 of the Act.

Section 190 of the Act sets out all the categories of exempt insurance.

Duty return forms

Click here for duty return forms and their explanations.

More information from the State Revenue Office

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