

TERRITORY REVENUE OFFICE

REVENUE CIRCULAR RC-SD-004

2015-16 Budget Measures – Life Insurance Duty (Abolition)

Purpose

1. This Circular provides information on amendments to the *Stamp Duty Act* to abolish stamp duty on life insurance policies as part of the 2015-16 Budget revenue measures announced by the Treasurer on 28 April 2015. The amendments are contained in the *Revenue and Other Legislation Amendment Bill 2015*.

Abolish stamp duty on life insurance and clarify that life insurance riders are taxed as general insurance

2. Life insurance policies relating to a person residing in the Northern Territory are liable to stamp duty at a rate of 10 cents per \$100 (or part thereof). However, from 1 July 2015, the *Revenue and Other Legislation Amendment Bill 2015* provides that stamp duty on life insurance will be abolished.
3. As a result of removing stamp duty on life insurance, consequential amendments have been made to distinguish between life policies and life insurance riders. This distinction clarifies that policies providing additional cover for further specified events and contingencies other than life insurance are life insurance riders, which are dutiable at general insurance rates. Additional cover typically includes, for example, accident, trauma, illness and income protection policies.
4. The amendments also provide that any part of a life insurance policy relating to a life insurance rider will be taxable as general insurance, regardless of whether the life insurance rider and the life insurance policy are separate and distinct matters, or whether the payment of a benefit under the life insurance rider will or may reduce the benefit payable under the life insurance component of the policy or terminate the policy.
5. Further, where there is no separately identifiable part of the premium (or other amount) apportioned to the life insurance rider, or if, in the Commissioner of Territory Revenue's view, the identified part of the premium (or other amount) apportioned to the rider is not reflective of the life insurance rider, the Commissioner is able to determine the amount or proportion of the premium (or other amount) which relates to the life insurance rider.
6. These changes apply to any life insurance policies issued on or after 1 July 2015, other than group insurance policies. Group policies are policies which are taken out in respect of the lives of a particular group of people, whose membership may change over time.
7. Usually, group life policies are taken out in conjunction with group superannuation funds, where members of the fund are the members of the group life policy. Rather than purchasing individual life policies for each fund member, a single policy is entered into on behalf of all the members of the group. While the group life policy is in force, new members may join the policy and existing members may leave. A single lump sum premium is usually paid on commencement of the policy, and further payments are made when new members (persons insured) join the group.
8. For these group life policies, transitional provisions are in place and the changes apply in relation to members who join the group on or after 1 July 2015. Accordingly, where a new member is added to a group life policy that includes life insurance riders, insurance duty is payable at 10 per cent of the amount of the premium that relates to the life insurance riders. As duty is payable in respect of new members who join a policy, it is not open to an insurer to off-set the number of new members against the number of existing members leaving the policy, thereby paying on the balance only. For example, where 10 new members join a term group life policy and 5 members have left during the year, duty is payable on the premium paid by the 10 new members in relation to the life insurance riders.

9. A person who was registered for stamp duty purposes as a life insurer will not have to re-register with the Territory Revenue Office for general insurance duty purposes with respect to life insurance riders.

Further Information

10. Please refer to the Revenue and Other Legislation Amendment Bill 2015 and explanatory statement for precise details of the amendments.

Revenue Circulars

11. Commissioner's Guideline [CG-GEN-001: Revenue Circulars, Commissioner's Guidelines and Payroll Tax Rulings: explanation and status](#), which sets out information on the revenue publication system, is incorporated into and is to be read as one with this Circular. All Circulars and Guidelines are available from TRO's website.



Grant Parsons

COMMISSIONER OF TERRITORY REVENUE

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For further information, contact the Territory Revenue Office

GPO BOX 154

Phone: 1300 305 353

Darwin NT 0801

Fax: 08 8999 5577

Email: ntrevenue@nt.gov.au

Website: www.revenue.nt.gov.au
