



Revenue Circular DAA013 General Insurance Duty Adjustments

Circular history

Circular number	Issued date	Dates of effect		Status
		From	To	
DAA013	16 January 2014	16 January 2014	-	Current

Preamble

1. The purpose of DAA013 is to provide details on how to make adjustments to online insurance duty returns when taking into account a refund of premiums and duty from an earlier period when the duty rate is different from the period in which the adjustment is being made.
2. As part of the ACT Tax Reform measures, the amount of duty charged on general insurance is being phased out progressively over a five year period.
3. For general insurance, insurers are required to lodge monthly online returns which apply the current duty rate. From time to time it is necessary for general insurers to adjust the online return to reflect refunded premiums in the same reporting period. However when the refunded premium amount relates to a period where the duty rate is different from the current rate, an adjustment formula will need to be applied to determine the adjusted premium to be recorded on the return form.
4. When the adjustment formula is applied, the amount payable under a monthly return will be reduced by the same amount as the duty refund amount for an earlier period.

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5. General insurers are required to use the following scenarios for applying the adjustment formula during the period where the general insurance rate progressively decreases from 10% to 0%.

SCENARIO 1:

A GST-inclusive refund amount of \$121 from a period where the rate was 10% and the rate now is 6%.

Base premium \$100 - GST \$10 - Duty \$11

To reduce the duty payable in the current return by \$11 first find the 'adjusted premium amount' to reflect the notional refund amount by using the following calculation:

(Current duty amount – duty to be refunded) / current rate = adjusted premium amount

$(120 - 11) / 6\% = 1816.67$

$1816.67 \times 6\% = \$109.00$

If there was no prior period premium adjustment under the return, then the amount of duty payable under this scenario would be \$120. With the adjustment, the duty payable is:

$\$120 - \$11 = \$109$

SCENARIO 2:

A GST-inclusive refund amount of \$184,496.40 from a period where the rate was 8% and period in which the adjustment is being made has a current rate of 6%.

Base premium \$155,300 - GST \$15,530 - Duty \$13,666.40

To reduce the duty payable in the current return by \$13,666.40 first find the 'adjusted premium amount' to reflect the notional refund amount by using the following calculation:

(Current duty amount – duty to be refunded) / current rate = adjusted premium amount

$$(72,000 - 13,666.40) / 6\% = 972,226.67$$

$$972,226.66 \times 6\% = \$58,333.60$$

If there was no prior period premium adjustment under the return, then the amount of duty payable under this scenario would be \$72,000. With the adjustment, the duty payable is:

$$\$72,000 - \$13,666.40 = \$58,333.60$$

SCENARIO 3:

A GST-inclusive refund amount of \$121,242 from a period where the rate was 10% + a GST-inclusive amount of 54,333.18 from a period when the rate was 8% and the period in which the adjustment is made, has a current rate of 6%.

Base premium \$100,200 - GST \$10,020 - Duty \$11,022

Base premium \$45,735 - GST \$4,573.50 - Duty \$4,024.68

In this scenario the combined refund amount for prior periods is \$15,046.68

To reduce the duty payable in the current return by \$15,046.68 first find the 'adjusted premium amount' to reflect the notional refund amount by using the following calculation:

(Current duty amount – duty to be refunded) / current rate = adjusted premium amount

$$(48,000 - 15,046.68) / 6\% = 549,222.$$

$$549,222 \times 6\% = \$32,953.32$$

If there was no prior period premium adjustment under the return, then the amount of duty payable under this scenario would be \$48,000. With the adjustment, the duty payable is:

$$\$48,000 - \$15,046.68 = \$32,953.32$$

SCENARIO 4:

75% of a GST-inclusive refund amount of \$42,174 from a period where the rate was 8% and period in which the adjustment is being made has a current rate of 6%.

Base premium \$35,500 - GST \$3,550 - Duty \$3,124

To reduce the duty payable in the current return by \$2,343.00 first find the 'adjusted premium amount' to reflect the notional refund amount by using the following calculation:

(Current duty amount – duty to be refunded) / current rate = adjusted premium amount

$(4,080.00 - 2,343.00) / 6\% = 28,950.$

$28,950 \times 6\% = \$1,737.00$

If there was no prior period premium adjustment under the return, then the amount of duty payable under this scenario would be \$4,080. With the adjustment, the duty payable is:

$\$4,080 - \$2,343 = \$1,737$

Criminal Penalties

6. Giving false or misleading information is a serious offence. For details of the serious criminal offences of making, giving or producing false or misleading statements, information or documents: see the *Criminal Code 2002*.

SIGNED

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Commissioner for ACT Revenue
16 January 2014

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