Insurance Protection Tax Amendment Bill 2001

Explanatory note

This explanatory note relates to this Bill as introduced into Parliament.

Overview of Bill

The object of this Bill is to impose an ad valorem tax on persons who effect general insurance with insurers other than those who are registered under the *Insurance Protection Tax Act 2001*. The rate of tax is 1% of the premiums paid to non-registered insurers. As a consequence of the imposition of this tax, the maximum of the total amount of tax that is imposed each year on registered insurers under that Act is reduced from $69 million to $65 million.

Outline of provisions

Clause 1 sets out the name (also called the short title) of the proposed Act.

Clause 2 provides for the commencement of the proposed Act.

Clause 3 is a formal provision giving effect to the amendments to the *Insurance Protection Tax Act 2001* set out in Schedule 1.

Schedule 1

Schedule 1 [1] substitutes the definition of ***insurer*** in the Act to assist the distinction between registered and non-registered insurers.

Schedule 1 [2], **[3]**, **[4]** and **[5]** limit the existing provisions in Division 1 of Part 2 of the Act to insurers.

Schedule 1 [6] reduces the maximum of the total amount of tax that is imposed each year on insurers from $69 million to $65 million.

Schedule 1 [7] substitutes section 6 of the Act. The substituted section removes the requirement for a certificate as to an insurer’s annual premium income from general insurance to be given by the insurer’s auditor as this requirement is considered to be too onerous within the time allowed. The substituted section also allows a single return for a year to be lodged on behalf of two or more insurers who are related bodies corporate.

Schedule 1 [8] requires the Chief Commissioner to make an assessment of the combined liability of insurers on whose behalf a single return is lodged.

Schedule 1 [9] clarifies the time at which a premium or instalment of premium received by another person on an insurer’s behalf is taken to have been received by the insurer.

Schedule 1 [10] inserts a new Division 2 (proposed section 11A) into Part 2 of the Act to impose the liability to tax on persons who effect general insurance with non-registered insurers. **Schedule 1 [11]** makes a consequential amendment.

Schedule 1 [12] inserts proposed section 20A into the Act. The proposed section requires the Chief Commissioner to keep a register of the insurers who are registered under the Act. The register is to be open for public inspection without charge.

Schedule 1 [13] inserts proposed section 27 into the Act. The proposed section effects transitional arrangements for the payment of tax for the first year of tax, that is, the year commencing on 1 July 2001. The Governor, on the recommendation of the Treasurer, may determine an amount payable by insurers that is less than the amount specified in section 5 (1) of the Act. The Chief Commissioner is to make an assessment of the tax liability of an insurer by 15 March 2002 (instead of by 1 September 2001) and instalments of tax are to be paid by dates specified by the Chief Commissioner in the relevant notice of assessment (instead of by quarterly payments). The proposed section is taken to have commenced on 1 July 2001 (the date of commencement of the Act).