Purpose

To impose tax in the Australian Capital Territory (the Territory) on new life insurance business effected in the Territory.

Background

The Bill complements the Australian Capital Territory Taxation (Administration) Amendment Bill 1981 in relation to the proposed tax on life insurance business, and declares the rates at which taxes will be payable in respect of taxable transactions and provides for exemptions from tax.

Main Provisions

Clause 2 proposes that the Bill will come into operation on such date as fixed by Proclamation; the Government has proposed 1 October 1981.

It is proposed in clause 4 of the Bill to impose tax on all life insurance business effected after the commencement of the Bill, in respect of which premiums are received in the Territory.

Rates of tax are proposed by clause 5 on two classes of life insurance as follows:-

(a) temporary or term insurance (insurance limited for a fixed period payable on death during the period, and with no savings or investment component):-

insurance exceeds one year - 5 per cent of premiums in respect of the first year; or
insurance less than one year - 5 per cent of
premiums in respect of that term.

(b) in any other case (e.g. for whole of life and
endowment policies):-

where the sum insured exceeds $100 but does not exceed
$2,000 - 10 cents for each $200, or part of $200, of the
sum insured; or

where the sum insured exceeds $2,000 - $1, and in
addition, 20 cents for each $200, or part of $200, of
the amount by which the sum exceeds $2,000.

Clause 5 of the Bill proposes exemptions and
reductions of tax in the following circumstances:-

Life insurance

Paragraph 6(1)(a) - solely on the life of a person domiciled
outside the Territory at the time the insurance is
effected; or

6(1)(b) - in respect of which State or Territory
stamp duty is paid (to prevent double taxation); or

6(2) - in respect of the life of a member, or a
member of his family, of a diplomatic mission in
Australia of the government of another country that
does not tax life insurance or grants a correspond-
ing exemption to Australia.

For further information, if required, contact:

Finance, Industries, Trade &
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LEGISLATIVE RESEARCH SERVICE