

From: NIBA

Subject: NSW Office of State Revenue Audit

Background

Stamp Duty

Insurance Protection Tax Act

OSR's 2005 Audit

Brokers that have only arranged contracts with persons on OSR's list

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List of Acceptable Registered Entities Supplied By

Background

As you are aware from previous newshots, NSW Office of State Revenue (OSR) is conducting an audit of payments of stamp duty (duty) and income protection tax (tax) where the tax or duty has not been made by a registered insurer. As part of the audit OSR has written to all NSW general insurance brokers requesting information.

NIBA has discussed with OSR the information requested of brokers and as a result has modified its requirements. The modifications agreed upon are outlined in this newshot.

OSR is concerned that there has been a recent reduction in the amount of duty paid other than authorised insurers.

While OSR has requested some information about FSL and GST it will not be auditing these payments. OSR simply wants to ensure that FSL and GST have been included in the premium prior to the calculation of the duty and tax.

A very brief summary of the nature of the duty and tax follows. More detailed information is available from OSR's web site www.osr.nsw.gov.au

Stamp Duty

All States and Territories require Stamp Duty to be paid on insurance relating to a risk arising in their jurisdiction, irrespective of where the policy is insured or premium paid. The rate of tax varies with the type of policy. If the insurer is interstate or overseas and cannot or will not submit the necessary return and pay the duty the responsibility falls on the insured. Brokers are able to make payments to OSR on behalf of insureds. Payment by an insured is required to be made within 21 days of the end of the month in which the premium is paid.

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[OSR list of registered entities](#)

Where a policy covers risks arising in more than one State or Territory the duty is assessed on a proportionate basis, reflecting a notional allocation of premium based on risk exposure.

Insurance Protection Tax Act

This Act introduced a special NSW tax to recover moneys spent by the NSW Government on HIH claimants (CTP and Builders Warranty) following HIH's collapse. Administration of the tax is similar to NSW stamp duty on insurance. The tax is required to be paid by the insurer except where the insurer is unregistered in which case it falls to the insured to pay the tax. Like stamp duty, brokers are able to pay the tax for their clients. Insurers are required to pay annually a share of \$M65 based on their proportion of premiums to the total of all the registered insurers' premiums. Where an unregistered insurer is involved the insured is required to pay one percent of the premium.

OSR's 2005 Audit

OSR is conducting an audit of all NSW insurance brokers to ensure that the correct duty and tax have been paid. OSR is not seeking information where the insurance is placed with an acceptable registered entity or the agent of such an entity. A list of such entities has been prepared by OSR and is attached. Please note that Lloyds are not included on the list.

The audit, at this stage, is only being conducted over a two-year period (30 June 2004 to 1 July 2005) and not a four-year period as previously indicated by OSR.

There are three possible scenarios that will determine your response to OSR.

1. Brokers that have only arranged contracts with persons on OSR's list

Brokers, who over the two-year period of the review, have only placed insurance with persons on the OSR's list of acceptable registered entity or the agent of such an entity, simply need to inform OSR that this is the position. A large number of brokers are likely to fall into this position.

In responding to OSR, brokers should make it clear on whose behalf they are responding. This is particularly important where the broker is responding to more than one OSR request for information.

2. Brokers that are registered with OSR to make payments on behalf of clients

Some brokers, usually national or international brokers, are registered with OSR for payment of the duty and/or the tax on behalf of their clients. Such brokers make monthly payments to OSR.

These brokers are required to submit to OSR details for each monthly payment over the relevant two-year period, of the following information for both the duty and the tax:

- The name of each client included in the payment and
- The amount of premium, FSL, GST, and duty or tax paid.

In addition these brokers are required to provide OSR with a list of underwriting agencies, that are not the agents of persons in OSR's list of acceptable registered entities, but with whom they have arranged a contract of insurance with over the relevant two-year period.

3. Brokers not included in either of the above two groups

Brokers not included in either of the above two groups are brokers;

- that have arranged insurance for a person not included in OSR's lists of acceptable registered entities, and
- are not themselves registered by OSR to pay the duty or tax on behalf of their clients.

These brokers need to provide OSR with the information requested at Annexe A of OSR's letter informing them of the audit. The relevant information needs to be provided for each case where a contract of insurance has been arranged with an entity not on OSR's list.

When is the information required?

OSR has indicated that the information need not now be provided until 30 September 2005.

List of Acceptable Registered Entities Supplied By OSR

Attached is OSR's list of acceptable registered entity.

Further Information

If you would like further information contact Ian Stobo or Maureen Ball at NIBA Technical Services 1800 004 306.

OSR list of registered entities

<i>Registered entity</i>	<i>Registered entity</i>
ACE INSCE LTD	HEALTH PROFESSIONALS INS AUST PTY LTD
AIOI INSCE CO LTD	HEATH LAMBERT AUST PTY LTD
ALLIANZ AUST INSCE LTD	HOLLARD INSURANCE CO PTY LTD
ALLIANZ AUST INSCE LTD	HSB ENGINEERING INSCE LTD
ALLIANZ AUSTRALIA INSURANCE LTD	INSURANCE AUST LTD
AMERICAN HOME ASSUR CO	LAWCOVER INS PTY LTD
AMERICAN INTNL ASSUR CO (AUSTRALIA) LTD	LIBERTY MUTUAL INSCE CO
AMERICAN RE-INSCE CO	LUMLEY GEN INSCE LTD
AMP GEN INSCE CO LTD	MDA NATIONAL INS PTY LTD
ANZ GENERAL INSCE PTY LTD	MEDICAL INSCE AUST PTY LTD
ANZ LENDERS MORTGAGE INSCE PTY LTD	MITSUI SUMITOMO INSCE CO LTD
ANZCOVER INSCE PTY LTD	MORTGAGE RISK MANAGE PTY LTD
AON FIN SERVICES AUST LTD	MTQ INSURANCE LTD
AON RISK SERVICES AUST LTD	MUNICH REINSURANCE CO OF AUSTRALASIA LTD
APUA PTY LTD	MUTUAL COMMUNITY GEN INSCE PTY LTD
ASIA MIDEAST INSCE & REINSURANCE PTY LTD	NORTH INSURANCES PTY LTD
ASSETINSURE PTY LTD	NZI INSCE AUST LTD
AUSTRALASIAN MEDICAL INSCE LTD	ORICA INSCE PTY LTD
AUSTRALIAN ALLIANCE INSCE CO LTD	OVOID INSCE PTY LTD
AUSTRALIAN ASSOCIATED MOTOR INSURERS LTD	PERMANENT LENDERS MORTGAGE INSURANCE PTY LTD
AUSTRALIAN INTNL INSCE LTD	PROFESSIONAL INDEMNITY INS CO AUST PTY LTD
AUSTRALIAN UNITY GEN INCE LTD	QBE INSCE (AUSTRALIA) LTD
AUTO & GEN INSCE CO LTD	QBE INSCE LTD
AXA INSCE AUST LTD	RAA INSURANCE LTD
BARRISTERS' SICKNESS & ACCIDENT FUND PTY LTD	RACQ INS LTD
BHP BILLITON MARINE & GEN INSURANCES PTY LTD	ST ANDREW'S INSURANCE (AUSTRALIA) PTY LTD
BUDGET INSCE CO LTD	STEWART TITLE LTD
CALLIDEN GROUP LTD	SUNCORP METWAY INSCE LTD
CATHOLIC CHURCH INSURANCES LTD	SUNDERLAND MARINE MUTUAL INSCE CO LTD
CGU INSCE LTD & VERO INSCE AUST LTD	SUNSTATE LENDERS MORTGAGE INSCE PTY LTD
CGU INSURANCE LTD	SWANN INSCE (AUSTRALIA) PTY LTD
CGU-VACC INSCE LTD	SWISS REINSURANCE CO
CHUBB INSCE CO OF AUST LTD	THE TOKIO MARINE NICHIDO AND FIRE INSCE CO LTD
CIC ALLIANZ INSURANCE LTD	VERO INSURANCE LIMITED
COMBINED INSCE CO OF AUST	VIRGINIA SURETY CO INC
COMMONWEALTH INSCE LTD	WESFARMERS FEDERATION INSCE LTD
CREDICORP INSCE PTY LTD	WESTERN LENDERS MORTGAGE INSCE CO LTD
CUMIS INSCE SOC INC	WESTPAC GEN INSCE LTD
EIG - ANSVAR LTD	WESTPAC LENDERS MORTGAGE INSCE LTD
ELDERS INSCE LTD	XL INSCE CO LTD
EMPLOYERS MUTUAL LTD	ZURICH AUST'N INSCE LTD
EMPLOYERS REINSURANCE CORP	
FARMERS MUTUAL INSCE LTD	
FIRST AMERICAN TITLE INSURANCE CO OF AUST PTY LTD	
FORTRON INSCE GROUP LTD	
GERLING AUST INSCE CO PTY LTD	
GIO GEN LTD	
GUILD INSCE LTD	
HALLMARK GEN INSCE CO LTD	
HBF INSCE PTY LTD	

