

## CCI, your insurance and the GST

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- GST is being introduced by the Federal Government as part of a major tax reform process.
- GST will become effective from 1st July 2000 at a rate of 10%.
- The majority of general insurances will attract GST on premium payments because they are deemed a taxable supply.
- That means that insurance policies that extend beyond 30th June 2000 may be partially or fully taxed.
- Catholic Church Insurances Limited is a member of the Insurance Council of Australia (ICA), who are currently attempting to have the Government agree to further changes that would improve the fairest application of the GST as it applies to insurance.
- Catholic Church Insurances is currently reviewing premiums to determine the effects of the removal of the wholesale tax and the implementation of the GST.
- All savings from the removal of wholesale tax from invoices will be passed onto clients by CCI.

## How GST will effect you

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CCI will provide advice to you in regards to how GST applies to insurance as the situation becomes clearer. Beyond that we cannot provide information or advice on how the GST will effect your organization. However we would like to point out two very important issues you should consider:

- Even if your organization's activities may predominantly consist of GST Free transactions, eg: Church religious services or non-commercial activities of charitable institutions, the supply of insurance to you may be a "taxable supply", in which case we may include GST in your insurance premium. However you may be eligible to claim back any GST paid by you as an "input tax credit". To be eligible to make such an input tax credit claim, you must be "registered" in the GST system.

- The current legislation states that when GST is applied to premiums you may be able to claim an input tax credit for GST paid by you, but if you are entitled to such a credit you would then be liable to pay GST on all claims payments received. This is one of the aspects that the ICA is talking to the government on and further advice on this important aspect will be provided as soon as possible.

As a member of the ICA, CCI support their lobbying on GST matters with the aim of achieving the fairest possible result for insuring clients. Because of the complexities and current uncertainties relating to the application of GST to your policies we cannot provide any further information to you at this time. We will keep you fully informed as soon as further decisions are available.

***"If you are entitled to claim GST input tax credits on your insurance premium you may be liable to pay GST on any claims payment"***

## Definitions

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### GST – Goods and Services Tax

- Tax levied on all supplies made in Australia for example insurance
- Supplies made by a GST registered business, for example: Catholic Church Insurances Limited
- Generally a neutral effect on business
- Burden of tax borne by final consumer, for example: clients of CCI
- Rate – 10%, effective from 1st July 2000

### Taxable

Where supply attracts 10% GST and input tax credits can be claimed, for example: general insurance premiums

### GST Free

Where a supply attracts 0% GST and input tax credits can be claimed, for example: religious services

### Input taxed

Where supply attracts 0% GST and input tax credits can not be claimed, for example: superannuation

### Input Tax

GST paid on purchases of goods and services for use in taxable activities, for example: the purchase of an insurance policy by a Church organisation incurs input tax for the Church organisation.

### Output Tax

GST required to be collected and paid on supplies by a business, for example: the supply of insurance by CCI requires an output tax to be collected.

### Taxable Supply

Supplies for a consideration, by a registered business in connection with Australia, for example: insurance (supply) for a premium (consideration)

### Input Tax Credit

The credit which is available to registered persons for GST paid on purchases of goods or services used in connection with a taxable activity to the extent of its creditable purpose, for example: in the case of building insurance for a Church that is used for religious services, the GST on the Insurance premium would be creditable as religious services are GST free.

### Creditable Purpose

The extent you acquire a thing to carry on an enterprise which does not include acquisitions relating to input taxed supplies for private/domestic nature

### Registered Persons

Registration with the ATO will be compulsory for persons carrying on a taxable activity where the level of their taxable supplies exceeds \$50,000 per annum. However, non-profit societies, clubs and associations will only need to register where total sales exceed \$100,000 per annum. Below these amounts, registration will be optional.



*Please note that this CCI GST Alert should not be used or relied on as a substitute for detailed professional advice or as a basis for formulating GST decisions.*