

IRAS e-Tax Guide

GST: THE INSURANCE INDUSTRY

(Second Edition)



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GST Guide For the Insurance Industry

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TABLE OF CONTENTS

1	Introduction.....	5
2	Basic concepts for the insurance industry	5
3	Insurance company	6
3.1	Life insurance.....	6
3.2	General insurance.....	7
3.3	Zero-rating of insurance services	7
3.4	Time of supply for premiums	9
3.5	Estimations of output tax for premiums	10
3.6	Changes affecting GST registered insurance companies from 1 Jan 2007	11
3.7	Specific issues affecting insurance companies	11
3.7.1	Premium refunds.....	11
3.7.2	Insurance excess	12
3.7.3	Recovery of third party claims	14
3.7.4	Recovery of medical expenses from agents / policyholders.....	15
4	Reinsurance company.....	16
5	Brokers and agents	16
5.1	Commission	16
5.2	Time of supply for commission.....	17
6	Tax invoice	18
7	Self billing	19
8	Summary	20
9	Contact information	21
10	Appendix 1	22
11	Appendix 2	23

1 INTRODUCTION

- 1.1 This Guide explains the GST principles applicable to the insurance industry. It also clarifies the distinction between life business and life policy.

2 BASIC CONCEPTS FOR THE INSURANCE INDUSTRY

- 2.1 Generally, the provision of an insurance contract by a GST registered insurance company in Singapore is a taxable supply of services. GST is charged on the insurance premiums at the standard rate¹.
- 2.2 There are situations where no GST is charged on the insurance premium. These are instances where the insurance premiums qualify for zero-rating as an international service (see section 3.3) or where the insurance premiums qualify for exemption from GST (see section 3.1 below).
- 2.3 The terms “life business” and “general business” are used in the Insurance Act to indicate the nature of business that insurance companies are allowed to operate depending on the nature of the license issued. These terms are not synonymous with and should not be confused with the terms “life policy” and “general policy”.
- 2.4 Insurance companies who are in the life business may issue life policies and long term health and accident policies. For GST purposes, only premiums arising from life insurance contracts are exempt from GST. Therefore, not all policies issued by life insurance companies are exempt from GST.

¹ GST rate is increased from 5% to 7% with effect from 1 Jul 2007.

3 INSURANCE COMPANY

3.1 LIFE INSURANCE

3.1.1 The provision, transfer of ownership, of a life insurance contract is exempt from GST under paragraph 1(l) of the Fourth Schedule to the GST Act. This exemption is not extended to brokerage services and services of arranging for sale of life policies².

3.1.2 For GST purposes, a life insurance contract refers to a contract for the provision of a life policy within the meaning of the Insurance Act.

Extract of the First Schedule to the Insurance Act

5. (1) Subject to sub-paragraph (2), “life policy” means any policy which —
- (a) provides for the payment of policy moneys on the death of a person or on the happening of any contingency dependent on the termination or continuance of human life;
 - (b) is subject to payment of premiums for a term dependent on the termination or continuance of human life;
 - (c) provides for the payment of an annuity for a term dependent on the termination or continuance of human life; or
 - (d) is a combination of any of the above.
- (2) A policy that provides for the payment of policy moneys on the death of a person is not a life policy if payment is only to be made in the event of —
- (a) death by accident; or
 - (b) death resulting from specified sickness.

3.1.3 Examples of policies that fall within the definition of “life policy” include endowment policy, whole life policy, etc. Policy and administration fees, which are incidental to the provision of a life policy contract, may also be exempt.

3.1.4 As long-term personal accident or medical insurance policies (which may be issued by a life insurance company) do not fall within the description of ‘life policy’ in the Insurance Act, the supply of such insurance do not qualify for exemption from GST.

3.1.5 Currently, all non-life riders (e.g. medical or personal accident riders) attached to **individual** life policies are treated as being incidental in nature to the main life policy. Hence, premiums paid on an individual life insurance policy including where a personal accident, health or other general rider is attached to the main policy are wholly exempt from GST on the premise that the non-life element are incidental.

3.1.6 On the other hand, for group life policy with medical and personal accident rider issued by an insurance company, only the life component is exempt.

² For more information on GST principles applicable to insurance brokers and agents, please refer to Section 5.

3.1.7 Life policies supplied under a contract with a person belonging outside Singapore and directly benefiting a person belonging outside Singapore can be zero-rated under section 21(3)(j) of the GST Act. For “offshore” life insurance business, “offshore” life insurance provided to persons belonging outside Singapore can rightfully be zero-rated. However, as an administrative concession, “offshore” life insurance business eligible for classification as “onshore” based on guidelines set by the Monetary Authority of Singapore may be treated as exempt (and not zero-rated) for GST purposes.

3.2 GENERAL INSURANCE

3.2.1 The provision of general insurance contracts is a taxable supply of services. The GST-registered insurance company is required to charge and account GST at the prevailing GST rate on the general insurance premiums unless the supply qualifies as an international service³ and can be zero-rated.

3.2.2 Examples of general policies are motor, fire, personal accident, medical and health, workmen’s compensation, professional indemnity, fidelity guarantee insurance etc.

3.3 ZERO-RATING OF INSURANCE SERVICES

3.3.1 As highlighted in paragraph 2.2, the provision of direct insurance services can be zero-rated if it falls within the description of international services listed under section 21 (3) of the GST Act.

3.3.2 Generally, general insurance premiums will be standard-rated if the policyholder belongs in Singapore and zero-rated if the policyholder belongs outside Singapore.

3.3.3 However, some insurance policies can be zero-rated even though the policyholder belongs in Singapore. Such policies include those that relate to international transportation, export of goods, land or goods outside Singapore.

3.3.4 The zero-rating provisions relevant to the insurance industry are listed below:

(A) Where policyholder must belong outside Singapore for zero-rating

- Section 21(3)(g) – Insurance services supplied directly in connection⁴ with goods for export outside Singapore, where the risk cover is supplied to a person not belonging in Singapore at the time the services are performed.
- Section 21(3)(j) – Insurance services provided under a contract with a person who belongs outside Singapore and directly benefit⁵ a person who belongs outside Singapore and who is not in Singapore when the insurance cover is provided. The cover must not be directly in connection with any land or goods in Singapore.

³ Under section 21 (3) of the GST Act

⁴ Refer to e-tax Guide ‘Clarification on "Directly In Connection With" and "Directly Benefit”

⁵ Refer to e-tax Guide ‘Clarification on "Directly In Connection With" and "Directly Benefit”

For example: Health policy provided to policyholder who is an overseas individual

(B) Where policyholder may belong in or outside Singapore

- Section 21(3)(c)⁶ – Direct Insurance relating to **international** transportation of goods and passengers from:
 - a) From a place outside Singapore to another place outside Singapore;
 - b) From a place in Singapore to a place outside Singapore; or
 - c) From a place outside Singapore to a place in Singapore.

Policies that qualify for zero-rating under section 21(3)(c) include:

- ❖ Marine/Aviation Cargo
- ❖ Marine/Aviation Hull Insurance
Only applicable for insurance purchased in respect of commercial vessels/aircraft involved in the international transportation of goods or passengers. Hull insurance for pleasure crafts, barges, boats, etc not involved in international transportation will not qualify for zero-rating and is subject to GST.
- ❖ Travel Insurance
Only if the insurance contract is identifiable with international journeys involving the carriage of passengers to and from outside Singapore.

Policies that do not qualify for zero-rating under section 21(3)(c) include:

- ❖ Insurance policies taken up by policyholders for the purpose of overseas employment or study.
- ❖ Health insurance policy with overseas medical coverage

As the above policies do not directly relate to the export of goods, land or goods outside Singapore or international travel, the premiums are standard-rated if supplied to a local policyholder. The location of coverage is not relevant in determining whether the policy can be zero-rated.

- Section 21(3)(e) – Insurance services supplied directly in connection with land or any improvement thereto situated outside Singapore

For example: Insurance premiums charged for fire insurance in respect of a property in Vietnam, insurance premiums charged for property risk insurance in respect of a property in Malaysia.

- Section 21(3)(f) – Insurance services supplied directly in connection with goods situated outside Singapore when the services are performed.

⁶ Section 21 (3) (c) states that services (other than the letting on hire of any means of transport) comprising the insuring or the arranging of the insurance or the arranging of the transport of passengers or goods to which any provision of paragraphs (a) and (b) applies.

- Section 21(3)(h) – Insurance (not reinsurance) upon or against any risks incurred in the making of advance or the granting of credit directly related to the export of goods (not services) outside Singapore.

For example: Export credit insurance

3.4 TIME OF SUPPLY FOR PREMIUMS

3.4.1 Prior to 1 Jan 2011, where premiums are paid in a lump sum, the time of supply is at the earliest of:

- a) When the services are completed
- b) When a payment is received
- c) When a tax invoice is issued

3.4.2 For contract of insurance, the performance of insurance services is regarded as completed only at the end of the contract period. In practice, the premium is usually invoiced or collected upfront at the beginning of contract. Hence, time of supply would be triggered at the earlier of the receipt of the premiums or the issue of the tax invoice.

3.4.3 Where premiums are in instalments, the time of supply is the earlier of:

- a) The date when each instalment payment becomes due; or
- b) The date of payment

3.4.4 With effect from 1 Jan 2011, the GST rule for time of supply will be changed to be in line with commercial practices. This is to help businesses comply with the rules easily. For most transactions, output tax will be accounted for based on the **earlier** of the following:

- a) When an invoice is issued
- b) When payment is received

Prior to 1 Jan 2011, the issuance of a tax invoice – and not any other type of invoice – is an event that will trigger the time of supply. With effect from 1 Jan 2011, the issuance of any type of invoice will be an event that triggers the time of supply. This includes a tax invoice as well as any document that serves as a bill for payment for supplies made by a GST-registered supplier. An example of such document would be a debit note.

In general, documents such as sales order, pro-forma invoice, statement of accounts and letter/statement of claims are not considered as invoices for GST time of supply purposes. This is because these documents are often not billing for payments and would therefore not be treated as invoices based on normal commercial practices. For more details, please refer to the e-Tax Guide on GST: Time of Supply Rules

GST Guide For the Insurance Industry

The time of supply for instalment premiums (see paragraph 3.4.3 above) would remain the same.

3.5 ESTIMATION OF OUTPUT TAX FOR PREMIUMS

- 3.5.1 A broker/agent may collect premiums on behalf of the insurance company from the policyholder. For GST purposes, premiums collected by broker/agent are considered as received by the insurance company. If the tax invoice has not been issued earlier, the collection of premiums by the broker/agent on behalf of the insurance company would trigger the time of supply.
- 3.5.2 The broker should then inform the insurance company on the collection of premiums, as the insurance company is required to account for GST on insurance premiums collected on insurance contracts that do not qualify for exemption or zero-rating.
- 3.5.3 However, the insurance company may face difficulties in capturing the exact amount of output tax in a prescribed accounting period if the broker does not inform the insurance company on time.
- 3.5.4 In view of such difficulties, the insurance company may apply to the Comptroller of GST in writing for estimation of output tax under regulation 60 of GST (General) Regulations.
- 3.5.5 Upon approval, the insurance company will be allowed to estimate whole or a portion of the output tax payable in an accounting period based on a formula allowed by the Comptroller.
- 3.5.6 The estimated output tax for the previous accounting period will be adjusted in the next accounting period when the tax invoices for premiums received are issued.
- 3.5.7 Example: Insurance Company A collected \$90,000 in premiums for the period Jul to Sep 2007. Company A's backlog in issuing tax invoices is one month and it estimates the output tax due to the Comptroller for the last month of the next quarter (Oct to Dec 2007) with the following formula:

Estimated output tax for Dec 2007

$$\begin{aligned} &= \text{Monthly average of actual premiums for previous quarter (i.e. Jul to Sep 2007) multiplied by 1 month of backlog multiplied by prevailing GST rate}^7 \\ &\quad \text{(i.e. 7\%)} \\ &= (\$90,000/3) \times 1 \text{ month} \times 7\% \\ &= \$2,100 \end{aligned}$$

Assuming Company A collected S\$75,000 in premiums for Oct to Nov 2007, GST amount is \$5,250.

Company A should declare in its GST return:

⁷ GST rate is increased from 5% to 7% with effect from 1 Jul 2007.

GST Guide For the Insurance Industry

In Box 1: \$75,000 +\$30,000 (estimated) = \$105,000 (Value of standard-rated supplies)

In Box 6: \$5,250 + \$2,100 (estimated as above)= \$7,350.

In the next quarter, Company A would have known the exact amount of premiums and GST collected for Dec 2007 (assuming \$40,000 and GST amount: \$2,800) and is required to make adjustments in the next quarter (Jan to Mar 2008).

The Company is required to deduct from Box 1 (\$30,000) and Box 6 (\$2,100) and add the exact amount of premiums and GST collected to Box 1 (\$40,000) and 6 (\$2,800).

Company A will have to compute the amount of estimated output tax for the month of Mar 2008 based on the monthly average of actual premiums for Oct to Dec 2007.

3.6 CHANGES AFFECTING GST REGISTERED INSURANCE COMPANIES FROM 1 JAN 2007

3.6.1 There are certain changes affecting GST registered insurance companies with effect from 1 Jan 2007.

3.6.2 *Cash Payments*

With effect from 1 Jan 2007, GST registered insurance companies are allowed a credit for input tax deemed incurred on the Cash Payments when the conditions listed in 3.4.1 of the e-tax guide "[GST Guide on Insurance: Cash Payments and Input Tax on Motor Car Expenses](#)" are satisfied.

3.6.3 Input Tax on Motor Car Expenses

The insurance company is allowed to claim input tax incurred on goods or services purchased for the purpose of its business of making taxable supplies. With effect from 1 Jan 2007, a GST registered insurance company is allowed to claim input tax incurred on motor car expenses if all conditions listed in paragraph 4.4.1 of the e-tax guide "[GST Guide on Insurance: Cash Payments and Input Tax on Motor Car Expenses](#)" are satisfied.

3.7 SPECIFIC ISSUES AFFECTING INSURANCE COMPANIES

3.7.1 PREMIUM REFUNDS

- (i) Insurance companies may make refunds to policyholders under certain conditions. Some insurance companies may use the refunds to offset premiums payable.
- (ii) Generally, the insurance company should not reduce the value of insurance services previously supplied and corresponding output tax when a refund is made upon the occurrence of an insured event, or an event other than the insured event, e.g. no claims being made, or termination of the policy plan after a specified minimum number of years, etc.

- (iii) However, we are prepared to treat the refunds as discounts against the insurance premiums if the payment of refund is connected with the renewal of the insurance contract, and the refund is offset against the premium. GST on the subsequent premium may be accounted on the net premium payable.

3.7.2 INSURANCE EXCESS

- (i) Where there is excess provided under the insurance policy, the policyholder is required to bear that amount of excess in the event of loss.
- (ii) The following section describes the scenarios when the recovery of insurance excess is treated as a supply and the corresponding GST treatment:

Scenario 1 : Supplier bills the insured

When the supplier bills the policyholder for vehicle repair services, the insured cannot claim the GST incurred if he is a non GST-registered person.

Assuming the insurance company will bear the amount of expenses exceeding \$500, the policyholder will recover \$1,000 from the insurance company. In this case, the insurance company is treated as making a Cash Payment indemnifying the insured according to the insurance contract⁸.

Scenario 2: Supplier bills insurance company

If the insurance company contracted for the supply of 3rd party services to fulfill its obligations under the insurance contract to the policyholder, the 3rd party would bill the insurance company for the full value of services rendered. The insurance company will recover the excess from the policyholder. The recovery of excess by the insurance company is treated as a taxable supply of service and hence GST is chargeable on the recovery of excess from the policyholder.

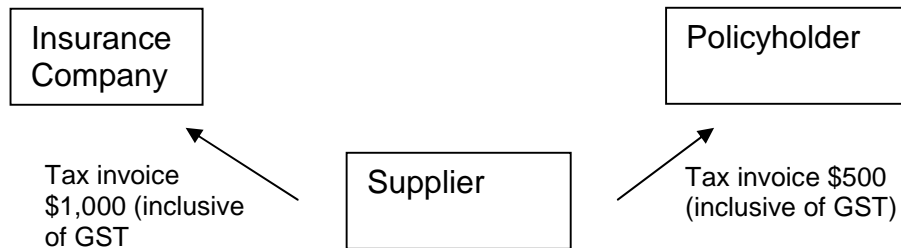
Whether the recovery of excess \$500 should be treated as inclusive of GST or exclusive of GST depends on terms and conditions of the insurance contract between the policyholder and insurance company⁹.

⁸ See section .2.4 of the e-tax guide “GST Guide on Insurance: Cash Payments and Input Tax on Motor Car Expenses” on conditions of claiming deemed input tax for Cash Payment

⁹ For both the examples under Scenarios 2 and 3, it is assumed that the policyholder only bears excess of \$500 inclusive of GST. If the excess is inclusive of GST, GST is computed by using the tax fraction [i.e. GST rate / (100% + GST rate)] multiplied by the excess recovered. If it is exclusive, GST is computed using the prevailing GST rate multiplied by the excess recovered.

GST Guide For the Insurance Industry

Scenario 3: Supplier issues two invoices (where the supplier has two contracts of services, one with the insurance company for part of the bill payable by the insurance company and the other with the policyholder for the amount of excess payable by the policyholder)

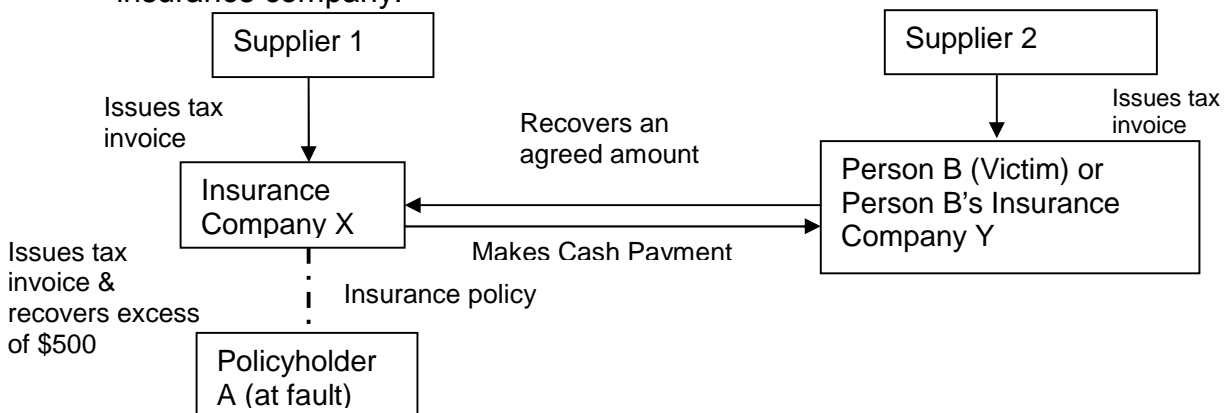


Feedback from the industry highlighted that it is a common market practice for the supplier to split their bills between the insured and the insurance company. In order not to disrupt this business practice, the supplier is allowed to continue this practice to split the bill and issue 2 tax invoices to the policyholder and the insurance company respectively.

When the supplier splits its bill, both bills should attract GST, as there is a taxable supply of services provided to both the insurance company and the policyholder. Whatever the excess amount the supplier collects from the policyholder, the amount should be treated as inclusive of GST.

3.7.3 RECOVERY OF THIRD PARTY CLAIMS

- (i) Where a third party (i.e. Policyholder A) causes the damage, the insurance company of the victim (i.e. company Y) usually recovers the full amount or part of the repair cost¹⁰ from the third party or the insurance company of the third party. The insurance company Y is not regarded as making any supply to the third party or his insurance company X when it recovers the cost. This is because the payment is regarded as a form of compensation from the third party or his insurance company.



¹⁰ Assumption: Both cars belonging to the victim and the party at fault are damaged. Hence, there are two suppliers (repair workshops) involved.

GST Guide For the Insurance Industry

3.7.4 RECOVERY OF MEDICAL EXPENSES FROM AGENTS / POLICYHOLDERS

- (i) The insurance company may require potential policyholders to undergo medical check-ups to ascertain the risk profile of the policyholders and the premiums required to underwrite the policies. The insurance company would generally bear the medical costs relating to the compulsory medical check-ups undergone by the policyholders.
- (ii) However, the insurance company may recover the cost of medical check-ups from the agent or policyholder in certain situations.
- (iii) In general, the recovery of expenses is treated as taxable supply of services where GST is chargeable. However, where one party breaches his obligations under a contract and causes the other party to incur a loss, the recovery of expenses is not a supply and is not subject to GST. The GST treatment for scenarios in which the insurance company may recover medical expenses from the policyholder or insurance agent is tabulated below:

Scenario	Taxable?	Reason
(a) The insurance company unilaterally cancels the insurance policy even though the insurance agent did not breach any of the terms in the agency agreement and recovers medical expenses from the insurance agent.	Yes	The recovery of expenses from the insurance agent did not result from a breach of terms of contract by the insurance agent. Rather, it is the unilateral decision of the insurance company to cancel the policy.
(b) The insurance company cancels the insurance policy due to fraud or misrepresentation by the policyholder and recovers medical expenses from the insurance agent	Yes	The recovery of expenses from the insurance agent did not result from a breach of terms of contract by the insurance agent.
(c) The insurance agent breaches any of his obligations under the agency agreement with the insurance company, resulting in a loss to the insurance company and the latter recovers the medical expenses from the agent.	No	The recovery of expenses from the agent resulted from a breach of the terms under the agency agreement.
(d) The potential policyholder failed to pay the first premium or first installment of premium within the grace period stated in letter of acceptance and the	Yes	The recovery of expenses from the insurance agent did not result from a breach of terms of contract by the insurance agent. Rather, it is the unilateral decision of the policyholder not to pay

GST Guide For the Insurance Industry

insurance company recovers the medical expenses from the insurance agent.		the premiums.
(e) The policyholder decides not to take up the policy within the free look period after signing the policy and the insurance company recovers the cost of medical checkups from the policyholder.	Yes	The policyholder did not breach any terms of the insurance contract as he has the right to cancel the policy within the free look period.

4 REINSURANCE COMPANY

- 4.1 The provision of general reinsurance or life reinsurance contract is an exempt supply of financial service under the 4th Schedule to the GST Act. Hence, premiums arising from such reinsurance contracts placed locally are exempt from GST.
- 4.2 The premiums of a reinsurance contract would qualify for zero-rating under section 21 (3)(j) if it is a supply made 'under a contract with', and which 'directly benefits' a person belonging outside Singapore, and who is outside Singapore when the service is performed. Hence, reinsurance premiums received from cedants belonging outside Singapore can be zero-rated.
- 4.3 It should be noted that reinsurance cover is not treated as supplied directly in connection with goods or land. Hence, the only zero-rating provision for reinsurance cover is section 21 (3)(j). It is not necessary to ascertain if reinsurance coverage would qualify for zero-rating under other provisions such as sections 21 (3)(e), (f), (g) and (h).

5 BROKERS AND AGENTS

5.1 COMMISSION

5.1.1 Commission for arranging direct general/life¹¹ insurance

- (i) Generally, the commission or brokerage (including profit commission, overriding commission or other product related payment) charged by a GST registered broker /agent¹² for arranging direct general / life insurance policies is subject to GST at the standard-rate if the recipient of the services (e.g. the insurance company or policyholder) belongs in Singapore and at 0% if the recipient belongs outside Singapore.

¹¹ As mentioned in paragraph 3.1.1, brokerage and commission arising from the arranging for the sale of life policies is not exempt from GST.

¹² The GST registered agent/broker refers to an agent/broker who carries on a business and is registered independently for GST purposes. An agent employed under a contract of employment with the insurance company is an employee and is not required to register for GST.

GST Guide For the Insurance Industry

- (ii) If the GST registered agent / broker arranges for insurance policies on behalf of an overseas insurance company and receives commission from that overseas insurance company, the commission being charged will qualify for zero-rating under section 21(3)(j) of the GST Act. This is so even if the policyholder may be a local person. The services of agent / broker are rendered to the overseas insurance company. However, if the agent / broker provide the services to the policyholder and charges commission/service fees then the commission charged will be subject to GST at the standard rate.
- (iii) It should also be noted that commission or brokerage charged for services provided by the agent/broker are not treated as supplied directly in connection with any land or goods.
- (iv) Where the brokerage services supplied involve the arranging of insurance policies relating to international transportation of goods or passengers, it will qualify for zero-rating under section 21 (3)(c) of the GST Act. Generally, commission charged for the arranging of the following policies can be zero-rated:
 - i. Marine cargo /marine hull
 - ii. Aviation cargo, aviation hull
 - iii. Travel insurance (which is identifiable with journeys involving carriage of passengers to and from outside Singapore).
- (v) Note: In the event that the insurance company cannot zero-rate the premium of the above policies, the broker/agent's commission will similarly not qualify for zero-rating.

5.1.2 Brokerage/Commission for reinsurance contracts

- (i) In inward reinsurance, reinsurance commission (including overriding commission and profit commission) payable to the GST registered cedant is exempt from GST if the reinsurance company belongs in Singapore and zero-rated if the reinsurance company belongs outside Singapore.
- (ii) In outward reinsurance, the reinsurance commission payable to the reinsurance company by the retrocessionaire is exempt from GST if the retrocessionaire belongs in Singapore and zero-rated if the retrocessionaire belongs outside Singapore.
- (iii) If it is a GST registered broker who arranges for the provision of reinsurance contract, the commission charged by him is exempt from GST if the recipient of his services belongs in Singapore and zero-rated if the recipient belongs outside Singapore.

5.2 TIME OF SUPPLY FOR COMMISSION

- 5.2.1 The time of supply rules determine when the output tax is to be accounted. Prior to 1 Jan 2011, GST should be accounted on brokerage/commission (including profit commission, overriding commission or other product related payment) due to broker/agent at the earliest of the following three events:

- a) Performance of services
- b) Receipt of payment
- c) Issue of tax invoice by the GST registered broker/agent or the insurance company under self-billing arrangement.

5.2.2 For brokerage/commission, the General Insurance Association (GIA) and the Singapore Insurance Brokers' Association (SIBA) regard the performance of broking services as complete at the end of the contract period. That being the case, the issue of the tax invoice or receipt of payment, whichever is earlier, would trigger the time of supply.

5.2.3 With effect from 1 Jan 2011, the GST rule for time of supply will be changed to be in line with commercial practices. This is to help businesses comply with the rules easily. For most transactions, output tax will be accounted for based on the **earlier** of the following:

- a) When an invoice is issued
- b) When payment is received

Prior to 1 Jan 2011, the issuance of a tax invoice – and not any other type of invoice – is an event that will trigger the time of supply. With effect from 1 Jan 2011, the issuance of any type of invoice will be an event that triggers the time of supply. This includes a tax invoice as well as any document that serves as a bill for payment for supplies made by a GST-registered supplier. An example of such document would be a debit note.

In general, documents such as sales order, pro-forma invoice, statement of accounts and letter/statement of claims are not considered as invoices for GST time of supply purposes. This is because these documents are often not billing for payments and would therefore not be treated as invoices based on normal commercial practices.

For more details, please refer to the e-Tax Guide on GST: Time of Supply Rules

6 TAX INVOICE¹³

6.1 It should be noted that insurance premiums and brokerage/commission are consideration for separate supplies of services. The premium is due to the insurance company for its supply of insurance services to the policyholder. On the other hand, brokerage/commission is consideration due to the insurance agent/broker for its supply of services (of arranging direct insurance) to the insurance company.

6.2 GST on insurance premiums is based on the value of the premiums while GST on brokerage/commission is based on the value of brokerage/commission. The calculation of GST should not be based on the net value of the premium and brokerage commission.

¹³ For details on the particulars required on a tax invoice, refer to "GST General Guide for Traders".

- 6.3 There should be separate tax invoices issued by the GST-registered insurance company to the policyholder for the premiums¹⁴ and broker/agent to the insurance company for the commission charged.
- 6.4 The broker/agent may raise a debit note to the policyholder for the collection of the insurance premium on behalf of the insurance company. As it is the insurance company that supplies the insurance services to the policyholder, the insurance company should issue a tax invoice to the policyholder. Therefore, the debit note issued by the broker/agent should not be mistaken as a tax invoice for GST purposes.
- 6.5 The broker/agent is advised to attach the tax invoice issued by the insurance company to his own debit note when he bills the policyholder. The broker should indicate the following words on his debit note¹⁵ “This is not a Tax Invoice. The insurance company’s tax invoice is attached or will be sent to you shortly.”

7 SELF BILLING

- 7.1 It is a common practice for insurance companies to determine the value of an agent/broker’s commission and other compensation. For administrative ease, the insurance company may wish to adopt self-billing so that the insurance company prepares the tax invoice, on behalf of the agent/broker, for services provided by the agent/broker.
- 7.2 Self-billing can only be used after the insurance company has performed a self-review and made a declaration that it is able to satisfy all the conditions indicated on the ‘Checklist for Self-Review of Eligibility and Declaration on Use of Self-Billing.’
- 7.3 Self-billing is only allowed between an insurance company and GST registered cash agent as the insurance company will determine and verify the final value of commission paid to the agents.
- 7.4 GST registered agents/brokers with principal accounts are still required to issue tax invoices for their supply of services as they are able to determine the amount of commission earned from the insurance company in respect of the premiums received.

¹⁴ Refer to Appendix 1 for a sample of the tax invoice issued by the insurance company.

¹⁵ Refer to Appendix 2 for a specimen of the debit note issued by broker/agent.

GST Guide For the Insurance Industry

8 SUMMARY

8.1 The following table states generally the GST treatment for various types of insurance products and the relevant zero-rating provisions. It is not meant to be exhaustive and the insurance companies should determine the GST treatment for their policies based on the nature of the insurance contracts (and not merely based on the terminology used for their policies).

Type Of Insurance Policy	GST TREATMENT FOR CUSTOMER BELONGING	
	IN SINGAPORE	OUTSIDE SINGAPORE
<u>Direct Insurance</u>		
Premiums – Life Policies		
Life Policy - Individual* (e.g. endowment, whole life)	EX	ZR [s21(3)(j)] ¹⁶
Life Policy - Group**	EX	ZR [s21(3)(j)]
Life Annuity	EX	ZR [s21(3)(j)]
Term Life Insurance	EX	ZR [s21(3)(j)]
Premiums - General Insurance Policies		
Motor Insurance		
• In Respect Of Vehicles Registered In Singapore	SR	SR
Public Liability Insurance	SR	ZR [s21(3)(j)]
Workmen’s Compensation Insurance	SR	NA
Medical And Accident Insurance	SR	ZR [s21(3)(j)]
Fire And Theft		
• In Respect Of Land/Goods In Singapore	SR	SR
• In Respect Of Land/Goods Outside Singapore	ZR [s21(3)(e), s21(3)(f)]	ZR [s21(3)(e), s21(3)(f)]
Professional Indemnity Insurance	SR	ZR [s21(3)(j)]
Marine Hull Insurance ¹⁸	ZR [s21(3)(c)]	ZR [s21(3)(c)]
Marine Cargo Insurance ¹⁹	ZR [s21(3)(c)]	ZR [s21(3)(c)]
Travel Insurance	ZR [s21(3)(c)]	ZR [s21(3)(c)]
Mortgagee’s Interest Insurance	SR	ZR [s21(3)(j)]
<u>Reinsurance</u>		
Reinsurance Policy	EX	ZR [s21(3)(j)]

Abbreviation:

SR – Standard-rated

EX – Exempt

ZR – Zero-rated

NA – Not applicable

* Including personal accident or medical rider attached to main policy

¹⁶ Where the insurance policy is zero-rated under s21 (3)(j), it is assumed that the policyholder and insured are persons belonging outside Singapore. For simplicity, they are collectively referred to as “customer”. For s21(3)(j) to apply, the overseas customer must be outside Singapore at the time the services are performed.

** Excluding riders attached to the main policy, riders are standard-rated if customer belongs in Singapore

¹⁸ Vessel /aircraft must be used for international transportation of goods /passengers.

¹⁹ Cargo must be carried in an international voyage

GST Guide For the Insurance Industry

8.2 The following table states generally the GST treatment for brokerage/commission received by brokers/agents for their services.

Commission charged for arranging the following policies:	GST TREATMENT FOR CUSTOMER BELONGING	
	IN SINGAPORE	OUTSIDE SINGAPORE
<u>Direct Insurance</u>		
Marine Cargo / Hull	ZR [s21 (3)(c)]	ZR [s21 (3)(c)]
Aviation Cargo / Hull	ZR [s21 (3)(c)]	ZR [s21 (3)(c)]
Travel	ZR [s21 (3)(c)]	ZR [s21 (3)(c)]
All other life or general insurance products excluding the above	SR	ZR [s21(3)(j)] ²⁰
<u>Reinsurance</u>		
Reinsurance commission	EX	ZR, [s21(3)(j)]

9 CONTACT INFORMATION

For enquiries on this e-Tax guide, please contact:

Goods & Services Tax Division
 Inland Revenue Authority of Singapore
 55 Newton Road
 Singapore 307987

Tel: 1800 356 8633
 Fax: (+65) 6351 3553
 Email: gst@iras.gov.sg

²⁰ Where the arranging services are zero-rated under s21 (3)(j), the overseas customer must be outside Singapore when the services performed.

10 APPENDIX 1

TAX INVOICE	
Date of issue: 01 Jul 2007	ABC INSURANCE COMPANY
	888 Jalan Ang Teng Singapore 560009 GST registration number: M2-1234567-1 Serial number:
Name of Policyholder	
Address of Policyholder	
Policy Details:	Name of Broker:
Type of Policy:	Address of Broker:
Policy Number:	
Policy period:	
<u>Premium (S\$)</u>	
Premium before GST:	1,000
GST @ 7%:	70
Gross Premium:	1,070
Total amount payable:	<u>1,070</u>

