

Insurance Premium Tax for Taxable Insurers

Updated: February 2005

Additional premiums exempt

Insurance Premium Tax Act

This bulletin describes the application of the *Insurance Premium Tax Act* (IPTA) on premiums received by insurers authorized to carry on insurance business in British Columbia. It outlines the provisions as they relate to premiums insuring risks located in British Columbia and details filing requirements for taxable insurers. For information relating to the application of the IPTA to unlicensed insurance, please refer to [Bulletin IPT 002](#), *Insurance Purchased from an Unlicensed Insurer*.

The information in this bulletin is provided for convenience and guidance and is not a replacement for the legislation. If you are unsure of the application of tax to a particular item, please refer to the IPTA on the web at www.qp.gov.bc.ca/statreg

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WHAT IS THE INSURANCE PREMIUM TAX?

The insurance premium tax is a tax on insurance premiums under contracts that insure persons resident or property located in British Columbia.

Taxable insurers must pay tax on premiums at the following rates:

| Insurance Contract Type | Rate |
|---|------|
| Life | 2.0% |
| Accident and Sickness | 2.0% |
| Indemnification or Compensation for Loss of Wages | 2.0% |
| Property | 4.4% |
| Automobile | 4.4% |
| All Other Insurance Contracts | 4.0% |

In addition, any resident of British Columbia who insures persons resident, or property located, in British Columbia through an unlicensed insurer must pay a tax equal to 7% of the premium paid. Insurers who are not authorized to carry on insurance business in British Columbia are referred to as unlicensed insurers. For more information, see [Bulletin IPT 002](#), *Insurance Purchased from an Unlicensed Insurer*.

WHO IS A TAXABLE INSURER?

A taxable insurer means:

- an insurer who has or is required to have a business authorization under the *Financial Institutions Act (FIA)* to carry on insurance business;

- ICBC;
- companies that are registered under the *Insurance (Captive Company) Act*; and
- persons who are members of a reciprocal exchange that hold a valid permit under the *FIA*.

The Financial Institution Commission (FICOM) maintains a list of insurers who are authorized under the *FIA*. All insurers on this list are taxable insurers.

To obtain a copy of this list, contact FICOM or visit their website at www.fic.gov.bc.ca

Exempt Insurers

The following taxable insurers do not have to pay the insurance premium tax:

- a fraternal benefit society;
- a purely mutual corporation that earned 100% of its net premium income from the insurance of religious institutions, schools or charitable organizations; or
- a purely mutual corporation that earned at least 50% of its net premium income from the insurance of farm property.

Premiums received by exempt insurers are not taxable. Exempt insurers are, however, required to file an *Insurance Premium Tax Return of Taxable Premiums* and to indicate the nature of the exemption claimed.

WHAT IS A TAXABLE PREMIUM?

For a taxable insurer, taxable premiums are those BC Premiums that were received or became receivable in the calendar year. A BC Premium is a premium under a contract of insurance in respect of a person resident or property situated in British Columbia.

If the contract insures risk located in more than one province, the portion of the premium for that contract that can be reasonably attributed to the risk located in British Columbia is considered the BC Premium.

Calculating Net Taxable Premiums for the Year

The tax base for a taxable insurer is net taxable premiums.

Net taxable premiums are all BC premiums that are received or become receivable in a calendar year, less:

- exempt premiums;
- a taxable premium that is returned to a policyholder; and
- the value of dividends paid or credited to policy holders.

Premiums include any payment made for a contract of insurance to insure a person resident or property located in British Columbia, including but not limited to:

- premium deposits,
- assessments,
- registration fees, and
- contributions by members.

Exempt Premiums

Certain premiums are exempt from insurance premium tax. In computing net taxable premiums, the following premiums should be deducted from gross premiums reported on the *Insurance Premium Tax Return*:

Premiums received:

- as consideration for an annuity contract;
- from another taxable insurer under a contract of reinsurance;
- under a contract of marine insurance that is not pleasure craft insurance; or
- for medical services or health care under a medical services or health care plan approved by regulation.

Gross premiums reported on the *Insurance Premium Tax Return* should include all reinsurance assumed.

FILING A RETURN AND REMITTING THE INSURANCE PREMIUM TAX

Filing a Tax Return

Taxable insurers must complete and file the *Insurance Premium Tax Return of Taxable Premiums* form (**FIN 531**) **on or before March 31st** of the year following the calendar year in which the premiums were received or became receivable.

A signed copy of the *Insurance Premium Tax Return* must be mailed to:

Ministry of Small Business and Revenue
Income Taxation Branch
PO Box 9444 Stn Prov Govt
Victoria BC V8W 9W8

The postmark date on the envelope used to mail the return is accepted as the date the return is delivered. For returns that are couriered or faxed, the date received by the ministry is considered the date of delivery.

The fax number is 250 356-0434 and the courier address is:

Ministry of Small Business and Revenue
Income Taxation Branch
1st Floor 1802 Douglas Street
Victoria BC V8T 4K6

If a return indicates there is a balance of tax owing, a cheque made payable to the Minister of Finance should accompany the return.

A return must be accompanied by exhibits detailing the amount of premiums written and policyholder dividends in each province. Copies of the following exhibits which are normally submitted with the annual return filed with the Office of the Superintendent of Financial Institutions are required:

- for life insurance companies, include pages 91.000, 91.000A, 93.000 and 93.000A of return OSFI 54 or OSFI 55;
- for property and casualty insurance companies, include page 67.10 of return P&C-1 or P&C-2.

In addition, where a deduction has been claimed for premiums on reinsurance accepted from licensed companies, a schedule should be included detailing the:

- **name of the licensed company; and**
- **amount of the premium accepted.**

Failure to submit the exhibits and schedules with the *Insurance Premium Tax Return* will delay the processing of the return.

Instalment Payments

Instalments are required if tax payable exceeded \$25,000 in the preceding calendar year.

The instalments are due June 15th, September 15th, and December 15th, with the balance of tax due on or before March 31st of the following calendar year. Instalments are based on the lesser of:

- 25% of the preceding year's tax payable; or
- 25% of the current year's estimated tax payable.

A taxable insurer may choose to make instalments based on an estimate of current year's tax payable. If any instalment paid is less than 25% of the actual tax payable for the current year, interest will be charged on the deficient instalment.

Refund of Overpayment

If tax is overpaid, the taxable insurer may choose to have the overpayment applied as an instalment in the subsequent year, provided this is indicated on the return. Otherwise an overpayment of tax will be refunded.

Interest

Where a taxable insurer makes a late or deficient instalment payment or fails to pay a balance of tax owing, interest will be charged at a rate of prime plus 3 percent.

Penalty for Late Filing

If a taxable insurer does not file a return by March 31st of the following calendar year or fails to file a return, a penalty equal to 5% of the amount of unpaid tax to a maximum of \$500 will be assessed.

Assessment and Reassessment

The Income Taxation Branch will examine an *Insurance Premium Tax Return* as soon as practicable after it is filed. A Notice of Assessment will be mailed to the taxable insurer at the last known address. If the assessment alters the amount of tax payable, the Notice of Assessment will provide an explanation of the change.

The Income Taxation Branch may assess or reassess within 6 years of the delivery date of the return. The 6 year limitation period does not apply in cases where:

- no return has been filed; or
- a person has made any misrepresentation or committed fraud in filing a return or supplying information.

FILING AN APPEAL

If a taxable insurer objects to an assessment, an appeal may be served on the Minister within 90 days of the date the assessment was mailed.

To file an appeal, a taxable insurer must send, by registered mail, a notice of appeal to:

Minister of Small Business and Revenue
PO Box 9629 Stn Prov Govt
Victoria BC V8W 9N6

The notice of appeal must state:

- the name and address of the taxable insurer;
- the amount of the assessment;
- the date of the assessment; and
- the reasons for the appeal and the facts upon which the appeal is based.

If a taxable insurer is not satisfied with the Minister's decision, an appeal to the Supreme Court of British Columbia may be made within 90 days of the Minister's decision.

Despite filing an appeal, a taxable insurer is required to pay all tax, interest and penalties to avoid additional interest charges. If the Minister allows the appeal, a refund for the applicable tax, interest and penalties will be issued.

NEED MORE INFO?

This bulletin is intended to assist in the understanding of the requirements of the governing *Insurance Premium Tax Act* legislation and related regulations. It is not intended to replace the need to consult the legislation and regulations for their application in a particular situation. In the event of a conflict between the legislation and this bulletin, the legislation shall prevail.

For further information, contact:

**Ministry of Small Business and Revenue
Income Taxation Branch
PO Box 9444 Stn Prov Govt
Victoria BC V8W 9W8**

Telephone: 250 953-3082

Fax: 250 356-0434

Information is also on the web at www.gov.bc.ca/sbr While there, you can subscribe to our free electronic update service.