

## Insurance Purchased from an Unlicensed Insurer

### *Insurance Premium Tax Act*

This bulletin describes the application of the *Insurance Premium Tax Act* (IPTA) on premiums paid by persons resident in British Columbia to insurers not authorized to carry on insurance business in British Columbia. It outlines the provisions as they relate to premiums paid to an unlicensed insurer and the filing requirements of a taxpayer. For information relating to the application of the IPTA on licensed insurers please refer to [Bulletin IPT 001](#), *Insurance Premium Tax for Taxable Insurers*.

It is the responsibility of the purchaser of insurance to identify whether they have contracted with an unlicensed insurer. If this is the case, it is the purchaser's responsibility to file an Unlicensed Insurance Tax Return and remit the taxes owing. Typically, an insurance broker will file this return on behalf of their client.

The information in this bulletin is provided for your 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.legis.gov.bc.ca](http://www.legis.gov.bc.ca)

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#### **WHAT IS THE INSURANCE PREMIUM TAX?**

The insurance premium tax is a tax on insurance premiums paid to insure a person resident or property located in British Columbia.

Any resident of British Columbia, including a corporation or partnership with a permanent establishment in British Columbia, that enters into a contract of insurance with an unlicensed insurer

must file a return and pay the tax.

In the case of a non-resident of British Columbia entering into a contract with an unlicensed insurer covering risks related to a resident of British Columbia, the resident remains responsible for filing a return and paying the tax.

A purchaser of an insurance contract from an unlicensed insurer must pay tax on the premiums paid at the following rate:

Insurance Contract Type	Rate
All contracts	7%

The IPTA also applies to taxable insurers. Taxable insurers are insurers that are regulated by the Financial Institutions Commission (FICOM) and are authorized to carry on insurance business in British Columbia.

For more information, see [Bulletin IPT 001](#), *Insurance Premium Tax for Taxable Insurers*.

## WHO IS AN UNLICENSED INSURER?

Generally, an unlicensed insurer is any insurer who is not authorized to carry on insurance business in British Columbia.

The majority of insurance products sold in British Columbia are purchased from insurers authorized to carry on insurance business in British Columbia.

Unlicensed insurance is most commonly associated with hard to place risks and off-shore insurers. While it is the responsibility of the purchaser to identify the unlicensed insurer and to file a return and pay the tax, often the insurance broker will file on behalf of the client.

A purchaser of insurance should consult with their insurance broker to determine if their insurer is licensed or not. FICOM also maintains a list of authorized insurers. To obtain a copy of this list, contact FICOM or visit their website at [www.fic.gov.bc.ca](http://www.fic.gov.bc.ca) If an insurer is not on this list, then it may be an unlicensed insurer.

## WHAT PREMIUMS ARE TAXABLE?

The insurance premium tax applies to all types of insurance contracts purchased from an unlicensed insurer, with the exception of marine insurance on commercial vessels.

The tax base for a purchaser of unlicensed insurance is the BC Premium paid or payable. A BC Premium is a premium under a contract of insurance in respect of a person resident or property situated in British Columbia.

The tax is payable whether the insurance is purchased by the British Columbia resident or by a non-resident on behalf of the British Columbia resident.

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

There is no exemption from tax if the insurance purchased from an unlicensed insurer is not available through a taxable insurer.

## FILING A RETURN AND REMITTING THE INSURANCE PREMIUM TAX

### Filing a Tax Return

When a British Columbia resident purchases insurance from an unlicensed insurer, the *Return of Unlicensed Insurance* form (**FIN 521**) must be completed and filed **within 30 days of the date of entering into the contract**. Often an insurance broker will file and remit the tax on behalf of their client. If a taxpayer wishes their insurance broker to represent them on insurance premium tax matters, an *Authorization Form* (**FIN 573**) should be submitted to the Income Taxation Branch.

A signed copy of the *Return of Unlicensed Insurance* form 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

The return should be accompanied by a cheque made payable to the Minister of Finance for any tax owing.

A copy of the premium notice should accompany the return. Where only a portion of the premium relates to BC risks, a schedule showing the basis for calculating the BC premium should be included with the return.

### Interest

If a return is not filed within 30 days from the date of entering into the insurance contract, interest will be assessed at a rate of prime plus 3% from the later of April 1<sup>st</sup> or the date the return is due.

## Penalty for Filing Late

If a return is not filed within 30 days of entering into the contract or if no return is filed, a penalty equal to 5% of the tax to a maximum of \$500 will be charged.

## Exchange Rate

Where a contract of insurance has been entered into with an unlicensed insurer and the premium is denominated in a foreign currency, the premium should be converted to its Canadian dollar equivalent at the Bank of Canada closing exchange rate on the date the contract was entered into.

## Assessment and Reassessment

Once a return has been filed, the Income Taxation Branch will examine it as soon as practicable.

Where the amount of tax is altered or interest and penalties are charged, a Notice of Assessment, including an explanation of the change, will be issued by mail to the taxpayer's last known address.

The Income Taxation Branch may assess or reassess within six years of the delivery date of the return. The six 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 taxpayer objects to an assessment, the taxpayer may appeal to the Minister, within 90 days of the date the assessment was mailed. To file an appeal, a taxpayer 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 taxpayer,
- 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 taxpayer is not satisfied with the Minister's decision, the taxpayer may appeal the decision to the Supreme Court of British Columbia within 90 days of that decision.

Despite filing an appeal, a taxpayer 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](http://www.gov.bc.ca/sbr) While there, you can subscribe to our free electronic update service.**