

## **Insurance Premium Tax Act Amendments, 2003 - 2005**

### **Insurance Premium Tax Act**

This bulletin consolidates the amendments to the *Insurance Premium Tax Act*, during the years 2003- 2005.

The information in this bulletin is provided for your convenience and guidance and is not a replacement for the legislation. The *Insurance Premium Tax Act* and Regulations can be found on the web at [www.gov.bc.ca/sbr](http://www.gov.bc.ca/sbr)

#### **In this issue...**

- **February 2005**
- **May 2004**
- **February 2004**
- **February 2003**
- **Definition of taxable insurer**

### **FEBRUARY 2005**

#### **Administration and Enforcement**

The Act is amended to strengthen the ministry's ability to access records and information required for the purposes of determining a liability or potential liability under the Act.

The commissioner is now authorized to enter any business premises during normal business hours to inspect, audit, examine or copy any record. If the business premise is a private residence, the commissioner must have the consent of the occupant or must obtain a warrant from the court.

The commissioner may require any third party to provide, within a specified time, any information or any record relating to a named taxpayer. In addition, the commissioner may require information relating to an unnamed taxpayer from an insurance agent or insurance salesperson or, if a court order has been granted, from any other person.

#### **Books and Records**

Previously under the Act, only taxpayers were required to keep adequate books and records. In addition, the commissioner could specify what books and records are required to be kept by taxpayers. Both of these requirements have been expanded to apply to insurance agents as well as taxpayers.

In addition, the Act is amended to provide an administrative penalty for failing to keep adequate books and records or failing to provide information of \$25 per day to a maximum of \$2500. Previously, the penalty, on conviction, was not less than \$10 per day with no maximum penalty amount.

#### **Exempt Premiums**

The types of premiums exempt from tax are expanded to include:

- Effective September 15, 1990, premiums paid by a licensee under the *Real Estate Services Act* for errors and omissions insurance under that Act;
- Effective September 10, 2002, assessments levied by the Real Estate Compensation Fund Corporation for the Real Estate Special Compensation Fund;
- Effective January 1, 1997, premiums paid for medical services or health care insurance under a medical services or health care plan, if the plan is established or managed by a non-profit corporation authorized to carry on insurance business under the *Financial Institutions Act*, provided the plan provides for the direct payment of benefits to a health care professional.

## Residents of British Columbia

Unlicensed insurers are insurers who do not have a business authorization under the *Financial Institutions Act* (FIA) to carry on an insurance business in the province.

If a resident of British Columbia enters into a contract of insurance with an unlicensed insurer, the resident must pay tax on the premiums paid to the unlicensed insurer. The Act is amended to clarify that a corporation or partnership with a permanent establishment in British Columbia is a resident of British Columbia.

## MAY 2004

### Commercial Marine Insurance

The Act has been amended to confirm the current practice that contracts of marine insurance, other than pleasure craft insurance, are not taxed.

This amendment is retroactive to April 1, 1998.

### Information Sharing Agreements

To increase the accuracy of assessments and to monitor the compliance of insurance companies, the Act has been amended to allow the ministry to enter into an information-sharing agreement with the Financial Institutions Commission (FICOM).

## FEBRUARY 2004

### Unlicensed Insurers

The taxing provisions for unlicensed insurance are amended to harmonize with the provisions for licensed insurance.

Unlicensed insurers are insurers who are not required to have a business authorization under the *Financial Institutions Act* to carry on an insurance business in British Columbia.

Previously, residents of British Columbia were required to pay tax only on premiums paid under a contract of insurance they entered into with an unlicensed insurer.

Tax is now also payable by residents of British Columbia on premiums paid under a contract of insurance entered into by a non-resident with an unlicensed insurer on behalf of the British Columbia resident. Tax is applicable to that portion of the premium that is reasonably attributable to risks that are located in British Columbia.

## FEBRUARY 2003

### Tax Rate Increase

Effective January 1, 2004, the tax rate for premiums on property and automobile insurance is increased from 4% to 4.4%. This increase will support the provincial fire suppression program.

## DEFINITION OF TAXABLE INSURER

The insurance premium tax applies to taxable insurers that insure persons resident in the province or property located in the province. The definition of a taxable insurer is amended to include all insurers that are required to have business authorization under the Financial Institutions Act to carry on insurance business. This amendment ensures that all persons carrying on the business of insurance under the Financial Institutions Act are subject to the insurance premium tax.

## 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.**