



**PRACTICE  
STATEMENT  
No. 10/2012**

<b>SUBJECT</b>	<b>FIJI REVENUE &amp; CUSTOMS AUTHORITY:  THIRD PARTY INSURANCE LEVY</b>
<b>DATE OF EFFECT</b>	1 January 2012
<b>CONFIDENTIALITY STATUS</b>	May be released to the public
<b>LEGISLATIVE REFERENCES</b>	<i>Income Tax Act 1974</i>
<b>PRACTICE CO-ORDINATOR</b>	National Manager Revenue Collection

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## **INTRODUCTION**

- 1) The purpose of this Practice Statement is to provide guidance on the application of the Third Party Insurance Levy.
- 2) The Third Party Insurance Levy is charged at a rate of 20% of insurance premium under the provisions of the Income Tax Act 1974 which is effective from 1 January 2012. It is issued with the authority of the Chief Executive Officer, of the Fiji Revenue & Customs Authority (FRCA).
- 3) All Third Party Insurance service providers are required to register with FRCA effective from 01.01.12 or within 30 days from commencement of business.
- 4) Once registered a notification of Third Party Insurance Levy Registration will be sent for confirmation.
- 5) The Third Party Insurance levy shall be charged to the Insurance Company that provides third party cover.
- 6) Per the Ministers of Finance speech, the insurance companies will not be allowed to increase their third party insurance premium.
- 7) Due to the fact that vehicle owners will not be charged the levy and that the premium will remain the same, the premium collected is deemed inclusive of the third party insurance levy.
- 8) The Third Party Insurance service provider is responsible for lodging the third party insurance Levy return with the payment of the levy to FRCA.

## **LEGISLATIVE BASIS**

- 9) In the 2012 Budget Address, the Minister of Finance announced that a Third Party Insurance Levy is to come into force on 1 January 2012. The Third Party Insurance Levy is imposed on the Insurance companies under Section 7H of the *Income Tax Act 1977* (Decree No.7 of 2012 dated 10 January 2012).
- 10) **Section 7H** states:

*“(1) Subject to subsection (2), a levy to be known as “third party insurance levy” shall be charged at the rate of 20% of the total third party insurance premium collected.*

*(2) The person liable for the levy shall be the insurance company.*

*(3) The insurance company shall on or before 15 days after the last day of each month, lodge a return in the approved form and pay the levy that due. ”*

### **IMPOSITION OF THE THIRD PARTY INSURANCE LEVY**

- 11) The Third Party Insurance Levy is charged at a rate of 20% of Third Party Insurance premium collected.
- 12) The Third Party Insurance levy shall be charged to the Third Party Insurance service provider.
- 13) The Third Party Insurance levy is based on the VAT exclusive amount and is inclusive in the premium. In calculating the levy which inclusive in the premium, the tax fraction is applied on the premium.

$$\begin{aligned} \text{Tax fraction} &= r / (r + 100) \\ &= \frac{20}{20 + 100} = \frac{1}{6} \end{aligned}$$

- 14) The Third Party Insurance service provider is responsible for lodging a Third Party Insurance Levy return with the payment of the levy to FRCA on or before the 15<sup>th</sup> day after the last of each month the levy was collected.

#### **Example**

Insurance Company Y charges Mr. X for the Third Party Insurance premium of \$120.00 (**VAT exclusive**) in January 2012:

#### **Calculating the Third Party Insurance Levy for January 2012**

Third Party Insurance Premium collected in January 2012 equals \$120.00 (VAT exclusive)

$$\begin{aligned} \text{Third Party Insurance Levy} &= \$120 / 6 \\ &= \underline{\underline{\$20}} \end{aligned}$$

Insurance Company Y will have to lodge the January 2012 return with the Third Party Insurance levy of \$20 to FRCA by the 15 of February 2012

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