

# GST and insurance transactions – completing your activity statement

## TERMS WE USE

When we say:

- **purchases**, we are referring to the GST term **acquisitions**
- **GST credits**, we are referring to the GST term **input tax credits**
- **business**, we are referring to the GST term **enterprise**.

For more information about cash and non-cash accounting, refer to:

- chapter 5 of *Goods and services tax – how to complete your activity statement* (NAT 7392)
- *Cash and non-cash accounting* (NAT 3136).

## WHEN CAN YOU CLAIM GST CREDITS FOR INSURANCE?

You can only claim GST credits for business related insurance you purchase if the insurance premium you paid or are required to pay to the insurer includes GST.

## HOW DO YOU COMPLETE YOUR ACTIVITY STATEMENT?

To complete the relevant boxes on your activity statement for the reporting period, you may use either of the following:

- calculation worksheet method
- accounts method.

For more information about each method, refer to *Goods and services tax – how to complete your activity statement* (NAT 7392).

The amounts you report on your activity statement depend on the accounting basis you use or are otherwise required or permitted to use. You can account on either a:

- cash basis
- non-cash basis.

## WHEN DO YOU NEED A TAX INVOICE?

Generally, you must hold a valid tax invoice to claim any GST you have paid. However, you cannot claim a GST credit if the purchase did not include GST in the price, even if you hold a document that says it is a tax invoice.

You cannot claim a GST credit for any part of your insurance purchase that relates to:

- input taxed sales you make
- things you use for private or domestic purposes.

You do not have to hold a tax invoice if the item cost \$82.50 (GST-inclusive) or less. There may be other circumstances where you do not need a tax invoice.

For more information about tax invoices, refer to:

- *Valid tax invoices and GST credits* (NAT 12358)
- GSTR 2000/17 Goods and services tax: tax invoices.



## HOW DO YOU ACCOUNT FOR INSURANCE?

### GST credits for insurance premiums

Generally, GST is charged on insurance policies other than:

- life insurance (these are input taxed)
- health insurance policies (these are GST-free).

Where GST is included in the insurance premium, include the price of the premium less the amount of stamp duty at G11 (non-capital purchases).

If you use the:

- accounts method, report one-eleventh of the amount of the premium (less any stamp duty) at 1B (GST on purchases)
- calculation worksheet method, use the worksheet to work out how much to report at 1B (GST on purchases).

### Compulsory motor vehicle third party insurance

For compulsory third party motor vehicle insurance premiums you paid, for cover that started before 1 July 2003, you cannot claim a GST credit. Do not report:

- the amount of the premium in your purchases at G11 (non-capital purchases)
- any GST credit at 1B (GST on purchases).

### Telling your insurer you can claim a GST credit

If you can claim a GST credit for the business related insurance you purchase, you must pay GST on any settlement amount you receive if you:

- don't tell your insurer you can claim a GST credit on the premium before or when making an insurance claim, or
- understate, to your insurer, the GST credit you can claim on the premium.

## Paying GST on part of the settlement

If you:

- don't tell your insurer you can claim the GST credit, you must
  - work out the percentage of GST you could claim on the premium
  - pay GST on that percentage of the settlement amount
- understate the GST you can claim on the premium, you must
  - work out the percentage of GST you told your insurer you could claim for the purchase
  - work out the percentage of GST you can actually claim
  - work out the difference between these percentages
  - pay GST on that percentage of the settlement amount.

Report at G1 (total sales) the amount of the settlement you must pay GST on.

**!** This rule does not apply if you receive a settlement amount under a compulsory third party insurance scheme (see 'Compulsory motor vehicle third party insurance' on this page).

If you are using the:

- accounts method, report the amount of GST you must pay on the settlement amount at 1A (GST on sales)
- calculation worksheet method, use the worksheet to work out how much GST to report at 1A (GST on sales).

### Insurance settlements

Do not report at G1 (total sales) amounts for any of the following:

- money or goods you receive from your insurer to settle your claim under an insurance policy – provided you told your insurer the amount of GST you can claim on the policy premium, before or when you made a claim
- settlement of your claim against another party where you are not the insured party and the insurer pays the settlement amount directly to you
- settlement of your claim against another party where the insured receives the amount as settlement from their insurer and then provides it to you.

Do not report any GST for these amounts at 1A (GST on sales).

### **GST credits and settlement amounts**

Do not report anything at G11 (non-capital purchases) if you make a payment of money or goods to a third party to settle their claim against you where that payment is covered by the settlement of a claim you have made against your insurer.

Do not report any GST credit for these amounts at 1B (GST on purchases).

### **Paying an excess to an insurer**

If you pay an excess to your insurer, you cannot claim GST credits on that excess.

Do not report the amount of the excess at G11 (non-capital purchases).

Do not report any GST credits at 1B (GST on purchases).

### **Paying an excess to someone other than an insurer**

If you pay an excess to someone other than your insurer, you can claim a GST credit for the GST you pay in the price of the excess if:

- the party you pay is not acting as an agent for your insurer
- there is GST included in the amount you pay
- you receive a tax invoice.

Report the amount of the excess at G11 (non-capital purchases) or at G10 (capital purchases).

If you are using the:

- accounts method, report any GST credits you can claim at 1B (GST on purchases)
- calculation worksheet method, use the worksheet to work out the amount to report at 1B (GST on purchases).

### **➤ MORE INFORMATION**

For more information about insurance or completing your activity statement, refer to:

- *Goods and services tax – how to complete your activity statement* (NAT 7392)
- *Insurance and GST* (NAT 3427)
- GSTR 2006/10 Goods and services tax: insurance settlements and entitlement to input tax credits.

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- phone **13 28 66**
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If you don't speak English well and want to talk to a tax officer, phone the Translating and Interpreting Service on **13 14 50** for help with your call.

If you have a hearing or speech impairment and have access to appropriate TTY or modem equipment, phone **13 36 77**. If you do not have access to TTY or modem equipment, phone the Speech to Speech Relay Service on **1300 555 727**.

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