
FREQUENTLY ASKED QUESTIONS (FAQs)
Insurance Products, Premiums and Fee

1. **Q : How is service tax calculated on a general policy premium sold to a registered person?**

A : The service tax incurred is as shown in the following example:

Example 1:

<i>Basic premium</i>		<i>780.00</i>
<i>Loading</i>		<i>300.00</i>
<i>Total</i>		<u><i>1080.00</i></u>
<i>NCD</i>	<i>(-)450.00</i>	
<i>Gross premium</i>		<i>630.00</i>
<i>Rebate</i>	<i>(-) 40.00</i>	<i>590.00</i>
<i>Service tax (6%)</i>		<i>35.40</i>
<i>Stamp duty</i>		<i>10.00</i>
<i>Premium payable</i>		<u><i>635.40</i></u>

2. **Q : An insurer or takaful operator sell a liability insurance policy plan covering all phases of the work done including towing, hook up, installation and commissioning process to a shipbuilder. The shipbuilder carries out vessel conversion services at a local shipyard for a foreign ship owner and eventually tows the vessel out to international waters for the benefit of the foreign ship owner. What is the service tax treatment on the single premium on the insurance plan where the plan is renewable annually?**

A : The shipbuilder's liability insurance policy will be subject to service tax.

3. **Q : What is the service tax implication on the personal accident policies (PA) sold to students in public or private schools, colleges, universities and other institutions of higher learning?**

A : The insurance policies sold to students in educational institutions will be subject to service tax.

4. **Q : What is the service tax implication on the PA policies purchased by an Educational Institution from Indonesia from a registered insurer or takaful operator in Malaysia to insure their scholars studying in universities and other institutions of higher learning in Malaysia?**

A : The supply of a group PA to the Educational Institution from Indonesia for its scholars in Malaysia will be subject to service tax.

5. **Q : What is the service tax implication on a life policy plan sold to an individual?**

A : Life policy is not subject to service tax as it is not a taxable service.

6. **Q : What is the service tax implication on the premium for general insurance to cover a property outside of Malaysia?**

A : Since the property is located outside Malaysia, the premium is not subject to service tax.

7. **Q : What is the service tax implication on the premium for general insurance to cover a property in Malaysia owned by a foreigner who is not in Malaysia at the time the insurance coverage takes place?**

A : The premium charged is subject to service tax

8. **Q : Under a superannuation scheme, a member to the scheme contributes to the life insurer or takaful operator administering the scheme. At the time of maturity of the scheme, the insurer or takaful operator will pay the member of the scheme monies accumulated together with the interest earned in one lump sum or in a series of payments.**

Are the contribution and the payout subject to service tax?

A : The contribution made by a member of a superannuation scheme and the payout by the insurer or takaful operator is not subject to service tax.

9. **Q : What are the service tax implications in the event of a cancellation of a general insurance contract which entails a refund of premium to the policyholder?**

A : The insurer or takaful operator needs to raise a credit note when he refunds the premium to the policy holder. Subsequently he is required to adjust his accounts and his service tax return for the taxable period in which the credit note was issued.

10. **Q : What is the service tax implication on the provision of life insurance contracts where the coverage is worldwide or global?**

A : The supply of life insurance is not subject to service tax.

Fees and Commissions by Agents and Brokers

11. **Q : Are commissions and brokerage charged by insurance agents and brokers relating to life insurance subject to service tax?**

A : No, they are not subject to service tax whether it relates to a contract of general or life insurance.

12. **Q : Are the value added services such as fees for arranging insurance for specific projects and liability exposure provided by insurance brokers subject to service tax?**

A : No, it is not subject to service tax.

13. **Q : An insurance company can fund an insurance agent's expenses in recognition of the volume of business generated by him. The funding is subject to certain criteria and approval by the insurance company. This funding is known as soft commission. Is soft commission subject to service tax?**

A : Soft commission is not subject to service tax.

14. **Q : When my insurance company makes a certain amount of profit, I share the profits with my insurance agents. This profit commission is only shared with the agents who meet certain targets. Is profit commission subject to service tax?**

A : Profit commission is not subject to service tax irrespective whether it relates to a life or general insurance contracts.

Transitional issues

15. **Q : Mr. Rahman has purchased a motor vehicle insurance policy on 25 July 2018 amounting to RM1,000 where the insurance coverage is for the period from 1 August 2018 to 31 July 2019. What is the service tax implication for the above scenario?**

A : The supply of insurance services needs to be apportioned whereby for the month of August 2018, it is subject to GST at 0% and for the period from 1 September 2018 to 31 July 2019 it is subject to service tax at 6%.

16. **Q : Insurance commission was paid to the insurance agent by Insurer A on 7 September 2018 for the policies incepted in the month of August 2018. What is the service tax treatment for the above scenario?**

A ; Insurance commission is subject to GST at 0% since the policies are incepted in the month of August 2018. However, there is no service tax implication because agency services are not subject to service tax.