

Revenue Rulings

New members and group life policies

Revenue Ruling DA.004

Replaces SD.077

Revenue Ruling DA.004 is ceased on 17 June 2014 as a result of changes made by the *Building a Better Victoria (State Tax and Other Legislation Amendment) Act 2014*.

Preamble

This ruling addresses the duty consequences of new members joining a group life policy.

An insurance business that is required to pay duty on policies of life insurance in accordance with Part 3 of Chapter 8 of the *Duties Act 2000* (the Act) pays duty at the rates contained in section 200 of the Act. Where a policy is a temporary or a term insurance policy, duty is charged at the rate of 5 per cent of the first year's premium for that policy. For other types of life insurance, duty is charged at an ad valorem rate on the total of the sum insured.

A group life policy is a policy of life insurance which is taken out in respect of the lives of a particular group of people. Usually group life policies are taken out in conjunction with group superannuation funds, with members of the fund being the members of the group life policy. Rather than purchasing individual life policies for each fund member, a single policy is entered into on behalf of all the members of the group. While the group life policy is in force, new members may join the policy and existing members may leave. A single lump sum premium is usually paid on commencement of the policy, with further payments being made when new members (persons insured) join the group.

Ruling

The addition of a new member to a group life policy is taken to be a separate policy of insurance (see general principles established in *Prudential Assurance Company Limited v Commissioner of Inland Revenue* (1935) 1 KB 101).

Where a new member joins a group life fund, duty is payable on either the first year's premium for that new member (term or temporary insurance) or the sum insured applicable to that new member (whole of life insurance).

Because duty is payable in respect of new members who join a policy, it is not open to an insurer to offset the number of new members against the number of existing members leaving the policy, thereby paying on the balance only. For example, where there are 10 new members joining a term group life policy and 5 members who have left during the year, duty is payable on the first year's premium paid by the 10 new members.

Please note that rulings do not have the force of law. Each decision made by the State Revenue Office is made on the merits of each individual case having regard to any relevant ruling. All rulings must be read subject to Ruling No. GEN.01.

Commissioner of State Revenue
July 2001

