

# Revenue Rulings

## New members and group life policies

Revenue Ruling SD.077

CEASED 30 June 2001

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### Preamble

This ruling is to address the stamp duty consequences of new members joining a group life policy.

An insurance business that is required to pay stamp duty on policies of life insurance in accordance with subdivision 11A of the *Stamps Act 1958* (the Act), pays duty at the rates contained under Heading XIA of the Third Schedule of the Act. Where a policy is a temporary or a term insurance policy, then 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 employees of a particular business. Rather than purchasing individual life policies, a single policy is entered into on behalf of all the members of the group. 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, stamp duty is payable on either the premium for that new member (term or temporary insurance) or the sum insured of each new member.

Because payments made in respect of new members are dutiable, it is not open to an insurer to off-set the number of new members against the number of existing members leaving the fund. For example, where there are 10 new members to a group life policy and 5 members who have left the fund, stamp duty is payable on the premiums paid for all of 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

31 May 1997

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