1. **Statement**
This Standard describes the processes for assessing Compulsory Third Party (CTP) Insurance for GST.

2. **Scope**
Compliance with this standard is mandatory.
This standard shall apply to all employees, contractors and consultants within the Department of Health divisions and commercialised business units as well as Hospital and Health Services.

3. **Requirements**

**Introduction**
CTP Insurance is a compulsory form of insurance taken out in conjunction with the registration of a motor vehicle. It provides protection for the “at fault” owner or driver of a registered motor vehicle for compensation claims made against them in respect of injuries to other persons resulting from a motor vehicle accident. Injuries to the driver “at fault” are not covered by CTP insurance, nor are damages to his/her property.

While Queensland Health (QH) operates a large fleet of leased vehicles through QFleet, QH also has several hundred owned vehicles. QH is required to pay the CTP insurance and registration for these owned vehicles. Most of QH’s owned vehicles are purchased to enable mobility of staff involved in operating Commonwealth Funded programs such as Home & Community Care (HACC) and Aged Care Assessment Team (ACAT).

GST credits are claimable on CTP insurance premiums. However, insurance companies cannot issue a compliant Tax Invoice until the payment for CTP is received due to certain insurance complexities.

Due to the legislative changes in relation to Tax Invoice compliance commencing 1st July 2010, a CTP Insurance Premium Offer document which accompanies a Queensland Transport registration renewal notice will be sufficient to allow GST credits to be claimed. A complaint Tax Invoice is not necessary.

**Summary of Tax Codes**

<table>
<thead>
<tr>
<th>Description</th>
<th>Tax Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>In the absence of a compliant Tax Invoice or a CTP Insurance Premium Offer document. For new car purchases the Capital codes are to be used.</td>
<td>P2/C2</td>
</tr>
<tr>
<td>use in the interim where no compliant tax invoice is on hand</td>
<td>P0/C0</td>
</tr>
<tr>
<td>The only amount that should be taxable</td>
<td>P5/C5 (Division 81)</td>
</tr>
</tbody>
</table>
When a compliant Tax Invoice or CTP Premium Offer document is not on hand

When making a payment for CTP insurance and a compliant Tax Invoice or CTP Premium Offer document is not on hand at the time of the payment being processed and/or before the Business Activity Statement is processed, you cannot process this transaction to P0. The correct supporting documentation must be held for QH to use P0 and, in turn, be in a position to claim the GST input tax credits.

The Correct Treatment

As the CTP amount stated in the Motor Vehicle Registration renewals is the total amount including fees and levies, the payment should be coded to P2 in the first instance. When the compliant tax invoice is received, raise the journal to change the tax code from P2 to P0 and P5, according to the information on the tax invoice. All CTP invoices are mixed supplies and care should be taken not to journal the entire initial payment from P2 to P0 as this will result in an over claim of input tax credits. An example of the journal is shown below:

<table>
<thead>
<tr>
<th>Account Code</th>
<th>Cost Centre</th>
<th>Posting Key</th>
<th>Amount</th>
<th>Tax Code</th>
<th>Description</th>
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<tr>
<td>5xxxxx</td>
<td>12345</td>
<td>50</td>
<td>-345.00</td>
<td>P2</td>
<td>CTP Insurance doc 1903 456 789 Feb06</td>
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<tr>
<td>5xxxxx</td>
<td>12345</td>
<td>40</td>
<td>309.10</td>
<td>P0</td>
<td>CTP Insurance Premium- doc 1903 456 789 Feb06</td>
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<td>5xxxxx</td>
<td>12345</td>
<td>40</td>
<td>35.90</td>
<td>P5</td>
<td>Fees &amp; Levies- doc 1903 456 789 Feb06</td>
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Difficulties in obtaining a compliant Tax Invoice

If your HHS is experiencing difficulties obtaining a compliant tax invoice please ensure the following:

- The “Yes ITCE” box must be ticked on the second page of the Queensland Transport Renewal paperwork (Do not tick ‘No ITCE’, as this will lead the Queensland Transport to assume it’s from a private insurer who does not require a Tax Invoice).
- If the “Yes ITCE” box was ticked initially, a Tax Invoice (with the registration label) is automatically sent to the mailing address on Queensland Transport’s records. If the Tax Invoice is being sent to the wrong address, the HHS should contact Queensland Transport and request to alter the address in their TRAILS multiple address system.
- The phone contact for the Department of Transport is 13 23 80.

CTP INVOICE IS ALWAYS A MIXED SUPPLY

The insurers’ premium on a CTP Tax Invoice is the only charge that should be coded to P0.
The other charges such as Stamp Duty, Statutory Insurance Scheme Levy, Nominal Defendant Levy, Hospital and Emergency Services Levy and the Administration Fee are Division 81 fees in the majority of instances. For ease of processing all these fees and charges should be processed using P5.

Many CTP Tax Invoices will indicate an amount described as “Total CTP insurance premium”. This amount includes Stamp Duty and other charges and is not all taxable. The only amount to be entered against P0 will be described as “Insurers Premium”.

**Compliant Tax Invoice or CTP Premium Offer document provided at time of payment**

In many instances, the correct documentation is provided at the time of the initial payment of the CTP insurance premium. This may occur when purchasing a new motor vehicle as part of setting up the on-road costs. In this situation it will not be necessary to follow the process using the tax code P2 and then raising a journal. Rather, the invoice can be processed using the tax codes P0 and P5 in accordance with information provided on the compliant Tax Invoice or the or CTP Premium Offer document.

For further information regarding the essential criteria required in a compliant Tax Invoices please refer to the *GST Standard – Tax Invoices*.

**CTP on purchase of a new vehicle**

When purchasing a new vehicle, Compulsory Third Party insurance forms part of the On Road Costs and will appear on the invoice provided by the motor vehicle dealer. It would appear that this is handled in two different ways:

- A compliant Tax Invoice for CTP will be provided at the time of purchase of the vehicle; or
- The motor vehicle dealer will arrange the registration inclusive of CTP and a compliant Tax Invoice for the CTP will be sent to QH at a later date.

In the case of the latter, the amount paid to the motor vehicle to cover the cost can differ from the amount that is shown on the compliant Tax Invoice when received.

**For example:**

The breaks up of costs for the purchase of a new motor vehicle are as follows:

- **Motor Vehicle**: $28,336.80 Tax Code C0
- **Registration**: $285.05 Tax Code C5
- **CTP Insurance**: $309.75 Tax Code C2

After finalisation of the purchase of the motor vehicle, the CTP Insurer provides a compliant tax invoice as follows:

- **CTP Insurance**: $255.00 (including GST of $23.18) Tax Code C0
- **Stamp duty etc.**: $46.75 (invoice total $301.75) Tax Code C5

The anticipated CTP cost (as charged by the motor vehicle dealer) and the actual CTP cost (as charged by the insurer), in this case, are not equal. However, as the amount has already been paid to the dealer and to prevent a balance remaining against Tax Code C2, it is recommended that a journal be raised as follows upon receipt of the compliant tax invoice:
The reduction in CTP of $8.00 in the above example will become part of the purchase price of the vehicle rather than a refund to QH. As the reduction in CTP is only a small amount it would be uneconomical for QH to then pursue a refund of the reduced CTP.

It should be noted that, as these costs contribute to the On-road costs of the new motor vehicle, they will be capitalised and therefore the “C” codes should be used.

C2 – non-compliant CTP invoice
C0 – taxable portion of CTP insurance paid on new motor vehicle as part of purchase price
C5 – non-taxable portion of CTP insurance

4. Related legislation and documents
- A New Tax System (Goods and Services Tax) Act 1999
- GSTR 2000/34: What is an invoice for the purposes of the GST Act
- GSTR 2013/1 Tax Invoices
- GST Standard – Tax Invoices
- GST Standard – Motor Vehicles
- GST Standard – Insurance

5. Definitions

<table>
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<th>Term</th>
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<td>GST Act</td>
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Version Control

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<td>E. Sluyters</td>
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<td>Shayari Singh</td>
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