1. **Statement**
This Standard describes the processes of GST treatment and tax codes for insurance.

2. **Scope**
Compliance with this standard is mandatory.

This standard applies to all employees, contractors and consultants within the Department of Health divisions and commercialised business units as well as Hospital and Health Services.

3. **Content**

**Introduction**
Reimbursement of costs incurred by Queensland Health as a result of a natural disaster event can be sought via two (2) avenues, dependent on the eligibility of the costs incurred:

1. under the Queensland Government Insurance Fund (QGIF) insurance policy; or
2. under the joint Commonwealth/State program known as the Natural Disaster Relief and Recovery Arrangements (NDRRA).

The Queensland Government Insurance Fund (QGIF) scheme became operative on 1 July 2001 and was established within the general Government sector. Queensland Treasury administers the fund with agencies paying premiums to the fund and any claim met from this fund. The cover provided by QGIF includes general liability, property losses and medical indemnity. In respect of loss, damage or liability the QGIF will pay all reasonable legal costs and expenses (other than in-house legal costs and expenses) incurred in the settlement or defence of claims or litigation as authorised by QGIF.

The NDRRA are a joint funding initiative of the Commonwealth and State Governments to provide disaster relief and recovery payments and infrastructure restoration to help communities recover from the effects of natural disasters.

**Summary of tax codes**

**Queensland Government Insurance Fund**

<table>
<thead>
<tr>
<th>Payment type</th>
<th>Tax code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance Premiums</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance Premium</td>
<td>P0</td>
<td>GST 10% with a compliant Tax Invoice</td>
</tr>
<tr>
<td></td>
<td>P2</td>
<td>Where compliant Tax Invoice is not obtained</td>
</tr>
<tr>
<td>Residential portion</td>
<td>P1</td>
<td>Input taxed supplies</td>
</tr>
<tr>
<td>Stamp duty</td>
<td>P5</td>
<td>Stamp Duty Only</td>
</tr>
</tbody>
</table>

**Insurance claim settlements**

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<table>
<thead>
<tr>
<th>Payment type</th>
<th>Tax code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Partial/Final claim settlement paid to a HHS, QAS and the department</td>
<td>S9 or P9</td>
<td>Out of Scope</td>
</tr>
<tr>
<td><strong>Insurance policy excess (deductible)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excess paid to QGIF</td>
<td>P9</td>
<td>Out of Scope</td>
</tr>
<tr>
<td>QGIF liability claims where the Settlement awarded to a claimant is below the applicable policy excess</td>
<td>P9</td>
<td>Out of Scope</td>
</tr>
<tr>
<td><strong>Natural Disaster Relief and Recovery Arrangements</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Claim settlements</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Counter Disaster Operation (CDO) and Restoration of Essential Public Assets (REPA) costs are reimbursable under the NDRRA</td>
<td>P0</td>
<td>GST 10% with a compliant RCTI</td>
</tr>
<tr>
<td><strong>Other insurances</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payment type</td>
<td>Tax code</td>
<td>Description</td>
</tr>
<tr>
<td><strong>Insurance Premiums</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance Premium – General Insurance</td>
<td>P0</td>
<td>GST 10% with a compliant Tax Invoice</td>
</tr>
<tr>
<td></td>
<td>P2</td>
<td>Where compliant Tax Invoice is not obtained</td>
</tr>
<tr>
<td>Residential portion</td>
<td>P1</td>
<td>Input taxed supplies</td>
</tr>
<tr>
<td>Stamp duty</td>
<td>P5</td>
<td>Stamp Duty Only</td>
</tr>
<tr>
<td>Private Health Insurance</td>
<td>P5</td>
<td>GST Free supplies</td>
</tr>
<tr>
<td>Visitors Health Insurance and Overseas Student Health cover</td>
<td>P0</td>
<td>GST 10% with a compliant Tax Invoice</td>
</tr>
<tr>
<td></td>
<td>P2</td>
<td>Where compliant Tax Invoice is not obtained</td>
</tr>
<tr>
<td><strong>Insurance claim settlements</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Insurance - Partial/Final claim settlement paid to a HHS, QAS and the department</td>
<td>S9 or P9</td>
<td>Out of Scope</td>
</tr>
<tr>
<td><strong>Insurance policy excess (deductible)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excess paid directly to insurer</td>
<td>P9</td>
<td>Out of Scope</td>
</tr>
<tr>
<td>Excess paid to repairer at the direction of insurer</td>
<td>P9</td>
<td>Out of Scope</td>
</tr>
<tr>
<td>Excess paid directly to repairer</td>
<td>P0</td>
<td>Taxable</td>
</tr>
<tr>
<td><strong>MAIC levy</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>MAIC levy</td>
<td>S9</td>
<td>Out of scope quarterly receipts</td>
</tr>
</tbody>
</table>
General Insurance claim settlement amounts

It is a requirement of QGIF that QAS, HHSs and the department notify them of the extent of Queensland Health’s input tax credit entitlements (ITCE). QGIF will not make a payment for a loss in any given accident year until they are advised the ITCE for the relevant financial year. Any settlement amounts received from an insurer in relation to an approved claim are Out-of-Scope and should be coded to S9 or P9 - Out of Scope.

Invoices from insured agencies to QGIF for payment of claim settlement amounts

Queensland Treasury obtained a private taxation ruling to the effect that an insured agency need only notify QGIF once per policy period (i.e. this is the time between the date the insurance policy went into effect and the date it expires) of its ITCE.

QGIF issue premium invoices for the annual policy period in July of that policy period. Payment of the premium usually occurs within 30 days of the receipt of the invoice. Provided Queensland Health have advised QGIF of the ITCE status between the time a claim is first made under the insurance policy then QH will have met its obligations. To ensure these obligations are met, the Insurance Services Team notifies QGIF of Queensland Health’s ITCE upon payment of the invoice for the new policy year.

Please note that QGIF’s claim notification form asks the insured to advise QGIF of its ITCE. Therefore, in this section of the form it can be noted that the ITCE status has already been forwarded and remains correct.

QGIF claim procedures require insured agencies provide an invoice for any insurable amount that is to be reimbursed to the insured agency by QGIF in settlement of a claim. Settlement payment amounts may be for partial or final settlement of a claim. This is an audit requirement for QGIF.

Since 1 January 2005 the invoice used by insured agencies to QGIF for payment of a claim settlement amount is an “invoice” and not a “tax invoice” (i.e. not an invoice for a taxable supply) and it is not to be confused with valid Tax Invoices for taxable supplies that are required to support claims.

Insurance policy excess payments

An “excess” (also called a “deductible”) is a portion of an insured loss for which the insured is responsible.

For information on the excess payable for claims made under the QGIF insurance policy, please refer to the applicable cover information packs:

- Property Part 1 Insurance – Cover Information Pack
- Property Part 2 Insurance – Cover Information Pack
- General Liability Insurance – Cover Information Pack
- Medical Indemnity Insurance – Cover Information Pack
- Personal Accident and Illness – Cover Information Pack

For other insurances, please refer to the Certificate of Insurance issued by the insurer for the applicable insurance policy to which the claim relates.

General Insurance (excluding motor vehicle)

Excess paid directly to insurer
For liability claims (e.g. product liability, professional indemnity, public liability), generally the insurer will pay all the costs associated with defending and settling the claim, and at its conclusion will charge the excess amount to the insured.

For liability claims (i.e. Medical Indemnity, Professional Indemnity and General Liability) and Personal Accident and Illness claims submitted to QGIF however, QGIF will provide an ‘invoice’ to the insured agency for the amount of the excess payable. Please note that this is an ‘invoice’ that is provided and not a ‘tax invoice’.

The payment of an insurance excess by HHSs or department divisions to QGIF is not consideration for a supply. Therefore, the payment is Out-of-Scope and should be coded to P9 Out of Scope.

Please note, that for non-liability claims (e.g. Property Part 1 and 2 Insurance claims) QGIF will deduct the total excess amount payable from claim settlement funds payable to the insured party.

QGIF liability claims where settlement awarded to a claimant is below the applicable policy excess

For liability claims, costs incurred by QGIF in defending Queensland Health position are not subject to an excess under the QGIF insurance policy.

Where settlement awarded to a claimant is less than the applicable policy excess. QGIF will provide an excess ‘invoice’ to the insured agency as per the value of the settlement awarded to the claimant. The payment is Out-of-Scope and should be coded to P9 Out of Scope.

**Motor vehicle Insurance**

QFleet’s standard lease package includes comprehensive insurance currently underwritten by Vero Insurance. Full details can be found [here](#). Payments for excess in the policy should be treated as follows.

**Excess paid to repairer at the direction of insurer**

In some circumstances, the insurer will direct an insured party to make payment of the excess to an appointed repairer. As the repairer is acting as agent for the insurer in respect of this payment, the payment of the excess is not consideration for a supply made to the insured and so tax code P9 Out of Scope should be used.

**Excess paid directly to repairer**

However, excess payments made direct to repairers can be coded to P0 if a valid tax invoice is received and so tax code P0 Taxable should be used.

**Natural disaster claims**

Under the Natural Disaster Relief and Recovery Arrangements (NDRRA), a natural disaster is one, or a combination of the following rapid onset events:

- Bushfire
- Earthquake
- Flood
- Storm or storm surge
- Cyclone
- Landslide
- Tsunami
- Meteorite strike
- Tornado
- Tornado

In addition to the above, an eligible disaster under the NDRRA can also include a terrorist act committed in Australia that has been determined to be a terrorist act by the Commonwealth.

Cover and reimbursement of eligible costs incurred by Queensland Health as a result of a natural disaster event can be sought via two avenues: from QGIF and the NDRRA.
If cover is available under the QGIF insurance policy, Queensland Health must seek reimbursement of its incurred costs from QGIF rather than the NDRRA.

For full details on NDRRA and claiming email Insurance Services Team.

While amounts claimed are GST Exclusive, the NDRRA amounts will be grossed up for GST and a RCTI provided.

**Insurance Premiums**

**General insurance premiums**

According to the Insurance Council of Australia, General insurance is broadly defined as non-life insurance policies. The types of general insurance products offered by Australian Insurers include:

- Aircraft
- Bond
- Construction
- Consumer Credit
- Cyber Risk
- Defamation
- Engineering
- Extended Warranty
- Workers’ Compensation
- Marine Insurance
- Strata
- Product Recall
- Public and Products Liability
- Compulsory Third Party Insurance (CTP)
- Home Warranty and Lenders Mortgage
- Medical Indemnity Insurance
- General Property, Home and Contents
- Professional Indemnity
- Motor Vehicle
- Travel

The QGIF insurance policy is a General Insurance policy.

General Insurance premiums will normally attract GST. As Queensland Health is registered for GST, input tax credits may be available for the GST components as long as a valid tax invoice is obtained. Therefore, subject to the exceptions noted below, general insurance premium payments are to be coded as P0 GST 10% with a compliant Tax Invoice or P2 where a compliant Tax Invoice is not obtained.

Property Insurance premiums for residential properties are to be coded as P1 Input taxed supplies.

If the Property Insurance policy for which the premium is payable provides cover to both commercial and residential properties, the premium requires apportionment. Code the portion of the insurance premium applicable to the insured residential property as above.

**Private Health Insurance**

The Australian insurance market can roughly be divided into three components:

1. life insurance
2. general insurance
3. health insurance

As per section 38-55 of the GST Act, Private Health Insurance premiums are GST-free. Under the Private Health Insurance (Health Insurance Business) Rules 2008, the insurance contract must be offered by a registered organisation in the course of carrying on a health insurance business as defined under Section 121-30 of the Private Health Insurance Act 2007 in order to be GST Free.
Subject to the exception, Private Health insurance premiums as are to be coded as P5 GST-Free supplies.

The only exceptions to this are Visitors Health Insurance and Overseas Student Health cover, which are classified as General Insurance, and as such attract GST.

These payments are to be coded as P0 GST 10% with a compliant Tax Invoice or P2 where a compliant Tax Invoice is not obtained.

**Stamp Duty on insurance premiums**

Stamp duty is levied on insurance premium after the GST has been calculated i.e. GST is not calculated on stamp duty, however, the stamp duty is levied on the GST- inclusive price of the premium.

Therefore, care must be taken when coding the premium for payment so that P0 is not coded to the final amount of the premium because GST is not 1/11th of the total. The Tax Code to be used is P5 GST-Free item.

**CTP Insurance**

Refer GST Standard – Compulsory Third Party (CTP) Insurance

**MAIC levy**

The Motor Accident Insurance Commission (MAIC) assesses Queensland Health based on the information received from hospitals for the appropriate level of funding for the Hospital and Emergency Services Levy to be collected as a component of the CTP premium charged at the time of renewal of registration.

MAIC then provides the relevant level of funding to Queensland Health via quarterly payments. As stated previously, Insurance Settlements are not subject to GST i.e. Out-of-Scope, and hence, the MAIC levies received should be receipted to P9 Out of Scope.

### 4. Related legislation and documents

- *A New Tax System (Goods and Services Tax) Act 1999*
- Financial Accountability Regulation 2009
- GSTR 2006/10 – Insurance settlements and entitlement to input tax credits
- GST Standard – Court Orders and Out-Of-Court Settlements
- GST Standard – Compulsory Third Party (CTP) Insurance
- Property Part 1 Insurance – Cover Information Pack
- Property Part 2 Insurance – Cover Information Pack
- General Liability Insurance – Cover Information Pack
- Medical Indemnity Insurance – Cover Information Pack
- Personal Accident and Illness – Cover Information Pack
- Queensland Health Insurance Policy Renewal and Premium Allocation Overview Report
5. Definitions

<table>
<thead>
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<th>Term</th>
<th>Definition</th>
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<tbody>
<tr>
<td>GST Act</td>
<td><em>A New Tax System (Goods and Services Tax) Act 1999</em></td>
</tr>
<tr>
<td>ATO</td>
<td>Australian Taxation Office</td>
</tr>
<tr>
<td>RCTI</td>
<td>Recipient Created Tax Invoice</td>
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Version Control

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<td>14/04/2011</td>
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<td>14/06/2018</td>
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