



## **MINISTRY OF FINANCE**

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### **Insurance Premiums Sales Tax (IPST)-General Information**

#### **Insurance Premiums Sales Tax (IPST) in the Turks and Caicos Islands**

The Insurance Premiums Sales Tax is a tax on insurance premiums charged for domestic policies in the Turks and Caicos Islands other than the premiums on life and health insurance. The tax is charged, collected and remitted to the TCIG by the insurance providers, brokers, agents and sub agents. However, the customers who purchase insurance pay the tax. All insurance providers, brokers, agents and sub-agents in the domestic insurance business within the TCI who are selling taxable insurance policies should be registered to charge, collect and remit the tax.

#### **IPST Collection**

The IPST is charged and collected by the insurance providers, brokers, agents and sub-agents in the TCI. They apply a 2.5% fee on the premium charged on each insurance type that is subject to the tax. For example, if someone purchases motor vehicle insurance and the premium is \$500 then there will be IPST of 2.5% (\$12.50) applied to the invoice so the total cost for the insurance policy would be \$512.50.

#### **Collecting IPST on Behalf of the TCIG**

The insurance providers began charging the IPST on September 12, 2011. They are responsible for charging, billing, collecting and remitting the IPST to the TCIG. The TCIG is responsible for the introduction of the IPST and not the insurance brokers, agents and sub agents that are charging and collecting the tax on behalf of the TCIG.

#### **When Did the IPST Come Into Force?**

The IPST came into effect on September 12, 2011. In this regard any insurance policy sold by an insurance provider from September 12, 2011 should have the IPST applied. IPST invoiced in September will be due to be paid to the TCIG Treasury before October 15, 2011 and by the 15<sup>th</sup> day of every month thereafter to avoid late filing penalties.

#### **Why an Insurance Premiums Sales Tax?**

The TCIG is making efforts to reduce the fiscal deficit through a combination of improvements in the management of expenditures and introducing measures to increase revenue. A significant reduction in the fiscal deficit over the next two years is

one of the milestones that are expected to be met prior to a return to an elected government. The Roe Report and a revenue study sponsored by the European Union recommended a restructure to the TCIG's revenue regime. The most important aspect of the new revenue regime will be the introduction of a Value Added Tax (VAT). However, since the VAT will not be implemented until April 2013, the IPST was recommended as an interim measure to increase revenue and also act a precursor to VAT. When the VAT is introduced it will replace the IPST.

### **Exemptions from the IPST**

Any premiums for life or health insurance as well as any policies for persons residing outside the Turks and Caicos are exempt from the IPST.

### **Application for Permission to Insure Offshore**

It is the intention to encourage the development and expansion of the insurance industry in the Turks and Caicos Islands. In this regard the Insurance Amendment Ordinance 2011 makes it an offence for persons to purchase insurance from offshore providers. However, it is recognized that situations exist where the purchase of insurance domestically is not feasible. In these cases, persons should make application, which would include rationale to support the purchase of insurance overseas, to the Permanent Secretary (PS), Finance and Economic Development to obtain dispensation. The PS will examine the application, liaise with the Financial Services Commission and determine if the purchase of insurance from an overseas provider is justified. The approval will require that the purchaser pay a fee that would be the equivalent to the IPST that would have been levied had the policy been able to be purchased domestically.

### **Responsibility of Domestic Insurance Providers**

Domestic insurance providers including brokers, agents and sub-agents are responsible for registering with the appropriate Revenue Control Unit (RCU), charging the IPST on taxable insurance premiums, collecting the IPST from customers, reporting on a monthly basis the amounts associated with the IPST and paying the amount of IPST to government on a monthly basis.