



# GST FAQs: Life Insurance

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**Insurance Products, Premium/Contributions and Fees****Q1: What types of insurance policies are subject to GST?****Will I be charged GST on any insurance products purchased?**

**A1:** GST of 6% will be charged on insurance products that fall under the following categories:

- General Insurance i.e. motor, personal accident, medical, house, asset insurance etc.
- Life Personal Accident and Life Medical products including riders.

Insurance products which are not subject to GST include:

- Life insurance i.e. whole life, endowment, term life, investment linked etc.

Insurance which covers risks located outside of Malaysia is also not subject to GST. These include:

- Overseas investment insurance
- Travel insurance for international journeys
- Export credit insurance services

**Q2: What is the GST implication on the personal accident policies (PA) sold to pupils studying in public or private schools, colleges, universities and other institutions of higher learning?**

**A2:** The personal accident insurance policies sold to students in educational institutions will be subject to GST at standard rate.

**Q3: What is the GST implication on the PA policies purchased by an Educational Institution from Indonesia from a registered insurer operator in Malaysia to insure their scholars studying in universities and other institutions of higher learning in Malaysia?**

**A3:** The supply of a group PA to the Educational Institution from Indonesia for its scholars in Malaysia will be subjected to GST at a standard rate.

**Q4: What is the GST implication on a life policy plan sold in a package with policies that are subject to GST such as personal accident or medical coverage?**

**A4:** Since the life policy is not subject to GST, the insurer will be required to apportion the premium. The policyholder will only be required to pay 6% GST on the personal accident or medical insurance premium.

**Q5: What is the GST treatment on the policy surrender fee charged and the cash value paid out by the insurer operator when the policyholder surrenders a policy?**

**A5:** The surrender fee will be subject to GST at a standard rate while the cash value paid out is not subject to GST.

**Q6: What is the GST implication on stand-alone non-life policies issued by life insurer operator?**

**A6:** The stand-alone non-life riders will be subjected to GST at a standard rate.

**Q7: An insurer provides investment-linked insurance plans and charge fees such as establishment cost/initial charge (for policy issuance and marketing), a monthly management fee and a monthly managed portfolio fee (for managing the investments of the funds), policy fees (ongoing administration costs of the premium plan) and bank handling fees to policyholders. Will these fees be subject to GST?**

**A7:** The fees charged are subject to GST at standard rate.

**Q8: What are the GST implications in the event of a cancellation of a non-life insurance policy, which entails a refund of premium to the policyholder?**

**A8:** The insurer operator needs to raise a credit note when he refunds the premium, subsequently adjust his accounts, and reduces output tax in the return for the taxable period in which the credit note was issued.

**Q9: Fees are charged for processing termination/surrender of group and individual ordinary life plans due to expiry and other causes such as switching to other plans. Are the fees subject to GST?**

**A9:** Yes, the fees are subject to GST at a standard rate.

### ***Mixed Supplies and GST Treatment***

**Q10: What will be the GST treatment on a medical insurance plan and a PA plan?**

**A10:** Medical insurance and PA will both be subject to GST at 6%, irrespective of whether they are provided on a standalone basis or as policy riders.

**Q11: What is the GST implication on non-life policies (personal accident, medical and health policies) attached to individual or group life insurance policies?**

**A11:** The premium of the non-life policies will be subject to GST at a standard rate while the premium for the individual or group life policy will not be subject to GST as it is an exempt supply.

### ***Discount***

**Q12: How is GST calculated on the premium if an insurance agent gives a discount on the premium for a non-life product to a regular client?**

**A12:** When an insurer operator gives a discount on the premium, GST is charged on the discounted amount.

### ***Insurance Related Services***

**Q13: What is the GST treatment on insurance policies sold by way of telephone sales services?**

**A13:** The GST treatment of the policy sold will depend on the type of insurance policy. The channel of sales (i.e. telephone, bancassurance, direct sales) does not affect the GST treatment of the policy.

**Q14: In the course of selling insurance, some agents or brokers provide non-financial services such as advice on risk-control programs, insurance evaluation and financial or estate planning, are these services subject to GST?**

**A14:** If non-financial services are provided by an insurance agent or broker and in respect of which there is a fee charged, such services will be subject to GST at 6%. However, if no fee is charged then there will be no GST accordingly.

**Q15: Being a policy owner, how can I claim back the GST which I have paid for my premium?**

**A15:** Policy owners can only claim back the GST paid if the policy taken was for the purposes of their business, the policyholder is GST registered and the policy is not blocked from input tax recovery.

### ***Tax Invoice***

**Q16: Can I treat insurance renewal notice (automatic renewal of the insurance as per the anniversary date) as a tax invoice?**

**A16:** No, you cannot treat the insurance renewal notice as a tax invoice.

**Q17: Is an offer letter or quotation to a prospective insurance client treated as a tax invoice?**

**A17:** No, these documents will not be treated as tax invoice because you will not know whether there will be a supply when these documents are issued.

**Q18: Will the company issue me the tax invoice for the premium that I paid?**

**A18:** Yes, if the policy is subject to GST.

*This Frequently Asked Questions (FAQs) will be updated as and when there are changes received from Custom. For further information, please visit the official GST website at <http://www.gst.customs.gov.my/>*

**Source:**

1. Royal Malaysian Customs guide <http://www.gst.customs.gov.my/>