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INCOME TAX ACT (CHAPTER 134)

INCOME TAX (CONCESSIONARY RATE OF TAX FOR APPROVED INSURANCE BROKERS) REGULATIONS 2017

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In exercise of the powers conferred by section 43ZC of the Income Tax Act, the Minister for Finance makes the following Regulations:

Citation and commencement

1. These Regulations are the Income Tax (Concessionary Rate of Tax for Approved Insurance Brokers) Regulations 2017 and are deemed to have come into operation on 1 June 2017.

Definitions

2. In these Regulations —

“advisory service” means any risk advisory service, or other advisory service relating to any insurance policy;

“direct insurer” has the same meaning as in section 1A of the Insurance Act (Cap. 142);

“direct life insurer” means a direct insurer licensed under section 8 of the Insurance Act to carry on life business;

“insurance broking services” means the services of direct insurance broking or reinsurance broking, or both;

“life business” has the same meaning as in section 2(1)(a) of the Insurance Act;

“risk advisory services” means the design, structuring, modelling and implementation of any risk management programme using an insurance policy.

Application

3. These Regulations apply to an approved insurance broker that is approved as such on or after 1 June 2017.

Approval of insurance broker

4.—(1) The Minister or such person as the Minister may appoint may, upon application by a company that is a direct insurance broker, general reinsurance broker or life reinsurance broker and if the Minister or the person (as the case may be) considers it expedient in the public interest to do so, approve the company as an approved insurance broker.

(2) Any approval granted under paragraph (1) is for a period of 5 years.

(3) In approving the company as an approved insurance broker, the Minister or the person mentioned in paragraph (1) may specify the approved insurance broker as either or both of the following:

(a) an approved insurance (general) broker;

(b) an approved insurance (specialised) broker.

Concessionary rate of tax for income of approved insurance (general) broker

5.—(1) Tax is payable at the rate of 10% on the commissions and fees derived by an approved insurance (general) broker from the provision of either or both of the following services that do not relate to any insurance in paragraph (2):

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- (a) insurance broking services;
 - (b) advisory services.
- (2) For the purposes of paragraph (1), the insurance are —
- (a) an insurance under a direct stand-alone policy;
 - (b) an insurance against any risk underwritten by a direct life insurer in the course of carrying on its life business; or
 - (c) where the approved insurance broker is both an approved insurance (general) broker and an approved insurance (specialised) broker, an insurance against any specialised insurance risk.
- (3) For the purposes of paragraph (1), the Comptroller must determine —
- (a) the income chargeable to tax under that paragraph having regard to such expenses, capital allowances and donations allowable under the Act as are, in the Comptroller's opinion, to be deducted in ascertaining such income; and
 - (b) the manner and extent to which any losses arising from the provision of the services to which that paragraph applies, may be deducted under section 37(3) of the Act in ascertaining the chargeable income of the approved insurance (general) broker under that paragraph.
- (4) In paragraph (2)(a), “direct stand-alone policy” means a direct insurance policy that a person purchases to cover one or more of the following risks (and not any other risk):
- (a) fire risk;
 - (b) motor risk;
 - (c) work injury compensation risk;
 - (d) personal accident risk;
 - (e) health risk.

Concessionary rate of tax for income of approved insurance (specialised) broker

6.—(1) Tax is payable at the rate of 5% on the commissions and fees derived by an approved insurance (specialised) broker from the provision of either or both of the following services that are in relation to the insurance or reinsurance of a specialised insurance risk:

- (a) insurance broking services;
- (b) advisory services.

(2) For the purposes of paragraph (1), the Comptroller must determine —

- (a) the income chargeable to tax under that paragraph having regard to such expenses, capital allowances and donations allowable under the Act as are, in the Comptroller's opinion, to be deducted in ascertaining such income; and
- (b) the manner and extent to which any losses arising from the provision of the services to which that paragraph applies, may be deducted under section 37(3) of the Act in ascertaining the chargeable income of the approved insurance (specialised) broker under that paragraph.

(3) In this regulation —

- (a) “catastrophe excess of loss policy” means an insurance policy where the insurer is liable for any amount above an amount stated in the policy in respect of any loss arising from a natural catastrophe;
- (b) “specialised insurance risk” means any of the following risks:
 - (i) terrorism risk;
 - (ii) political risk;
 - (iii) energy risk;
 - (iv) aviation and aerospace risk;
 - (v) agriculture risk;
 - (vi) risk arising from a natural catastrophe; and

- (c) the reference to the insurance or reinsurance of a specialised insurance risk that is a risk arising from a natural catastrophe, is a reference to the reinsurance of such risk by means of a catastrophe excess of loss policy.

Made on 26 October 2017.

TAN CHING YEE
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Singapore.*

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