

## FAQ

## Transitional Rules for Service Tax 8%

1. **If a group medical policy expires on 31 Jan 2024, an endorsement is issued on 5 Mar 2024 to backdate coverage to 15 Jan 2024 (within the allowable 90-day backdating window), will this endorsement be subject to 8% service tax?**

Assuming premium is paid and receipt is issued after 1 Mar 2024, service tax will be pro-rated based on period of insurance as follows:

- From 15 Jan 2024 to 29 Feb 2024 (46 days) – service tax at 6%
- From 1 Mar 2024 to 14 Jan 2025 (320 days) – service tax at 8%

2. **If a policy effective date is 1 Jan 2024 but the client pays the renewal policy premium on 2 Mar 2024, will the entire renewal policy be subject to 8% service tax?**

No, service tax will be pro-rated based on period of insurance. Please refer to Question 1 for more details.

3. **If the client remits the premium to the broker before 1 Mar 2024 and not to BSIB, please advise how service tax 8% will be imposed.**

If customer pay before 1 Mar 2024 but broker/agent only managed to transfer payment to BSIB on/after 1 Mar 2024, service tax will be pro-rated based on period of insurance i.e. cannot enjoy flat rate 6% service tax. The broker/ agent is responsible for collecting the undercharged 2% service tax.

4. **If the policy is effective from 1 Apr 2024 and the client wants to confirm coverage and make payment before 1 Mar 2024, is this feasible?**

Yes, so long as payment is received and receipt is issued BEFORE 1 Mar 2024, flat rate 6% service tax will be imposed regardless of period of insurance.

5. **If a client makes an online transfer to BSIB before 1 Mar 2024 without informing BSIB. A receipt is issued only on 15 Mar 2024, is BSIB going to recover the 2% service tax from the client?**

Yes, BSIB will collect the undercharged 2% service tax from the client. In addition to prompt payment, client MUST also ensure that a receipt dated before 1 Mar 2024 is obtained from BSIB. Please also refer to Question 6 for more information.

6. **If agent pays the premium before 1 Mar 2024, but the related policy cannot be issued in time, can receipt be issued first or do matching later on?**

As long as premium payment is remitted to BSIB **before 5pm (cut-off time) on 29 Feb 2024**, receipt will be issued to the client accordingly.

7. **Client wishes to renew policy and remit premium payment to BSIB using a cheque on 29 Feb 2024 (before 5pm), but cheque is subsequently dishonoured/ bounced. How will service tax be imposed?**

Pro-rated service tax based on period of insurance will be imposed. An endorsement will be raised to recover the undercharged 2% service tax, viz., the client cannot enjoy flat rate 6% service tax.

8. **How can agents to make payments before 1 Mar 2024 and get real-time issuance of receipts?**

Agents may make payment via nSure system for real-time acceptance and issuance of receipts.

9. **If a client makes a partial payment for a policy with effective date from 1 Jan 2024 to 31 Dec 2024, will the unsettled premium be subject to 8% service tax.**

Yes, pro-rated service tax will be imposed on the outstanding premium. Please refer to Intermediary Circular No.0013/2024 dated 9 Feb 2024 for more information.

10. **Motor insurance sometimes need to raise No Claim Discount ("NCD") clawback endorsement which will affect the premium. For example:**

***Motor policy with insurance period 1 Jan 2024 – 31 Dec 2024 and total premium RM12,000 with flat rate 6% service tax were collected before 1 Mar 2024. NCD clawback endorsement for the same insurance period was raised on 15 Feb 2024 with additional premium RM6,000, but the additional premium is paid only after 1 Mar 2024. Should the NCD endorsement premium be charged based on 6% or 8% service tax?***

As payment is made after 1 Mar 2024 and the NCD clawback endorsement is for insurance period spanning across 1 Mar 2024, pro-rated service tax will be levied based on period of insurance as follows:

- From 1 Jan 2024 to 29 Feb 2024 (60 days) - service tax at 6%
- From 1 Mar 2024 to 31 Dec 2024 (306 days) - service tax at 8%

11. **We have a GRAB daily insurance programme whereby GRAB has prepaid for the insurance and kept a deposit with us. When we receive a declaration on the utilization, we will charge to the deposit. When remaining deposit reach 20%, we shall ask GRAB for a top-up. Should we charge 6% or 8% service tax?**

As GRAB is billed on a periodical basis (i.e. as and when declaration is received from GRAB), service tax must be pro-rated based on the period of insurance.

12. **A policy with insurance period from 1 Feb 2024 to 31 Jan 2025 is issued on 1 Mar 2024 and the insured fully settles the premium on the same day. As BSIB only received payment on/after 1 Mar 2024, service tax is imposed on a pro-rated basis (i.e. 6% for 1 month and 8% for the remaining 11 months). The policy was subsequently terminated/ cancelled. Please confirm whether premium refund will subject to 6% or 8%.**

If pro-rated service tax is imposed at the policy inception stage, the service tax on the refundable premium must also be calculated on a pro-rated basis.

**13. If policy (with effective date 1 Jan 2024 to 31 Dec 2024) is issued and premium payment (with flat rate 6% service tax) is made before 1 Mar 2024, but insured subsequently realised that Total Sum Insured is erroneous after 1 Mar 2024, hence request BSIB to pass an endorsement based on original period of insurance. How will service tax be imposed on the additional/ reduced premium?**

If a credit endorsement is issued to reduce the premium, service tax rate imposed on the refundable premium must be the same as that imposed at the policy inception stage i.e. flat rate 6% service tax. However, if debit endorsement is issued to increase the premium, pro-rated service tax based on period of insurance will be imposed on the additional premium.

**14. If the policy (effective date before 1 Mar 2024) is issued and premium payment is made after 1 Mar 2024 due to late reinsurance confirmation, how will service tax be imposed?**

As payment is made after 1 Mar 2024, service tax will be pro-rated based on period of insurance.