

# Ministry of Finance

## Tax Bulletin



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Bulletin IPT 008

[www.fin.gov.bc.ca/rev.htm](http://www.fin.gov.bc.ca/rev.htm)

## Marine Insurance Exemption

*Insurance Premium Tax Act*

Are you a taxable insurer or a purchaser of marine insurance?

Do you need to know how to report marine insurance premiums?

This bulletin provides specific tax information to help taxable insurers and purchasers of unlicensed insurance understand the marine insurance exemption and how to report the premiums.

For general information on insurance premium tax for taxable insurers, please see [Bulletin IPT 001](#), *Insurance Premium Tax for Taxable Insurers*. For purchasers of unlicensed insurance, please see [Bulletin IPT 002](#), *Insurance Purchased from an Unlicensed Insurer*.

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### Taxable Premiums

You pay tax on the premium, or on a portion of the premium, in respect of:

- a contract of insurance other than a contract of marine insurance or reciprocal marine insurance, and
- a contract of marine insurance or reciprocal marine insurance that is pleasure craft insurance.

## **Exempt Marine Insurance**

You do not pay tax on payments made, or the portion of payments made, as consideration for a contract of marine insurance other than pleasure craft insurance.

A payment is made as consideration for a contract of marine insurance if it is paid for an undertaking, as set out in the insurance contract, to indemnify the insured with respect to marine risks.

## **What Qualifies as Marine Insurance?**

Marine insurance is insurance against:

- liability arising out of bodily injury to, or the death of, a person,
- liability arising out of the loss of, or damage to, property, or
- the loss of, or damage to, property

that occurs during a voyage or marine adventure at sea or on an inland waterway, or during a delay or a non-water transit incidental to that voyage or marine adventure.

In this context, there is a marine adventure when:

- property that is a ship or goods, or other tangible movable property carried on that ship are exposed to, or
- liability of the owner of, or other person interested in or responsible for, that property can result from

perils consequent on, or incidental to, navigation.

## **What Does Not Qualify as Marine Insurance?**

The following are examples of what **does not** qualify as marine insurance.

- Insurance entered into by the owner of a wharf, dock, terminal, berth or loading arm that is used for the purpose of moorage or storage of vessels where the contract insures the owner against the loss of, or damage to, the structures or against liability for a vessel moored or stored at the insured's facilities.
- Insurance covering a ship in the course of building, repairing or refitting the ship other than insurance in respect of a sea trial or a delivery voyage.
- Insurance covering the liability, the property, or the equipment and machinery of a boat builder, repairer or dealer.

- Insurance covering vessels held for sale by a boat dealer other than insurance in respect of a trial cruise, a demonstration or a delivery voyage.
- Insurance covering a moored or anchored floating home or building other than insurance in respect of a towing voyage.
- Insurance covering logs in water storage or a water storage structure, such as an inter-tidal log storage.
- Aquaculture insurance covering stock.

## **Marine Insurance in Respect of Pleasure Craft**

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You pay tax on the premium, or a portion of the premium, for a contract of marine insurance or reciprocal marine insurance that is in respect of a pleasure craft.

A water craft **is** a pleasure craft if, at the time the insurance contract is entered into, the water craft will be used for relaxation or sport by:

- the owner of the craft,
- a charterer under a bareboat charter, or
- a charterer who has hired the entire carrying capacity of the craft together with the services of the owner of the craft, where the owner remains in control of and operates the craft.

A water craft **is not** a pleasure craft if, at the time the insurance contract is entered into, the insured:

- uses but does not charter out the water craft in their business operations, or
- uses the water craft to carry passengers who purchase tickets for passage without chartering the entire carrying capacity of the craft.

However, a water craft that will be used in a business that charters the entire carrying capacity of the craft to persons for their use for relaxation or sport **is** a pleasure craft.

For information on how tax applies to property insurance, please see [Bulletin IPT 007](#), *Property Insurance*.

## **Reporting Marine Insurance Premiums**

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### **BC Licensed Insurers**

You report gross premiums received, or receivable, for contracts of marine insurance in Box A of the section, Calculation of Tax on Property and Automobile Premiums, on the *Insurance Premium Tax Return of Taxable Premiums* form ([FIN 527](#)). You deduct the

premiums that qualify as marine insurance, other than the premiums for pleasure craft insurance, in Box E of the same section.

For more information on how to report insurance premiums, please see [Bulletin IPT 001](#), *Insurance Premium Tax for Taxable Insurers*.

## Unlicensed Insurance

Taxpayers who purchase insurance that qualifies as marine insurance (other than pleasure craft insurance) from an unlicensed insurer are not required to report those premiums. However, taxpayers who purchase other insurance (such as property insurance) from an unlicensed insurer must complete and file a *Return of Unlicensed Insurance* form ([FIN 521](#)).

For more information on how to report insurance premiums, please see [Bulletin IPT 002](#), *Insurance Purchased from an Unlicensed Insurer*.

## Need more info?

Insurance Premium Tax website: [www.sbr.gov.bc.ca/business/Income\\_Taxes/InsurancePremiumTax/ipt.htm](http://www.sbr.gov.bc.ca/business/Income_Taxes/InsurancePremiumTax/ipt.htm)

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The information in this bulletin is for your convenience and guidance and is not a replacement for the legislation. The *Insurance Premium Tax Act* and Regulations are on our website at [www.sbr.gov.bc.ca/business/Income\\_Taxes/InsurancePremiumTax/leg\\_bulletins.htm](http://www.sbr.gov.bc.ca/business/Income_Taxes/InsurancePremiumTax/leg_bulletins.htm)

References: *Insurance Premium Tax Act*, Sections 1(1) and 1(2), and *Insurance Act* Insurance Classes Regulation, Section 2