

[IC CIRCULAR LETTER NO. 7-93, March 10, 1993]

PREMIUM TAX CALCULATION

Please be informed that the Bureau of Internal Revenue (BIR) upon the request of PIRA, Inc., issued Ruling No. 121-000-00-040-93 on February 8, 1993, the dispositive portion of which is quoted hereunder:

"x x x please be informed that the 5% premium tax payable by every person, company or corporation (except purely cooperative companies or associations) doing insurance business of any sort in the Philippines, is based on the total premium collected pursuant to Section 121 of the Tax Code, as amended. There is no law which prohibits the insurance companies to bill the 5% premium tax to the insured. Hence, we will not interpose any objection if the insurance companies will charge separately the premium tax to the insured as long as the same is paid to the Bureau of Internal Revenue."

Following this ruling, the 5% premium tax (4% of which is a component of the present tariff rates) should not be included in computing the premium as said tax could be charged separately to the insured. The use of a revised format of premium billing in lieu of the present (also indicated) is hereby suggested.

Example:

Present	Format		Suggested Revised		Format	
Fire	Motor & Bonds		Fire	Motor & Bonds		
Premium	P100.00	P100.00	Premium	P96.00	P96.00	
1% P.T.	1.00	1.00	5% P.T	4.80	4.80	
D/S	7.50	7.50	D/S	7.20	7.20	
2% F.S.T.	2.00	-	2% F.S.T.	1.92	-	
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	P110.50	P108.50		P109.92	P108.50	

Accordingly, all non-life companies are hereby required to reduce by 4% the tariff rates on motor car, fire, earthquake, riot and strike, typhoon, flood, extended coverage and bonds.

It is also understood that the premium tax shall not be included in computing premiums for non-tariff lines of insurance.

This Circular will take effect fifteen (15) days after filing with the U.P. Law Center.

Adopted: 10 Mar. 1993