

## Tax Information Bulletin

### Retail Sales Tax on Automobile Insurance Premiums

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As committed in Budget 2019, the Provincial Government has eliminated the remaining 13 per cent Retail Sales Tax (RST) on automobile insurance. On June 26, 2019, the necessary *Revenue Administration Act* amendments received Royal Assent, and related amendments to the *Revenue Administration Regulations* were Gazetted on June 27, 2019. These changes are retroactive to April 15, 2019.

The following is an overview of the key administrative issues related to the elimination of RST on automobile insurance premiums:

- As of June 27, 2019, insurance companies, agents, and brokers should no longer collect RST on automobile insurance purchased or renewed on or after April 15, 2019.
- For contracts of automobile insurance that commenced or renewed on or after April 15, 2019 on which the tax has already been collected from the client, a refund of RST will apply. The insurance company, agent, or broker who collected the tax from the client is responsible to refund the RST.
- For contracts of automobile insurance that were entered into or renewed before April 15, 2019:
  - there will be no refund of RST regardless of the payment plan and the 13% RST will continue to apply for the term of the contract (or 15% if entered into or renewed before 2019).
  - endorsements to such contracts will continue to be taxable at the 13% RST (or 15% if entered into or renewed before 2019).
  - no refund of RST will be provided to taxpayers who cancel such automobile insurance contracts.
- Refund of RST to Client
  - The registrant (the insurance company, agent, or broker that collected the tax) is responsible to ensure clients receive the appropriate RST refund.
  - The RST refund may be processed as a direct payment to the client, a reduction in monthly installments, or a credit against an accounts receivable.
  - The registrant must provide a credit note or invoice to the client which clearly shows the amount of the RST refund, and the disposition of the amount.
  - It is anticipated that refunds will be processed by September 30, 2019.

- Recovery of Taxes Refunded by Registrant
  - Any tax already collected by a registrant in respect of policies entered into or renewed on or after April 15, 2019 but not yet remitted to the Department of Finance should not be remitted with the June 2019 return (due July 22, 2019) or any subsequent return.
  - Registrants must adjust their monthly tax return for amounts refunded to clients in relation to RST collected that had been already remitted on their April and May returns in respect of automobile insurance policies entered into or renewed on or after April 15, 2019.
  - The adjustment amount should be applied to reduce the total RST due and paid for the month. If the adjustment amount exceeds the total tax due for the month, your account will be credited which can be applied against subsequent monthly returns and RST due, or the registrant can make a request to have the credit balance refunded.
  - Documentation will be required to accompany the monthly return, supporting the amount of the tax recovery in relation the RST refunded to clients.
  - A certification statement with respect to the refunding of tax will also be required to accompany the associated returns as filed.
  - The Department of Finance reserves the right to audit the recovery of RST refunds and RST refunded to clients or otherwise review the records of registrants.

Further information regarding this may be obtained by contacting:

**Tax Administration Division**  
**Department of Finance**  
**Government of Newfoundland and Labrador**  
Toll Free: 1-877-729-6376  
Email: [taxadmin@gov.nl.ca](mailto:taxadmin@gov.nl.ca)

**Disclaimer:** This bulletin is prepared as a guideline and interpretation of the statutes. Where a conflict between the bulletin and statutes arises, the statutes will take precedence.