



## VALUE ADDED TAX (V.A.T.) INCREASE

EFFECTIVE JULY 1, 2018

Dear Valued Client:

Effective July 1st, 2018, Value Added Tax (VAT) will increase from 7.5% to 12% on health insurance premiums, which includes hospitalization policies sold by Family Guardian. Please note that this tax does not affect our life policies or our Sickness & Accident plan.

If you are paying your hospitalization policy by salary deduction, we ask that you make arrangements with your agent and your Payroll Department to amend your authorization form to ensure that the necessary increase is made to your deduction to prevent your policy from lapsing.

Should you require further information, please contact your local Family Guardian office.

### POLICY SERVICE FEES

**Please note that the following fees are subject to a 12% VAT charge as of July 1, 2018**

#### LIFE OPERATIONS

|  |   |
|--|---|
| Loan Processing Fee .....                  | \$15  |
| Insurance Certificate (Ordinary) .....     | \$10  |
| Insurance Certificate (Home Service) ..... | Free  |
| Duplicate Contract (Ordinary) .....        | \$25  |
| Duplicate Contract (Home Service) .....    | \$5   |
| Policy Inquiries By Bank .....             | \$15  |
| Reduction Fee (Ordinary) .....             | \$25  |
| Research Fee .....                         | Free For 1st Year<br>\$25 For Subsequent Year |

## FREQUENTLY ASKED QUESTIONS (FAQs)

**Will VAT be applicable to life insurance premiums?** No, VAT will not be charged on life insurance premiums as they are classified as exempt from VAT.

**Will VAT be applicable to annuity policies?** No, VAT will not be charged on annuities as this product is exempt.

**To which services will VAT apply?** While life insurance and annuity policies are exempt from VAT charges, all fees related to these policies will be charged VAT. These fees include loan processing fees, certificates of insurance fees, duplicate contracts fees, policy inquiries, reduction fees and research fees.

**As a policyholder, will I be required to pay VAT to change my beneficiary or assign my policy?** No, there are no VAT charges incurred for beneficiary changes or assignments.

**As a policyholder, will I be required to pay VAT to cash surrender my policy?** No, there are no VAT charges incurred for surrendering a life insurance policy.

**As a policyholder, will I be required to pay VAT to surrender my annuity policy?** No, there are no VAT charges incurred for withdrawals from or surrender of an annuity policy.

**What date is VAT applicable to these service fees?** These fees are subject to VAT effective July 1, 2018

**When will the VAT charge increase from 7.5% to 12% on my hospitalization premiums?** VAT was increased to 12% with an effective date of July 1, 2018. Therefore, for premiums due prior to July 1, premiums will attract the rate of 7.5%; for premiums becoming due July 1 and forward, they will attract a VAT rate of 12%.

**Will VAT be applicable to partial premiums paid?** Yes, VAT will be required to be paid on all premium. Premiums will be held in the suspense account until such time as VAT has been paid in full.

**If payments are made by salary deduction or by post-dated cheques, how will they be impacted?** For premiums paid by salary deduction, revised forms are required in order to increase the deduction to include the VAT charges for the hospitalization plans only. If post-dated cheques are being held by the company for payment of hospitalization policies, policyholders are required to pay additional premiums in order to prevent their policies from lapsing.

Disclaimer: The information provided above is subject to change contingent upon any subsequent revisions by the Government to the VAT guides and regulations relevant to the Insurance industry.



## **VALUE ADDED TAX (V.A.T.) INCREASE** EFFECTIVE JULY 1, 2018

Dear Valued Client,

Effective July 1, 2018, the Government of The Bahamas will increase the value added tax (VAT) from 7.5% to 12% on eligible goods and services, including on fees related to mortgages.

Should you require further information about VAT or the increase, please contact our Mortgage Department at 396-4044.

### **SERVICE FEES**

**Please note that the following fees are subject to a 12% VAT charge as of July 1, 2018**

#### **FAMILY GUARDIAN MORTGAGE DEPARTMENT**

|                          |                     |
|--------------------------|---------------------|
| Administration Fee ..... | 1-2% of loan amount |
| Reference Letters .....  | \$25                |
| Satisfaction Fee .....   | \$75                |
| Returned Cheques .....   | \$20                |

## **FREQUENTLY ASKED QUESTIONS (FAQs)**

**As a mortgage client, how will I be affected by VAT?** Mortgage transactions are considered financial services and thus will be exempt from VAT, except for any explicit fee, commission or similar charge for providing the service.

**On which mortgage fees will I be required to pay VAT?** VAT will be charged on mortgage commitment fees, mortgage indemnity insurance, home insurance, returned cheque charges, late payment fees, satisfaction fees, photocopies and reference letters. You will also be charged VAT by your attorney and realtor for legal and appraisal services.

**Will VAT be charged on monthly mortgage payments?** VAT will not be charged on your monthly principal and interest payments.

**Will VAT be applicable on mortgage disbursements?** VAT will not be charged on mortgage disbursements.

**When will VAT become applicable?** These fees are subject to VAT effective July 1, 2018.