

Indemnity Payment Procedure

Purpose:

The purpose of the procedure is to provide guidance to Insurance Companies on the remittance of the GST withheld from indemnity payments.

Requirements of the Law:

The General Sales Tax Regulation, No. 59 of 2006 Section 2(5) requires that:

- (a) Where, under a contract of insurance, a person received an amount by way of an indemnity payment relating to a loss incurred on or after the appointed day in relation to goods or services in the course of, or in furtherance of, any business, the person shall, for the purposes of the application of the Act to that person but not to the person by whom the payment is made, be regarded as having made a taxable supply of goods or services to which the payment relates, at the time when the payment is made, and the amount of the payment shall be regarded as having been the consideration for the supply. (E.g., stock of a registered grocer valued and insured for \$50,000, is destroyed by fire and the insurer makes an indemnity payment of \$50,000 to the insured person. The destruction of stock will be deemed a supply and the consideration received for the supply would be \$50,000. GST of \$4,545.45 would be due on the supply, calculated by applying the GST fraction to the payment, i.e. $(\$50,000 \times 1/11)$).
- (b) The person by whom the indemnity payment is to be made shall withhold from it the amount, if any, as may be claimed in respect of tax and pay it to the Commissioner on behalf of the person to whom the payment is to be made.
- (c) For the purposes of the Act, an indemnity payment for damaged stock shall be deemed to be a supply of goods.

How to Make the Payment

Complete and attach **Form GST 112** to the payment of GST withheld from indemnity payments made during the month and remit to the Department of GST. The payment should be remitted by the 15th of the next month following the month in which the payment was withheld.

Mail payments to: Commissioner of General Sales Tax
Department of General Sales tax
Administration building
Mahogany Street
Belize City

Or Branch Offices in Corozal, San Ignacio and Dangriga Town