

## **Frequently Asked Questions**

### **Who is SLE?**

SLE Worldwide Australia Pty Limited (SLE) (ABN 15 066 698 575) (AFS licence No. 237268) of level 11, 56 Clarence Street, Sydney NSW 2000 act as a cover holder under an authority from various underwriters at Lloyd's ("the Insurer"), who underwrite the policy. In arranging this insurance SLE is acting as an agent of the Insurer.

### **What is "Pay As You Go" (PAYG)?**

PAYG is a method of paying incremental amounts of income tax to the Australian Taxation Office which accumulates towards offsetting your expected end of financial year income tax liability. Generally the incremental amount is deducted from your gross earnings by your employer/insurer and paid to the ATO on your behalf.

### **How will withheld PAYG income tax affect my benefit payments under my existing insurance claim?**

With effect from 1 July 2017, SLE will commence withholding PAYG income tax from all periodical weekly/fortnightly/monthly benefit payments made to you under your policy. All PAYG income tax withheld will be remitted to the Australian Taxation Office on your behalf and you will be provided with a PAYG payment summary at the end of each financial year.

### **Do I need to complete a Tax File Number declaration form?**

YES, although only if you are currently receiving ongoing periodical weekly/fortnightly/monthly benefit payments from us. You will be required to complete a Tax File Number declaration form and return it to us as a matter of urgency to enable us to correctly review your next benefit payment. We must withhold 47% from any benefit payment we make to a claimant and 45% from a foreign resident claimant.

NO, if you are no longer receiving periodical weekly/fortnightly/monthly benefit payments from us and your claim is finalised. However, whilst you are not required to complete the Tax File Number declaration form if your claim is finalised, you may still need to pay income tax on the periodical weekly/fortnightly/monthly benefit payments that you have already received from us. Please refer to 'How will this affect my income tax liability?' for further details.

### **Why is my insurance claim subject to PAYG income tax?**

Periodical benefit payments made to you under an Accident or Sickness insurance policy that replaces lost income due to incapacity to work are deemed by the Australian Taxation Office to be taxable in the same way had you earned an income directly through your employer.

### **Does this apply to all claim payments I have received under my insurance policy?**

This only applies to periodical weekly/fortnightly/monthly benefit payments for replacement of lost income. It does not apply to payments such as Capital Benefits or reimbursement of non-Medicare medical or travel expenses that you may have received under your policy.

## How will this affect my income tax liability?

### a. In respect of weekly/fortnightly/monthly benefit payments received between 1<sup>st</sup> July 2015 to 30<sup>th</sup> June 2016:

- You will be issued a PAYG payment summary for each financial year in which you received the payments from us.
- If you have declared all payments received from us on your previous tax return(s), there should be **no impact** to your income tax liability.
- If you have not declared payments on your previous tax return(s), it is advisable that you to obtain professional tax advice as you may be required to re-lodge your previous tax return(s).

### b. In respect of weekly/fortnightly/monthly benefit payments received between 1<sup>st</sup> July 2016 and 30<sup>th</sup> June 2017:

You will receive a PAYG Payment Summary for the year ended 30 June 2017 on or before 14 July 2017. The payment summary will state the total amount of gross payments made by us to you during the financial year.

When you lodge your tax return for the financial year ended 30 June 2017, you will be required to pay income tax on the periodical benefit payments paid to you by us up to 30 June 2017.

Any payments you receive after 1<sup>st</sup> July 2017 will already have had income tax withheld and paid to the Australian Taxation Office on your behalf. No further income tax will be payable on these payments unless your circumstances change or you fail to correctly answer any of the questions on your Tax File Number declaration form.

## Will this affect my ongoing periodical insurance benefit payments?

**YES** - With effect from 1<sup>st</sup> July 2017, we will deduct PAYG income tax from all weekly/fortnightly/monthly benefit payments made to you under the policy. The amount that you will therefore receive from us will be lower however your income tax liability at the end of the financial year will reduce by the same amount because we will have withheld and paid your income tax to the Australian Taxation Office on your behalf.

To ensure we do not withhold too much PAYG income tax on your behalf whilst you continue to receive periodical insurance benefit payments from us, **please ensure that you complete a Tax File Number declaration form and return it to us as soon as possible**. This will enable us to calculate the right amount of PAYG income tax to withhold.

## What do I need to do with the Payment Summary I have received?

If you have received one or more payment summaries enclosed within this letter they are for information purposes only. They show the amount of payments made to you by SLE in the respective tax year. They also state that zero tax was withheld. If you have declared these payments on your previous tax returns you do not need to do anything. However if you believe you may not have declared these payments on your previous tax returns it is recommended that you speak to a tax professional as you may be required to amend your tax returns.