

2018 VAT changes – Financial Adviser FAQs

Category	Questions	Answers
General	Are short term insurance premiums affected by the National Treasury Announcement to increase VAT to 15%?	Yes, short term insurance premiums will be affected. For example, if your client pays R114 per month, their premiums will increase to R115 per month.
	When will the 14% and 15% VAT rates apply?	In principle, any transaction before 1 April 2018 will be calculated at 14% VAT and transactions on or after 1 April 2018 will be based on a 15% VAT rate.
Premium Collection	Will debit orders be collected during the Easter weekend?	Debit orders scheduled for 1-2 April will only be collected on 3 April 2018. Please advise your clients to have sufficient funds available in their accounts. The delay in premium collection will not affect their cover period.
	What if a premium debited in March at the old rate is returned unpaid and resubmitted for payment in April?	The VAT will remain at 14% as it is based on cover period and not date of payment.
New Client	What will happen if a client received a quote during March and accepted cover with inception date in March – will the premium change in April?	No, the premium will not be affected. The client will receive updated documentation indicating 15% VAT, however the premium will remain the same, i.e. charged at 14% VAT.
	What will happen if a client received a quote during March and accepted cover with the inception date in April – will the premium change?	No, the premium will not be affected. The client will receive updated documentation indicating 15% VAT, however the premium will remain the same, i.e. charged at 14% VAT.

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New Client	What will happen if a client requested a quote in March but only phones in and accepts cover in April, will the premium change?	Yes, any changes to quotes, or quote acceptance on or after 1 April 2018 will require a re-calculation of premium to include the new 15% VAT rate.
Existing policies (quoted and accepted before March 2018)	What happens if a client makes an amendment to an existing policy two days before the debit order runs on 1 April 2018, which results in a pro-rata payment?	<p>The new premium will be collected on 3 April 2018. This will include the pro-rata premium and the standard full premium, both charged at 15% VAT rate.</p> <p>This is in line with our business rule where we combine the pro-rata and full premium, only if the pro-rata transactions occurs within 5 days prior to debit order collection.</p>
	Will the current short term premium be increased?	Yes, all premiums on existing policies will be increased to accommodate the new VAT amount. A new schedule reflecting the new premium will be generated and sent to your client within 30 days from 1 April 2018.
	My clients received their annual renewal increase communication during March, advising of a new premium. Will the VAT changes affect the communicated increase?	Yes the new VAT rate affects the renewal premium. We will update our systems with the new VAT amount between 30 March and 2 April. The increased amount will be deducted from their account on the agreed collection date. An updated schedule, indicating their revised renewal premium, including the new VAT amount, will be sent to client within 30 days from 1 April 2018.
Existing policies (quoted and accepted after April 2018)	What happens if premiums are paid annually?	If the annual premium collection takes place before 1 April 2018, their premium will remain the same. If the premium collection takes place on or after 1 April 2018, the 15% VAT increase will apply.
	How will the difference in VAT be indicated on tax invoices?	The premiums for each cover period will be listed separately and each will comply with the standard requirements for tax invoices for short-term insurance.

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Financial Adviser Fees	Will the financial adviser fee be increased to accommodate the 15% VAT?	The advice fee is not impacted by this increase as it is agreed between you and the client. Should you wish to renegotiate the fee with your client, you can inform us of the updated fee.
	Will the financial adviser commission payable include the VAT increase?	Yes. The increase will apply to all VAT vendors.
	Will I also receive copies of updated policy schedules indicating the new VAT amount?	No document will only be sent to the client. You will however have access to all updated documentation on MDS Online within 30 days from 1 April 2018.
	What happens if there is a premium refund that results in commission claw back?	It will be clawed back against the period the premium was collected and the applicable VAT rate will apply.
Rewards	Which VAT rate will apply to Momentum Rewarder, Safe Dayz™ or Safety Score?	No-claim bonuses and cashback incentives will be treated in line with any other premium adjustments. Hence, if paid or offset against premiums before 1 April 2018 the old VAT rate will apply and if paid or offset against premiums on or after 1 April 2018 the new VAT rate will apply, irrespective of the cover period.
		<p>Example:</p> <p>Insured was claim free i.r.o. the period 1 January – 31 December 2017 and qualified for a cashback bonus payable 1 April 2018 = 15% applicable</p> <p>Insured was claim free i.r.o. the period 1 January – 31 December 2017 and qualified for a cashback bonus payable 1 March 2018 = 14% applicable.</p>

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Claims	Will insurers pay claims inclusive of VAT at 15% despite the premium only having been paid with VAT at 14%?	Yes. Despite the sum insured on a policy being set at a figure inclusive of VAT at 14% (say R114 000) the claim will be settled with VAT at 15% (i.e. R115 000).
	Will the excess increase?	No. Due to the fact that Momentum Short-term Insurance makes use of fixed excesses, there will be no change in the agreed excess amount.