



# Levy Manual for Direct Payers



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Fire Service Levy provides around 95% of the funding for the operations of the New Zealand Fire Service as set out in the [Fire Service Act \(1975\)](#). Levy is payable on all contracts of fire insurance for all assets insured in New Zealand.

Levy is currently calculated at 7.6 c per \$100 sum insured. This is subject to upper limits for a number of items such as:

- residential buildings,
- domestic contents and
- motor vehicles not exceeding 3.5 tonnes gross laden weight.

Where the indemnity value of the assets is less than the sum insured, levy is payable on the indemnity value. GST is payable in addition to any amount of levy. The current rate of GST is 15%.

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## Who pays levy and when is it due?

All property owners who insure property in New Zealand against the risk of fire pay a levy.

Responsibility for calculating and making payment of the Fire Service levy depends on how the insurance cover is being arranged.

- Where there is a New Zealand-based insurer involved in the policy, levy is payable by the insurer (based upon the proportion of insurance).
- Where there is not a New Zealand-based insurer, but there is a New Zealand-based broker, levy is payable by the broker
- In all other circumstances, levy is payable to the Commission by the insured.

The forms that should be sent with, or shortly after the payment of levy by the insured are:

SITUATION	FORMS REQUIRED
Where there is a contract of fire insurance covering assets	<a href="#">Form 2</a> <a href="#">Form 3</a>
Where there is a provision or reserve set aside to cover loss by fire or where there are any other arrangements similar to a contract of fire insurance	<a href="#">Form 4</a> <a href="#">Form 5</a>

Fire Service Levy is due on the 15th day of the second month following commencement of the policy. For example, if a policy covers the insurance period 30 June 2015 to 30 June 2016, levy is payable in full on 15 August 2015, regardless of when the premium is paid.

The NZFS uses advertising to alert the public to their obligation to pay levy and sends reminder letters to people who have previously paid levy. However, the calculation and payment of levy ultimately falls on the party that is responsible for payment.

## How is levy paid?

We prefer payments by direct credit to the New Zealand Fire Service bank account:

New Zealand Fire Service Commission  
Bank of New Zealand  
North End Branch – Wellington  
02-0536-0062111-00  
SWIFT: BKNZNZ22

Payments can be also be made via cheque to:

The Revenue Team  
New Zealand Fire Service  
PO Box 2133  
Wellington 6140

Please ensure that the word “levy” and the period that the payment relates to (i.e. 2010/11) are included in the explanation field.

Common errors when calculating and paying levy include –

- Calculating the levy due based on the premium rather than the Indemnity Value or Sum Insured
- Not including GST or not calculating GST correctly
- Not calculating levy in \$NZD
- Paying from offshore and not ensuring bank fees/costs are paid in full by the levy payer

All payments of levy that are calculated and paid directly to the New Zealand Fire Service must be accompanied by the appropriate forms as shown in the [table](#) in the previous section.

The Statutory Declaration must be witnessed by a Justice of the Peace, a notary public, a person enrolled as a barrister and solicitor of the High Court or any other person authorised to witness a Statutory Declaration under the Oaths and Declarations Act 1957.

Copies of these forms are downloadable from our website, <http://www.fire.org.nz/levyforms>

## Levy payable on motor vehicles

Levy is payable at a flat rate of \$6.08 per motor vehicle not exceeding 3.5 tonnes gross laden weight. Definitions of the terms are in the [Land Transport Act](#) and [Road User Charges Act](#).

Levy on all other ‘vehicles’ (over 3.5 tonnes gross laden weight) is calculated in the same manner as [‘other property’](#).

## Levy payable on residential buildings and personal property

Fire Service Levy is payable on all assets insured against the risk of fire, but residential buildings and personal property are subject to a limit.

Section 48(6) of the Fire Service Act states that the amount for which the property is insured for the contract of fire insurance shall be—

(a) In the case of residential building as defined in section [2\(1\)](#) of the Earthquake Commission Act 1993, the amount for which that building is insured pursuant to section [18](#) of that Act:

(b) In the case of personal property as defined in section [2\(1\)](#) of the Earthquake Commission Act 1993, the amount for which that property is insured pursuant to section [20](#) of that Act:

Clarification on the types of buildings that are subject to a limit are in the Earthquake Commission guide at: [http://www.eqc.govt.nz/sites/public\\_files/insurers-guide-september-2012.pdf](http://www.eqc.govt.nz/sites/public_files/insurers-guide-september-2012.pdf)

## Levy payable on contract extensions

Levy is payable on policy extensions if they increase the sum insured during the policy period. The two most common examples of these types of extensions are contract works and capital additions. All levy payable should be assessed on these types of insurance and it is payable at the inception of the policy and for the period of the insurance.

Where the extensions are not fully utilised during the period of insurance, the unused portion of levy may be offset against the levy payable for the current period. Given this may be subject to an [audit](#), appropriate records must be kept.

Where the amount of the sum insured under the contract extension represents the estimated completed value of all of the property, that amount shall be used as the indemnity value of that property. For any global policies, the amount shown in the policy shall be used, unless a local (NZ) limit is specified.

### Contract works policies

No variation or discount of levy is allowed for existing completed property that is also insured within a contract works insurance policy, as levy is payable on all contracts of fire insurance.

Where work is being undertaken on properties that are subject to [limits](#) or [exempted](#), then the amount of levy [may](#) be reduced (see calculations below). Where work is being done on exempted assets, it does not automatically make the contract works policy exempt from levy, as the policy would provide fire cover for assets other than what is being built.

If the construction insurance continues to apply after the end of the period of construction and/or during any period of maintenance, levy will be calculated on that value without discount for the period of that insurance.

There are two methods for calculating contract works levy. These are:

#### Option A

The sum insured shall be deemed to represent the indemnity value of the property

and levy shall be calculated on that value. A discount factor of 50% is applied to reflect the fact that the value of the works undertaken increases progressively over the period. This value is then pro-rated for the period of the insurance contract.

Assuming a sum insured of \$2 million for a period of insurance of 6 months, levy payable under this option would be \$380, calculated as follows:

Sum Insured (multiplied by)	\$2,000,000
Levy Rate (multiplied by)	7.6 cents per \$100 insured
Pro rata period (multiplied by)	50%
Period of cover	6/12 months

### Option B

Option B allows for levy to be calculated based upon an estimated value of property at the end of each applicable period. Given these are estimates of the work that should be completed; the levy rate applies to the estimated values without the benefit of the 50% discount.

Assuming the same circumstances as above, but that the value of work completed in each of the first two months would be \$500,000, and thereafter at \$250,000 per month, levy under this option would be \$506.67, calculated as follows:

Estimated month end value (multiplied by)	\$500,000 - \$2,000,000
Levy rate (multiplied by)	7.6 cents per \$100 insured
Period of cover	1/12 months

Month	Estimated Month End Value	Levy Payable
1	\$500,000	\$31.67
2	\$1,000,000	\$63.33
3	\$1,250,000	\$79.17
4	\$1,500,000	\$95.00
5	\$1,750,000	\$110.83
6	\$2,000,000	\$126.67

This form of insurance insures property while it is being constructed. If the period of construction is for more than one year, then the discount of 50% will not apply to any work that is completed and continues to be insured in any subsequent period(s). The Insured shall make a declaration to the Insurer so that a premium adjustment may be made to reflect the actual value of work undertaken.

### Levy payable on all other assets

Levy is payable on all assets insured against the risk of fire. Assets are not limited to buildings and include stock, plant and equipment and anything else insured against the risk of fire. The Third Schedule of the Fire Service Act contains a list of items that are [exempt](#) from levy.

Where an item is not exempt and is not subject to limits, levy is payable at the rate of 7.6 cents per \$100 of assets insured. The value of assets insured is generally calculated using the [sum insured](#), but where settlement of the claim is no more favourable than the sum insured, it can also be calculated on the [indemnity value](#) of the assets covered by the policy.

The indemnity inflation factor is deemed to be part of the indemnity value. So, whenever inflation is insured in an indemnity value contract of fire insurance the levy is deemed payable (less the same discount up to a maximum of 50%) that the insurer has applied in determining the premium rating for the contract of insurance.

## Calculating Fire Service Levy

This simple table is designed to help you think about the issues that are involved with the calculation of levy:

Sum insured under the contract (or indemnity value of assets plus any applicable inflation)
Less
• Items exempt from levy
• Items subject to limits
Primary levy liability
Add levy on items subject to limits
• Residential buildings
• Personal property
• Motor vehicles
Levy on assets
Add levy on limits and extensions
• Contract works
• Capital additions
Annual levy liability
Multiply by period of cover
Levy payable
Add GST (currently 15%)
Total amount payable to the NZFS Commission

## Pro-rated Calculations

Levy is payable based on a contract period of 12 months (1 year). If a policy has a duration that is outside of this period, a pro-rated calculation of levy needs to be made by calculating the number of days that the insured period runs for.

## Levy Interest and Surcharge

If a payment is late, interest may be charged at 1.5% per month, or pro rata for each part month the levy is late. If the levy payment is over 6 months late, a surcharge of 10% plus GST must be added to the outstanding levy. This surcharge is charged for every period of six months that the levy payment is late. The surcharge will continue to accrue on any unpaid amount (excluding interest) until the outstanding levy has been paid.

Interest and surcharges are calculated on the GST-inclusive value of the outstanding/late levy value. Any payments that are received after the 15<sup>th</sup> of the month are deemed late under the Act. When a levy payment has been identified as being late or a shortfall has been identified, an invoice will be issued for any levy arrears, interest, surcharge and GST where applicable.

## Assessments and audits

When the relevant [forms](#) accompanying the levy payment are submitted, an initial review of the calculation is performed. This review checks the payment for timeliness, completeness of information and accuracy. You may receive a phone call or a follow up letter requesting further information.

In addition, a selection of brokers, insurance companies and companies that make payments directly to the Fire Service are audited by the Fire Service. In the event that you are selected for an audit, one of our staff will be in touch two weeks before the intended start date.

Most compliance audits will not require our attendance at your premises. Under section 51 of the Act, you are required to keeping full particulars of each contract of fire insurance and the amount of the levy and date of its payment to the Commission. These documents must be presented when requested as part of a compliance audit.

## Items exempt under the Third Schedule

Some items of property are exempt from levy. Please note that these exemptions are very specific and the NZ Fire Service recommends you contact the levy analyst on (04) 496-3656 or e-mail [levy.analyst@fire.org.nz](mailto:levy.analyst@fire.org.nz) for specific advice on any items you intend exempted from levy. Shortfalls of levy as a result of property being incorrectly exempt will result in late payment penalties as outlined in the Act.

- Any ship or anything in a ship, except while the ship is on land:
- Any standing bush or forest:
- Any road, street or path:
- Any railway track or pole, or any tramway track or pole:
- Any bridge or viaduct either completed or in course of construction, or any boxing or falsework used in construction of any bridge or viaduct:
- Any tunnel or cutting:
- Any retaining wall, dam, breakwater, mole, groyne, fence or wall:
- Any drain or channel:
- Any reservoir, swimming bath, water tank (other than a water tank installed as part of the water supply system of any dwelling or farm building), water tower, or septic tank:
- Any water reticulation pipe (other than a water reticulation pipe which in the opinion of the Earthquake and War Damage Commission, constitutes a structural part of any building):
- Any electric supply, telegraph or telephone pole, line or cable:
- Any mine or quarry:
- Any aircraft or anything in an aircraft except while insured under a contract which is substantially a contract of fire insurance:
- Any goods in transit, except while insured under a contract which is substantially a contract of fire insurance:
- Any hazardous substance (as defined in Section 2 of the Hazardous Substances and New Organisms Act 1996):
- Any livestock:
- Any growing crops (including fruit trees and vines):
- Any ensilage insured in the open field:
- Any hay or other cut crops insured in the open field:
- Any offshore installation for petroleum mining operations as defined in the Petroleum Act 1937:
- Any pipeline, electricity cable, or telecommunications cable which is located on the sea floor.



## **Other items exempt from levy**

The Fire Service also considers the following not to be property within the definition of the Act, and therefore no levy is payable on:

- Demolition costs
- Fees
- Expediting costs following a claim
- Cost of property protection following a claim
- Money
- Employees tools and personal effects
- Employees vehicles whilst in use on insured's business

## Glossary of terms

"Act" is the [Fire Service Act \(1975\)](#)

"Book value" – is the cost or adjusted value of an asset in the financial records of a company. This value is never used in the calculation of Fire Service levy unless a company adjusts book value to reflect replacement values.

"Commencement date" is the date from which the policy applies

"Commission" is the New Zealand Fire Service Commission

"Contract of Fire Insurance" means an agreement whereby any property is insured against loss or damage from fire, whether the agreement includes other risks or not; but does not include any contract of marine insurance or any contract of reinsurance

"EQC" is the Earthquake Commission

"EQC Act" is [Earthquake Commission Act \(1993\)](#)

"Exempt assets" are those set out in the Third Schedule of the Act. No Fire Service levy is payable on [exempt assets](#).

"GST" is the Goods and Services Tax prescribed under the Goods and Services Tax Act 1985

"Indemnity value" represents the value of the item at the time of the loss. Given it is an estimate of the amount that you would be paid in the event of a loss, it is often not specified in insurance contracts, but generally ascertained by a valuation.

It is calculated as the replacement cost of an asset less an allowance for the depreciation/ condition of the asset, and is designed to put you in the same financial position you were in immediately before the loss occurred.

"Insurance Company" is defined under Section 2 of the [Fire Service Act](#), and includes any company, corporation, or partnership which, or person who,—

(i) Undertakes any liability under any contract of fire insurance (other than marine insurance), whether exclusively or in conjunction with any other business; or

(ii) Accepts a payment in respect of any property to provide indemnity or a reserve to cover future loss or future damage resulting from circumstances which include loss or damage from fire, or for any other purpose similar or analogous to a contract of fire insurance; or

(iii) Makes provision for the establishment of a fund to provide indemnity to cover future loss or future damage resulting from circumstances which include loss or damage from fire, or for any other purpose similar or analogous to a contract of fire insurance; or

(iv) Issues any cover note in respect of a contract of fire insurance or gives any information that insurance, which includes cover from fire, has been effected, or issues any receipt acknowledging the receipt of a premium in respect of a contract of fire insurance, or receives any premiums, proposals, or requests for insurance which includes cover from fire;

"Levy" is Fire Service levy

"Market value" is the price that would be paid in a competitive auction setting. Market value is sometimes used interchangeably with indemnity value although these terms are not always identical.

"Mixed-use Building" – is a building that is used for both residential and commercial purposes

"Motor Vehicle" - means a motor vehicle as defined in section 2(1) of the [Land Transport Act 1988](#)

"NZFS" is the New Zealand Fire Service

"Owner of Property" includes any company, corporation, partnership, or person who is entitled to legal or beneficial ownership of, or is entitled to any form of tenure, possession, or right to, any such property. It includes any company, corporation, partnership, or person, whether resident in New Zealand or not, who is entitled to any indemnity or benefit under any contract of fire insurance, whether or not they are entitled to any form of legal or beneficial ownership or to any form of tenure, possession, or right

"Rate of levy" is the amount set out in the most recent Fire Service Levy Amendment Order. The current rate is 7.6c per \$100 insured.

"Replacement cost/value" is the amount that would be covered by insurance to obtain a new similar or identical item to replace the damaged item.

"Residential Property" – is defined under Section 2(1) of the [Earthquake Commission Act \(1993\)](#)

"Shortfall" is the difference between the amount of levy paid and the amount of levy assessed as payable by the New Zealand Fire Service Commission and/or its agents

"Sum insured" is the amount shown on the policy as the sum insured.