

GLOBAL INSURANCE REGULATORY AND PREMIUM TAX UPDATE



The following is a summary of the latest insurance regulation and premium related news that could affect insurance contracts procured by a multinational group.

CYPRUS: INCREASE IN STAMP DUTIES

The stamp duty rates on insurance contracts will increase with effect from March 1, 2013. The new rates will be as follows:

- General liability and other classes: €2 (US\$2.73) per contract (up from €1.71 (US\$2.33)).
- Property and fire: €1 (US\$1.37) per contract (up from €0.86 (US\$1.17)) for premiums below €1,709 (US\$2,333); or €2 (US\$2.73) per contract (up from €1.71 (US\$2.33)) for premiums above €1,709 (US\$2,333).

DENMARK: NEW PREMIUM TAX

The premium tax payable on insurance premiums is 1.1% on premiums relating to risks located in Denmark. As the premium tax is a levy on the insured, the tax is an addition to the premium. This new fixed rate of tax applies to all policies incepting on or after January 1, 2013.

FINLAND: INCREASE IN PREMIUM TAX RATE

The insurance premium tax rate increased from 23% to 24% on January 1, 2013.

GERMANY: CHANGES IN PREMIUM TAX ADMINISTRATION

The German parliament approved an amended version of the suggested Verkehrsteueränderungsgesetz (VerkehrStAendG) on October 25, 2012, which affects the Insurance Tax Act (VerStG) as well as the Motor Vehicle Tax Act (Kraftfahrzeugsteuergesetz – KraftStG). The amendments generally deal with administrative issues, such as insurance tax due dates and payment in foreign currency. In the case of coinsurance arrangements, the participating coinsurers have the option to appoint one of the coinsurers to pay the entire tax on the amount of premium relating to the risk located in Germany. Reinsurance remains explicitly excluded from the payment of premium tax.

All insurance contracts, issued by insurers resident and licensed outside the European Union, which cover risks located in Germany, either directly or indirectly, became subject to the German premium tax at the applicable tax rate on January 1, 2013.

GUATEMALA: WITHHOLDING TAX RATE CHANGES

The updated tax law (Decreto 10-2012, Article 104, section 1b) increased insurance premium tax from 3% to 5% on insurance and reinsurance premiums paid to nonresidents. Article 105 requires the person or organization paying the insurance or reinsurance payment to a non-resident person to retain the 5% withholding tax and to declare it to the tax authority. These new tax rates were effective from January 1, 2013.

HUNGARY: PREMIUM TAX CHANGES

On January 1, 2013, the Hungarian government introduced a 10% premium tax rate instead of the financial services levy, the vehicle accident tax, and the fire service levy. The premium tax applies on the relevant portion of premiums relating to property and casualty classes of risks located in the country. This premium tax is a charge on the insurers and not the insured, and all insurers, both resident and non-resident, are expected to pay the new premium tax rate on insurance premiums relating to risks located in Hungary.

THE NETHERLANDS: INCREASE IN PREMIUM TAX RATE

The Dutch premium tax has increased from 9.7% to 21%. The new tax rate applies to policies incepting on or after January 1, 2013. The new rate also applies to any policies incepting before January 1, 2013 where the due date for the payment of premium is after January 1, 2013. The premium due date is the date on which the premium is payable by the insured to the broker.

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