

## MARSH INSIGHTS: GLOBAL INSURANCE REGULATORY AND PREMIUM TAX UPDATE

The following insurance regulations and premium-related tax news could affect the insurance arrangements of a multinational group.

### AUSTRALIA – NEW SOUTH WALES

The New South Wales government (NSW) has announced changes to the way in which fire and emergency services are to be funded. With effect from July 1, 2017, all property owners will pay a levy, replacing the existing system. Currently, the levy on insurance policies provides approximately 74% of the funding for Fire and Rescue NSW, the state emergency service, and the rural fire service. The remaining costs are covered by the NSW government and local councils.

It is understood the new property levy will be based on unimproved land values and be collected by local councils. Different property levy rates will be applied to different categories of land. The NSW government will consult with stakeholders over appropriate land classifications such as residential, commercial, farmland, and public benefit land and whether there will be any exemptions for charities, etc.

### CANADA – NEWFOUNDLAND AND LABRADOR

On April 14, 2016, the minister of finance announced that the retail sales tax on insurance premiums that was rescinded in 2008 will be reintroduced with effect from July 1, 2016. A tax of 15% will be applied to insurance premiums for property and casualty insurance policies on the amount of premium relating to the risk located in the province at the time of the purchase or renewal of insurance, regardless of the payment terms.

Additionally, the premium tax rate will increase from 4% to 5%, with effect from July 1, 2016.

### CANADA – HARMONIZED SALES TAX (HST)

The governments of Newfoundland and Labrador, New Brunswick, and Prince Edward Island have increased the rate of HST as follows:

- Newfoundland and Labrador: The HST will increase from 13% to 15%, with effect from July 1, 2016.
- New Brunswick: The HST will increase from 13% to 15%, with effect from July 1, 2016.
- Prince Edward Island: The HST will increase from 14% to 15%, with effect from October 1, 2016.

### CANADA – ALBERTA

The premium tax has been increased from 3% to 4%, with effect from April 1, 2016.

### CHINA – INTRODUCTION OF VALUE-ADDED TAX (VAT)

The scope of application of the new VAT laws in China is being expanded to apply to several sectors that were previously subject to business tax of 5%. Among the sectors that will be subject to VAT beginning May 1, 2016, will be financial services and insurance at 6%. Insurance companies in China will generally be subject to VAT at the rate of 6% of their premium income.

## COLOMBIA – NEW REGULATIONS

As regards any renewal, new account, or quotation process, all supervised entities have to comply with the Risk Management System of Money Laundering and Terrorism Financing (SARLAFT). The Financial Superintendence, the local regulator in Colombia, requires that supervised entities, such as insurers and brokers, implement a SARLAFT and Know Your Client forms in order to prevent them from being used to give the appearance of legality to assets derived from criminal activities or for the channeling of resources to carry out terrorist activities (Circular Básica Jurídica 029 de 2014).

## FRANCE – INCREASE IN TAX RATE AND PARAFISCAL CHARGES

- The contribution to Common Fund for Victims of Terrorism is increased from the current rate of €3.30 to €4.30 per contract with effect from January 1, 2016.
- The premium tax rate on Legal Expenses insurance is increased from 11.6% to 12.5% with effect from January 1, 2016.

## INDIA – INCREASE IN SERVICE TAX ON INSURANCE PREMIUMS AND BROKER FEES

With effect from June 1, 2016, all insurance premiums and broker fees will be subject to an additional 0.5% levy – called the Krishi Kalyan Cess (KKC). Effectively, new total rate of service tax, including KKC and Swachh Bharat Cess (SBC), would be 15%.

## ROMANIA – LOCAL TAXES ON INSURANCE PREMIUMS

Local taxes have increased from 1.3% to 1.7% on all non-life insurance policy premiums, with effect from February 1, 2016. This also applies to fronting policies with inception dates before February 1, 2016, but issued after this date. All such local taxes/levies are payable by the insurance companies. The total taxes/levies of 1.7% consist of 1% policyholder protection levy, 0.3% supervisory levy, and 0.4% contribution to “resolution fund.”

## SOUTH KOREA – RATING OF PROPERTY POLICIES

A regime change in the local insurance industry was expected to be introduced with effect from April 1, 2015. However, current rating for new property policies for property damage values of less than KRW20 billion is still based on the rates derived from the Korea Insurance Development Institute (KIDI). Although there are no statutory tariffs, the Financial Supervisory Service effectively requires local licensed insurers to use uniform net rates derived from Define for a wide variety of insurance classes.

## TURKEY – LAW ON THE PROTECTION OF PERSONAL DATA

The Law on the Protection of Personal Data number 6698 was published in the *Official Gazette* on April 7, 2016. Data controllers are now required to ensure that “personal data,” defined as any information relating to an identified or identifiable natural person, is handled, stored, transferred, processed, and protected in accordance with the strict provisions of the law. Data relating to legal persons are not subject to the law.

## UK – INCREASE IN INSURANCE PREMIUM TAX

The UK government announced on March 16, 2016 that the standard UK insurance premium tax (IPT) will increase by 0.5% (from 9.5% to 10%), with effect from October 1, 2016. All taxable premiums received by insurers on or after October 1, 2016 by insurers, that account for the IPT using the “cash receipt” method, will be subject to IPT at 10%. Insurers that account for the IPT using the “special accounting” scheme will be given a four-month concessionary period that will begin on October 1, 2016, and end on January 31, 2017. During this concessionary period, premiums received relating to policies entered into before October 1, 2016 will continue to be liable for IPT at the current rate of 9.5%.

From February 1, 2017, the new rate of 10% will apply to all premiums, regardless of when the insurance contract was entered into.



## CONTACT

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