

MARKET BULLETIN

REF: Y4657

Title	Hungary - Introduction of Insurance Premium Tax update
Purpose	To update the market on the application of the new insurance premium tax in Hungary previously announced in Market Bulletin Y6429 issued on 26 October 2012.
Type	Event
From	Nick Marman, Indirect Tax Manager, Tax Department Finance, Risk Management and Operations Tel: 020 7327 6727 Email: nick.marman@lloyds.com
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Deadline	Immediate

The purpose of this bulletin is to update the market on the application of the new insurance premium tax in Hungary previously announced in Market Bulletin Y4629 issued on 26 October 2012.

The Hungarian Government recently published further details on the application of the tax which was also confirmed as being introduced from 1 January 2013.

The tax will apply to risks located in Hungary (standard EU location of risk rules apply).

The tax is a charge levied on insurers, i.e. the tax will be deducted from premium by Lloyd's tax department, so underwriters are advised to consider the impact it may have when quoting premiums for new business and renewals.

Underwriters should also note that the applicable tax rate is variable and will be determined based on the cumulative value of business written over the year.

The basic tax rates are 10% and 15% however initially it is suggested that underwriters use rates of 5% and 7.5% respectively as an analysis of business written in 2010 and 2011 indicates that the cumulative value of Lloyd's business will not trigger the full 10% and 15% rates. The tax department will be monitoring business Lloyd's writes and will advise underwriters of any change to the suggested rates.

The basic 10% (suggested 5%) rate applies to property, liability, miscellaneous financial loss and accident risks and the 15% (suggested 7.5%) rate to aircraft hull, ship's hull and motor hull risks. Exemption applies to life and reinsurance. Full details of the rates and how they apply will be published on Crystal.

With effect from 1 January 2013 all Hungarian business processed by Xchanging will be subject to the new premium tax irrespective of the inception date so tax will potentially be due on business already arranged. Underwriters should ensure this business is presented in a timely manner to avoid unnecessary additional costs.

If you have any queries on the content of this Bulletin please contact:

Sarah-Jane Stoddart, tel. 020 7327 6856, email: sarahjane.stoddart@lloyds.com or

Nick Marman, tel. 020 7327 6727 email: nick.marman@lloyds.com

Nick Marman
Indirect Tax Manager
Tax Department