

FROM: International Tax Manager
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SUBJECT: **PREMIUM TAXES – EU ACCESSION COUNTRIES
ADDITION OF SLOVENIA TO CENTRAL TAX SYSTEM**
ATTACHMENTS: Annex
ACTION POINTS: **Underwriters and brokers to note updated tax database; and
new procedures to handle taxes on Slovenian premiums**
DEADLINE: Immediate

1. Introduction

1.1 Following market bulletin Y3316 of 14 May 2003, this bulletin gives information on premium taxes in the ten European Union accession countries. The Annex provides detailed information on handling Slovenian taxes.

2. EU Accession Counties

2.1 The premium tax database in Lloyd's taxation website (www.lloyds.com/taxation) has been updated to show the taxes, if any, that are payable in the ten countries that joined the EU on 1 May 2004. These countries are: Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, the Slovak Republic and Slovenia.

2.2 The Czech Republic, the Slovak Republic, Estonia and Latvia currently do not have any premium taxes or fiscal charges on insurance. And although there are fiscal charges in Hungary, Lithuania and Poland, these do not apply to insurers that are writing business on a freedom of services basis.

2.3 Taxes and fiscal charges are payable on business that is written in and from Cyprus and Malta. However, Lloyds Underwriters have been licensed in these countries for some years and the existing procedures for Cyprus and Malta taxes will continue to apply.

- 2.4 Slovenia has a premium tax and a fire tax which will apply to Lloyd's Underwriters. The Lloyd's Central Taxes System (CTS) (which was described fully in market bulletin Y2594 of 8 August 2001) will be used to account for these taxes.
- 2.5 Detailed notes on the taxes and the procedures to follow are in the Annex to this bulletin. Xchanging has been asked to check the way in which taxes are shown on slips and associated insuring documentation.

3. Readership and Contact Details

- 3.1 This bulletin is being sent to all managing agents, underwriters, Lloyd's brokers and recognised auditors. If you have any queries please contact –

* For technical queries - Roger Ramage on 020 7327 6852 or
by e:mail roger.e.ramage@lloyds.com
Maureen McLeod on 020 7327 6860 or
by e:mail maureen.c.mcleod@lloyds.com

- For queries regarding the processing of business –
Xchanging Enquire helpline on 01634 392999 or
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A. Slovenian Premium Tax

- A.1 There is a premium tax of 6.5% in Slovenia which is charged on the gross premium and can be passed on to the insured. It is the Underwriter's responsibility to assess the tax due and there are three steps in this process.
- A.2 First, the Underwriter must decide whether the risk is situated in Slovenia or not. For tax purposes a risk is located in Slovenia if the insurance:
- (i) relates to buildings and/or their contents and the property is located in Slovenia;
 - (ii) relates to a vehicle which is registered in Slovenia. For these purposes vehicle includes ships and aircraft;
 - (iii) covers holiday or travel risks of up to four months duration and the policy is taken out in Slovenia; or
 - (iv) if (i) to (iii) do not apply, if it covers a policy holder who is either:
 - (a) an individual who is habitually resident in Slovenia; or
 - (b) a business and its business establishment, to which the policy relates, is in Slovenia.

If a Slovenian business establishment is covered in a global (or multinational) policy, tax should be charged on the portion of the premium which covers this establishment.

- A.3 Second, if the risk is located in Slovenia the Underwriter must decide if it is covered by one of the exemptions. The following insurance contracts are exempt from premium tax:
- (i) health, accident and life provided the term of the contract exceeds 10 years;
 - (ii) reinsurance; and
 - (iii) compulsory social insurance for pension, health and disability – currently only provided by the State Pension and Health Fund.
- A.4 Third, if the premium is taxable the Underwriter must apply tax at the rate of 6.5%.

B. Slovenian Fire Tax

- B.1 A fire tax of 5% is due on fire insurance for property located in Slovenia.. If the insurance only covers fire risks the tax should be charged on the total premium. If the insurance covers fire risks and other perils 5% should be charged on 20% of the gross premium.
- B.2 The tax is payable by the Underwriter and is therefore a cost of doing business in Slovenia.

C. Processing

- C.1 The premium tax of 6.5% should be shown in the "risk details" section of the LMP slip as "taxes payable by insured". The fire tax should be shown in the "fiscal and regulatory" section of the LMP slip as "taxes payable by underwriters".