Market Bulletin

LLOYD'S

One Lime Street London EC3M 7HA

FROM:	International Tax Manager
LOCATION:	86/441
EXTENSION:	6860
DATE:	7 January 2002
REFERENCE:	TAX/RER/ln/Y2685
SUBJECT:	**GERMANY - PREMIUM TAX RATE CHANGES** **RUSSIA - ABOLITION OF WITHHOLDING TAX ON REINSURANCE**
ATTACHMENTS	None
ACTION POINTS:	**Underwriters and brokers to note**
DEADLINE:	Effective immediately

1. Introduction

1.1 This bulletin advises underwriters and brokers of:

- increases in German premium tax rates; and
- the abolition of the Russian Federation withholding tax on reinsurance premiums.

Both changes are effective from 1 January 2002.

2. German premium tax

2.1 In order to finance a package of anti-terrorism measures the German Government has introduced legislation to increase a number of premium tax rates. The revised rates came into effect on 1 January 2002.

2.2 The rates of premium tax which apply to all policies incepting on or after 1 January 2002 are shown in the table overleaf.

2.3 The new rates of tax will also apply to additional premiums attaching on or after 1 January 2002 but return premiums will be linked to the rate of tax charged on the original premium.

GERMAN PREMIUM TAX RATES FROM 1 JANUARY 2002	
Risk category	**Premium tax rate**
Fire and fire business interruption where fire is the only stated peril	11%
Combined buildings where fire is a stated peril but there are other stated perils	14.75%
Combined household - contents where fire is a stated peril but there are other stated perils	15%
Marine hull for sea going ships	2% (no change)
Personal accident but only with premium return warranty (for other personal accident the rate is 16%)	3.2%
Nuclear installations	contact Lloyd's Tax Department
All other classes except hail	16%
Hail - where a stated peril	0.02% (no change)

3. Russian Federation

3.1 For many years both insurance and reinsurance premiums paid by Russian insureds to foreign insurers or reinsurers have been subject to Russian withholding tax. These were at effective rates of 5% for insurance and 2.5% for reinsurance.

3.2 However, where the premium is paid to an insurer or reinsurer resident in a country with which the Russian Federation has a double taxation treaty, that treaty may provide for exemption from the withholding tax. The UK-Russian Federation treaty has such a provision and exemption can be claimed using a form which certifies the insurer's country of residence. Further details are in Lloyd's market bulletins of 16 April 1999 (Y2028) and 10 May 2000 (Y2301).

3.3 Following amendments to the Russian Tax Code we have been advised that reinsurance premiums paid by Russian insurers to offshore reinsurers are no longer subject to the withholding tax, with effect from 1 January 2002. This means it will no longer be necessary for Lloyd's underwriters and brokers to arrange completion and certification of the exemption forms for such business.

3.4 There has, however, been no change in the Russian law relating to insurance premiums. The withholding tax is still in force for such business, and the arrangements in place for claiming exemption under the double taxation treaty remain unchanged.

4. Readership and contact details

4.1 This bulletin is being sent to underwriters, Lloyd's brokers and recognised auditors.

4.2 If you have any queries please contact Roger Ramage on Lloyd's extension 6852 (e.mail: Roger.E.Ramage@lloyds.com) or Maureen McLeod on Lloyd's extension 6862 (e.mail: Maureen.C.Mcleod@lloyds.com).

Maureen McLeod
Taxation Department