

# MARKET BULLETIN

REF: Y4096

<b>Title</b>	Sweden, Hungary and Poland – Introduction of Premium Taxes and Fire Brigade charges to the central taxes system
<b>Purpose</b>	To notify underwriters and brokers of new taxes applicable to Swedish motor third party risks, and changes to the processing of Fire Brigade charges in Hungary and Poland.
<b>Type</b>	Event
<b>From</b>	Nick Marman, Indirect Tax Manager, Lloyd's Tax Department Tel: 020 7327 6727, email: nick.marman@lloyds.com
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<b>Deadline</b>	Immediate

This bulletin advises the market on recent changes to the application of Swedish premium tax and also changes to the recording and collection procedures for Polish and Hungarian Fire Brigade charges.

Detailed information on the application of the taxes can be found in the attached Appendices.

- Sweden introduced premium tax on motor third party liability risks with effect from 1 July 2007. From 1 January 2008 the collection and reporting of tax will be handled through Lloyd's Central Tax Reporting System ("CTS"). If a syndicate has written this type of business since 1 July 2007 they should contact Lloyd's Tax Department.
- From 1 January Hungarian and Polish Fire Brigade charges will be handled through Lloyds CTS.

From 1 January 2008 Xchanging will check that the above taxes are correctly shown on the slips and associated insurance documentation.

Managing agents will be advised of the above collections on their Central Accounting Advices under the cost category CHG, tab references 617 for Swedish premium taxes, 613 for Hungarian fire brigade charges and 601 for Polish fire brigade charges.

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**Appendix 1**

**Sweden - Premium Tax**

**1. When is Swedish premium tax due?**

1.1 With effect from 1 July 2007 premium tax is chargeable on insurance policies covering Swedish motor third party liability risks where the risk is located in Sweden, i.e. written in relation to a Swedish registered vehicle.

1.2 Sweden has been a member of the EU since 1995 and for tax purposes a risk is located in a EU member state if the insurance:

- (i) relates to buildings and/or their contents and the property is located in the member state;
- (ii) relates to a vehicle which is registered in the member state. 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 the member state; 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 the member state; or
  - (b) a business and its business establishment, to which the policy relates, is in the member state.

1.3 If a Swedish registered motor vehicle is covered for motor third party liability risks as part of a multi jurisdictional policy, Swedish premium tax will be due on the Swedish proportion of premium and other jurisdiction’s taxes may apply to the balance.

**2. Who is responsible for collection and payment of premium tax?**

2.1 It is the underwriter’s responsibility to assess if premium tax is due. Premium tax should be collected by the broker and paid to the underwriter via the Central Taxes System. Premium tax due should be shown in the “risk details” section of the MRC slip as “taxes payable by insured”. Brokers should pay the premium tax along with the premium to underwriters. Premium taxes will be collected from syndicates by Lloyd’s Taxation Department who will arrange payment to be made to the tax authorities

**3. Method of calculation and administration**

<b>Rates of premium tax:</b>	Motor third party liability	32%
	Group life insurance	
	insurance taken out on an establishment basis	45% of 95% of the premium
	insurance taken out on a freedom of services basis.	81.83% of 95% of

		the premium
	All other classes (including reinsurance)	Exempt
<b>Tax charged to:</b> (i.e. who bears the cost of the duty)	The insured, premium tax is an addition to gross premium.	
<b>Method of calculation:</b>	Rate of tax X gross premium	
<b>How tax is shown on the slip</b>	In the "risk details" section of the MRC slip under "Taxes payable by insured and administered by insurers".	
<b>Method of payment for Lloyd's Business</b>	<p>The insured is liable to account for tax to the authorities in relation to group life insurance premiums.</p> <p>In relation to motor third party liability risks, Lloyds Taxation Department will collect the premium tax from syndicates on a monthly basis.</p> <p>As an interim measure please contact Lloyds Taxation Department if you have written motor business after 1 July 2007 or intend to write motor business before 1 January 2008.</p>	

## Appendix 2

**Hungary – Fire Brigade Charges****1. When are Hungarian fire brigade charges due?**

- 1.1 Fire Brigade charges are applicable on insurance policies covering property risks located in Hungary; these have been listed in the table below.
- 1.2 Hungary became a member of the EU on 1 May 2004 and for tax purposes a risk is located in a EU member state if the insurance:
- (i) relates to buildings and/or their contents and the property is located in the member state;
  - (ii) relates to a vehicle which is registered in the member state. 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 the member state; 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 the member state; or
    - (b) a business and its business establishment, to which the policy relates, is in the member state.
- 1.3 If property risks located in Hungary are part of a multi jurisdictional policy, Hungarian fire brigade charges will be due on the Hungarian proportion of the premium and other jurisdiction's taxes may apply to the balance.

**2. Who is responsible for collection and payment of the fire brigade charge?**

- 2.1 The fire brigade charge is a charge on the underwriters and is a deduction from the premium. It is the underwriters' responsibility to assess if the fire brigade charges are due. The fire brigade charge is included within the premium paid by brokers to underwriters. Fire brigade charges will be collected from syndicates on a quarterly basis from 1 January 2008 by Lloyd's Taxation Department who will arrange payment to be made to the tax authorities.

**3 Method of calculation and administration**

<b>Rates of fire brigade charge:</b>	Motor and Motor liability	1.5%
	Railway rolling stock	1.5%
	Aircraft hull and aviation liability (only in relation to Hungarian registered aircraft)	1.5%
	Ships hull and Marine liability (only in relation to inland lake and river vessels operating in Hungary)	1.5%

	Cargo and Goods in transit (excluding goods on sea going vessels)	1.5%
	Property and fire (excluding business interruption if separately identified)	1.5%
	Terrorism	1.5%
	All other classes including reinsurance	Exempt
<b>Tax charged to:</b> (i.e. who bears the cost of the duty)	The insurer, fire brigade charge is a deduction from gross premium.	
<b>Method of calculation:</b>	Rate of tax X gross premium	
<b>How tax is shown on the slip</b>	In the "Fiscal and Regulatory" section of the MRC slip under "Tax payable by insurer(s)".	
<b>Method of payment for Lloyd's Business</b>	Lloyds Taxation Department will collect the fire brigade charge from syndicates on a quarterly basis.	

## Appendix 3

**Poland – Fire Brigade Charges****1. When are Polish fire brigade charges due?**

- 1.1 Fire Brigade charges have a limited application and are only chargeable on compulsory fire insurance of agricultural building risks located in Poland.
- 1.2 Poland became a member of the EU on 1 May 2004 and for tax purposes a risk is located in a EU member state if the insurance:
- (i) relates to buildings and/or their contents and the property is located in the member state;
  - (ii) relates to a vehicle which is registered in the member state. 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 the member state; 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 the member state; or
    - (b) a business and its business establishment, to which the policy relates, is in the member state.
- 1.3 If compulsory fire insurance of agricultural buildings located in Poland is part of a multi jurisdictional policy, Polish fire brigade charges will be due on the Polish proportion of premium and other jurisdiction's taxes may apply to the balance.

**2. Who is responsible for collection and payment of the fire brigade charge to the authorities?**

- 2.1 The fire brigade charge is a charge on the underwriters and is a deduction from the premium. It is the underwriters' responsibility to assess if the fire brigade charge is due. The fire brigade charge is included within the premium paid by brokers to underwriters. Fire brigade charges will be collected from syndicates on a quarterly basis from 1 January 2008 by Lloyd's Taxation Department who will arrange for the payment to be made to the tax authority.

**3 Method of calculation and administration**

<b>Rate of fire brigade charge:</b>	Compulsory fire insurance of agricultural buildings	10%
	All other classes including reinsurance	Exempt
<b>Charged to:</b> (i.e. who bears the cost of the duty)	The insurer, fire brigade charge is a deduction from gross premium.	
<b>Method of</b>	Rate of tax X gross premium	

<b>calculation:</b>	
<b>How tax is shown on the slip</b>	In the "Fiscal and Regulatory" section of the MRC slip under "Tax payable by insurer(s)".
<b>Method of payment for Lloyd's Business</b>	Lloyds Taxation Department will collect the fire brigade charge from syndicates on a monthly basis.