

# MARKET BULLETIN

**From** Indirect Tax Manager Taxation and Treasury (extn 6727)

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**Date** 15 August 2006

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**Reference** Y3861

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**Subject** **German Premium Tax - Change of rates**

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**Subject areas**

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**Attachments** None

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**Action points** **Underwriters and brokers to note**

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**Deadlines** **Effective immediately**

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The purpose of the bulletin is to advise underwriters and brokers of rate changes to German insurance premium tax and revised procedures for dealing with instalment business.

The German authorities announced that new rates of premium tax will be applicable to insurance premiums received on or after 1<sup>st</sup> January 2007. The revised rates are set out in annex 1.

The new rates will apply to all new business incepting on or after 1<sup>st</sup> January 2007, including all additional premiums attaching to existing policies, irrespective of their original inception date.

In addition the new rates will apply to all instalment premiums with a client due date on or after 1<sup>st</sup> January 2007 irrespective of when the policy incepted. See annex 1 for details on how to process this business.

Return premiums will attract the rate of tax that was applied to the original transaction.

Nick Marman  
Indirect Tax Manager  
Taxation and Treasury

Annex 1

**GERMAN PREMIUM TAX RATES FROM 1 JANUARY 2007**

<b>Risk category</b>	<b>Premium tax rate</b>
Fire and fire business interruption where fire is the only stated peril	14%
Combined buildings where fire is a stated peril but there are other stated perils	17.75%
Combined household contents where fire is a stated peril but there are other stated perils	18%
Marine hull for sea going ships	3%
Personal accident but only with premium return warranty (for other personal accident the rate is 19%)	3.8%
Nuclear installations	Contact Lloyd's Tax Department
All other classes except hail	19%
Hail - where a stated peril	0.02% (no change)

Procedures for dealing with instalment business:

In the case of business with instalments that straddle the 1<sup>st</sup> January 2007 date brokers are required to split the premium under the policy and apply the appropriate rate of tax to each element.

Instalment premium with a client due date prior to 1<sup>st</sup> January 2007 will attract the current rate of tax of 16% (i.e. that in force prior to 2007), instalment premium with a client due date on or after 1<sup>st</sup> January 2007 will attract the new rate of tax of 19%.

Example: Instalment business with premium attracting the “other classes” rate of tax.

The policy incepts on 10<sup>th</sup> October 2006. An initial premium of £1000 + tax is paid on inception and three equal instalments of £1000 + tax are due monthly thereafter. Tax should be calculated as follows:

The first payment and those due in November and December totalling £3000 will incur tax @ 16% i.e. £480. The final £1000 instalment due in January will incur tax @ 19% i.e. £190.

Xchanging have been instructed to check that instalment business where appropriate has been split and taxes applied correctly.