

MARKET BULLETIN

REF: Y5027

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| Title | Luxembourg - Introduction of 3% Premium Tax on Motor 3 rd Party Liability |
| Purpose | To update the market on the introduction of the new premium tax in Luxembourg applicable to motor third party liability insurance. |
| Type | Event |
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| Date | 10 October 2016 |
| Deadline | Immediate |

The purpose of this bulletin is to update the market on the introduction of the new premium tax in Luxembourg applicable to motor third party liability insurance. This premium tax is in addition to the already existing premium tax of 4% levied on the insured.

The Luxembourg Tax Authorities recently announced in Circular N° 779 of 22 August 2016 that the new legislation is effective from 1 October 2016.

The tax will apply to motor third party liability risks for vehicles which are registered in Luxembourg (standard EU location of risk rules apply).

The tax is a charge levied on insurers, i.e. the tax will be deducted from the 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.

The basic tax rate is 3% and is due on the gross premium collected by the insurer. This is inclusive of any commissions and payments received but exclusive of Luxembourg IPT.

With effect from 1 October 2016 all Luxembourg motor third party liability business processed by Xchanging is subject to the new premium tax irrespective of the inception date, so tax will potentially be due on business already arranged. For combined motor policies, the premium should be allocated between the hull and liability elements of the risk for the purposes of calculating the additional tax on only the liability element of the policy.

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