

Title Application of German premium tax - clarification on the treatment of German owned vessels.

Purpose To advise Lloyd's underwriters and brokers of changes to the application and administration of premium tax on German marine business

Type Event

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Application of premium tax - clarification on the treatment of German owned vessels

Where a ship has German ownership*, i.e. owned by a German resident individual or entity, the ship must be registered on a German ship's registry. This is the case irrespective of any other country's registry the ship may be listed on, e.g. under a flag of convenience.

It follows that any insurance covering a German owned ship must have German premium tax applied to the premium in addition to any other taxes that may apply as a result of dual registration or another tax location of risk rule being triggered.

Xchanging will be challenging business presented for processing involving German ownership where no German premium tax has been applied.

*Ownership means legal ownership of the vessel and is narrower than having an insurable interest in the vessel, so a ship manager or bareboat charterer who insures a vessel is not considered the legal owner of the vessel.

In addition the normal information requirements relating to German business apply:

In relation to German ship's hull and ship's liability risks the International Marine Organisation (IMO) number of German vessels must be reported. The IMO number(s) must be recorded on the MRC or in the case of multiple numbers on other supporting documentation, e.g. a spreadsheet.

Lloyd's German premium tax identification number 9116/807/00445 must be shown on Lloyd's policy documentation provided to the insured where Lloyd's underwriters have received and settled the tax. In the exceptional instances where tax is paid by another party it is their tax identification number that must be shown.

If the tax has been settled by another party the following information is required to be captured by Xchanging:

- The amount of gross premium and tax charged in original currency, i.e. the currency the premium was paid in by the insured.
- The name, address and tax number of the person paying the tax on the Lloyd's underwriters' behalf. This may be a local broker, the lead underwriter (under a co-insurance arrangement) or the insured (only in exceptional circumstances).

In addition the party settling the tax must have formal authority from the underwriter to do so. This authority may be in the form of a statement to that effect included in the policy, market reform contract or other document.

Failure to provide any of this information will result in Xchanging rejecting the work package leading to potential delays to the business and premium being processed.

As a result of the introduction of the revised reporting requirements it will no longer be necessary for the authorised German marine broker list held by Xchanging to be maintained. However brokers are reminded that underwriter's explicit permission is still required for any taxes to be settled locally.

It is the Lloyd's underwriter's responsibility to ensure that satisfactory information is captured and failure to do so will result in them becoming liable for any taxes assessed. Lloyd's tax department is not responsible for checking or policing the quality of information captured and in the absence of satisfactory evidence will not automatically investigate and challenge the tax authority's assessment.

Despite local practices Lloyd's underwriters are strongly recommended to ensure that taxes are paid through to them with the premium as this is the only way to gain certainty that taxes have been correctly charged and settled.

For further guidance on the application of German premium tax please see Crystal.

If you have any questions on this bulletin or require further information please contact:

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