Global Insurance Premium Tax (IPT) Newsletter

Welcome to the first issue of EY's Global IPT Newsletter!

This is the first quarterly newsletter concerning changes to indirect taxes and parafiscal charges on insurance premiums.

Most countries have their own IPT regime or tax insurance premiums with value-added tax (VAT) and goods and services tax (GST). Insurers and brokers writing global programs need to be aware of those taxes in all countries where risks are located.
Overview

**Canad**
- Quebec retail sales tax increased to 9% on motor insurance
- Alberta IPT increased by 1%

**US**
- Illinois stamping fee increased to 0.2% on surplus lines insurance policies
- Illinois introduces self-procurement taxes on insurance policies

**France**
- IPT increased to 11.6% on legal expenses cover
- Social security charge abolition postponed to 2016 on motor insurance along with IPT changes
- Taxes on health insurance changed from 2016

**India**
- Service tax increased to 14% in readiness for introduction of GST in 2016

**Malaysia**
- GST implemented

**Sri Lanka**
- VAT reduced to 11%

**Seychelles**
- New VAT exemption introduced

**Greece**
- Insurance Employees’ Pension Fund parafiscal charge change

**Malta**
- Stamp duty increased to 11%

**Portugal**
- National Medical Emergency Service Fund (INEM) tax rate increased to 2.5%

**Slovenia**
- IPT increased to 8.5%

**Albania**
- VAT replaced by insurance tax of 3%

**China**
- VAT implementation planned for 2015

**Italy**
- Changes to provincial IPT rates on motor insurance
- Contribution rate changed for Road Accident Victims’ Fund and Hunting Accident Victims’ Fund parafiscal charges

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VAT replaced by insurance tax of 3%

The VAT of 20%, which was levied on non-life insurance policies, has been replaced by a 3% insurance tax from 1 January 2015. The insurance tax is levied on all non-life insurance policies, except for travel insurance and green card insurance as per the Crete Agreement, which are exempt. All life insurance policies are also exempt from the insurance tax.

Canada – Alberta

Alberta IPT increased by 1%

The IPT rate levied on existing taxable insurance contracts will increase from 1 April 2016. So for life, accident and health insurance this will mean an increase from 2% to 3% and for other insurance policies an increase from 3% to 4%.

Canada – Quebec

Quebec Retail Sales Tax increase to 9% on motor insurance

The Retail Sales Tax rate applicable to motor insurance policies in the province of Quebec has been increased from 5% to 9% from 1 January 2015. This increase aligns motor insurance with all other existing taxable insurance policies.

France

IPT increased to 11.6% on legal expense cover

The IPT rate for legal expenses cover has been increased from 9% to 11.6% from 1 January 2015. This tax rate increase does not apply for policies where the main or exclusive aim is to cover a criminal defense for the insured person or persons with regard to a personal accident claim arising from an accident, which remain taxable at 9%.

Social Security Charge abolition postponed to 2016 on motor insurance along with IPT changes

The Social Security Charge of 15% applicable to the motor liability element of insurance contracts will be abolished from 1 January 2016 and not from 1 January 2015 as was originally planned. The delay in the planned abolition is because the proposed change was not in line with the French Social Security Code, which stated that the abolition would occur in 2016. The planned increases to IPT rates for motor insurance have also been postponed until 1 January 2016.

China

VAT implementation planned for 2015

The plans are still in place to implement VAT on financial services in China before the end of 2015 or early 2016 to replace the existing 5% business tax. It is likely at this stage that the tax rate will be 6%, but this is still to be confirmed and the types of insurance policies subject to VAT are also still to be finalized.

However, it is probable that life insurance policies will be exempt from VAT, as is the case with business tax, but the taxability of reinsurance policies will depend on whether the primary insurance policy is subject to VAT. It is expected that the VAT rules for financial services will be available from Q3 2015.

The existing municipal parafiscal charges, such as the city construction tax and education surcharge, which are calculated on the business tax amount and not the insurance premium, will in all likelihood become taxable on the VAT amount when the new tax regime is implemented.
Taxes on health insurance changed from 2016

There will be changes to the way health insurance policies are taxed from 1 January 2016. The existing IPT rates of 7% and 14% will be abolished and other health insurance contracts mentioned in the French Social Security Code (FSSC), i.e., “Solidaires et Responsables” and “Non Solidaires et Responsables” contracts, will become exempt from IPT.

However, according to changes announced to the FSSC in December 2014, from 1 January 2016, these contracts will instead be subject to a levy in the FSSC paid to finance the Couverture Maladie Universelle (universal health care coverage). The following tax rates will be applied on the premium:

► 13.27% for health insurance contracts deemed “Solidaires et Responsables” and supplementary to the French National Health Scheme (Assurance-Maladie)
► 6.27% for guarantees subscribed satisfying criteria outlined in the French Tax Code (i.e., group insurances and collective operations subscribed by a company, a group of companies or a professional association for their employees)
► 20.27% for health insurance contracts deemed “Non Solidaires et Responsables” and supplementary to the French National Health Scheme (Assurance-Maladie)
► 7% for health insurance contracts deemed “Solidaires et Responsables” and not supplementary to the French National Health Scheme (Assurance-Maladie)
► 14% for health insurance contracts deemed “Non Solidaires et Responsables” and not supplementary to the French National Health Scheme (Assurance-Maladie)

Greece

Insurance Employees’ Pension Fund parafiscal charge change

The Insurance Employees’ Pension Fund parafiscal charge that was levied at different tax rates between 1% and 5% on most life and non-life insurance policies is on a list of charges to be abolished from 1 January 2015, but this is pending a ministerial decision to clarify the issue.

India

Service tax increased to 14% in readiness for introduction of GST in 2016

Following the Union Budget on 28 February 2015, it has been proposed that the Service Tax rate applicable to existing taxable insurance policies will be increased from 12.36% to 14% from a notified date once the 2015 Finance Bill is enacted. This increase appears to be in readiness for the implementation of GST, which is tabled to replace several indirect tax legislations including Service Tax, from 1 April 2016.

At this time, the proposed GST rate is still being discussed by the Government and this information is not in the public domain, but it is understood that the rate could be higher than 16% and may be within the 20% to 22% range.
Italy

Changes to Provincial Insurance Premium Tax rates on motor insurance

► **Province of Isernia**
The IPT rate applicable to motor insurance policies for cars registered in the province of Isernia has been increased from 12.5% to 16% from 1 January 2015

► **Province of Roma**
The IPT rate applicable to motor insurance policies for cars registered in the province of Roma has been reduced from 16% to 9% from 1 February 2015, but only for policies taken out by car rental companies and lease companies to cover the risks of their car fleets. All other motor insurance policies in this province remain taxable at 16%

► **Province of Reggio Calabria**
The IPT rate applicable to motor insurance policies for cars registered in the province of Reggio Calabria has been increased from 15% to 16% from 1 March 2015

► **Province of Vicenza**
The IPT rate applicable to motor insurance policies for cars registered in the province of Vicenza has been increased from 12.5% to 16% from 1 April 2015

► **Province of Cuneo**
The IPT rate applicable to motor insurance policies for cars registered in the province of Cuneo has been increased from 15.5% to 16% from 1 April 2015

► **Province of Cagliari**
The IPT rate applicable to motor insurance policies for cars registered in the province of Cagliari has been increased from 12.5% to 16% from 1 May 2015

**Contribution rate changed for Road Accident Victims’ Fund and Hunting Accident Victims’ Fund parafiscal charges**
The contribution rate applicable to premiums subject to the Hunting Accident Victims’ Fund and Road Accident Victims’ Fund parafiscal charges has increased from 94.9% to 95.6% from 1 January 2015. This means that for insurance policies subject to these parafiscal charges, the effective tax rate levied is respectively 4.78% and 2.39%.

Malaysia

**GST implemented**

GST at 6% has been implemented from 1 April 2015 on insurance policies to replace the existing 6% service tax.

At this time, we are not aware of any changes to the proposed insurance policies that will be either deemed to be exempt or zero-rated from GST, with life insurance being the main exemption.

All general insurance policies will be subject to GST, unless the risk insured is outside of Malaysia.
Malta

**Stamp duty increased to 11%**

It has been proposed in the recent budget that the stamp duty rate applicable to existing taxable non-life insurance policies will be increased from 10% to 11% on policies being incepted from 1 February 2015. The minimum amount of tax payable for any affected policy will also be increased from EUR11.65 to EUR13 if the premium falls between EUR11.82 and EUR118.19. Stamp duty on life insurance policies will remain unchanged. This is still only a proposal at this time, although it is expected that the changes will be ratified by the Maltese parliament in the coming weeks. Finally, even though this is only a proposal, the Government expects the new stamp duty rates to be applied to any affected insurance policies.

Portugal

**National Medical Emergency Service Fund (INEM) tax rate increased to 2.5%**

The National Medical Emergency Service Fund (INEM) tax rate applicable to accident, health, life, motor and travel insurance policies has been increased from 2% to 2.5% from 1 January 2015.

Seychelles

**New VAT exemption introduced**

From 1 January 2015, only insurance of marine cargo and equipment of artisanal fishermen registered with the Seychelles Fishing Authority will be exempt from VAT. VAT of 15% will continue to apply on all other marine insurance policies and any other existing taxable non-life insurance policies. Life and reinsurance policies remain exempt from VAT.

Slovenia

**IPT increased to 8.5%**

The IPT rate applicable to existing taxable insurance policies has been increased from 6.5% to 8.5% from 1 January 2015.

Sri Lanka

**VAT reduced to 11%**

The VAT rate applicable to existing taxable non-life insurance policies has been reduced from 12% to 11% from 1 January 2015. Life and reinsurance insurance policies remain exempt from VAT.
US – Illinois

Illinois stamping fee increased to 0.2% on surplus lines insurance policies

The stamping fee applicable to existing taxable insurance policies placed via a surplus lines broker has been increased from 0.1% to 0.2% from 1 January 2015, with the final tax liability rounded to the nearest whole dollar.

Illinois introduces self-procurement taxes on insurance policies

State legislation has been passed so that policyholders who qualify as an “industrial insured” and self-procure non-life insurance policies without a surplus lines broker or using licensed US insurers are now subject to the same taxes from 1 January 2015 as if they had purchased the insurance using a surplus lines broker.

This is the first time that self-procured insurance policies taken out by an industrial insured policyholder have been taxed in this state. However, since the law came into effect, there have been moves to limit the impact of the change. Two competing amendment bills are now before the state legislature that will seek to potentially fully repeal the tax with the date of the repeal to be confirmed.

If you are interested in hearing more about any of the topics raised in this newsletter, please do not hesitate to contact us.

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