

Increase in Premium Tax Rates in Germany

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NEWS ALERT

The German Federal Council (Bundesrat) has approved amendments to the Insurance Tax Act through the Federal Budget Accompanying Act 2006. Article 5 of the Federal Budget Accompanying Act 2006 ratified an increase in premium tax rates in Germany which are due with effect from 01 January 2007.

New Premium Tax Rates

The changes in rates are as follows:

	To 31 Dec '06	From 01Jan '07
Standard Rate	16%	19%
Home Contents Insurance with fire coverage	15%	18%
Building Insurance with fire coverage	14.75%	17.75%
Fire Insurance	11%	14%
Accident Insurance (with no claims bonus)	3.2%	3.8%
Marine Hull Insurance	2%	3%

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Implications

Since premium tax is charged as an addition to gross premiums, this increase in tax can be passed on to the policyholders, thereby leading to an increase in insurance costs.

Insurers must ensure that the correct tax rates are applied for premium collections both before and after the effective date of this change.

Premium tax is charged by reference to the date of payment of insurance premium. Therefore, premiums paid to insurers up to 31st December 2006 will be subject to the current, lower tax rates.

Premium Tax Requirements in Germany

Premium tax in Germany is chargeable on insurance premiums relating to risks located in Germany as defined by the EU 2nd Non Life Directive.

Premium taxes must be declared and paid on a monthly basis to the Finanzamt. In Germany there is no requirement to appoint a local resident fiscal representative.

How FiscalReps Can Help

Although there is no requirement to appoint a fiscal representative in Germany, FiscalReps are able to provide a compliance solution which will satisfy your requirements.

From our London office we can act as your fiscal agent, preparing and submitting premium tax returns on your behalf and ensuring that your premium tax compliance obligations continue to be met in full.

Our aim is to make premium tax compliance in the EU simple and cost effective.