

## PRESS RELEASE

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### **FISCALREPS IPT FORUM DELEGATES TOLD 'PREMIUM TAX COMPLIANCE IS AN FSA REQUIREMENT'**

**London, November 28, 2007** – A packed audience at this week's second annual FiscalReps Insurance Premium Tax Forum in London were told that insurers need to overcome the obstacles to achieving premium tax compliance in order to meet the demands of the Financial Services Authority. Philip Chaston, licensing specialist at Great Lakes Reinsurance, told delegates that, in the area of insurance premium tax ('IPT'), insurers have largely overlooked the FSA's insistence upon effective financial controls, and that this creates an additional pressure on them to deliver IPT compliance.

The FiscalReps IPT Forum, held on Monday 26 November at the London Underwriting Centre, was attended by over 90 insurance professionals from organisations including AIG Europe, Berkshire Hathaway International Insurance, Hiscox Insurance, Jardine Lloyd Thompson, Munich Re and XL. All were keen to hear expert advice on how insurance companies, brokers and clients can best comply with European premium tax regimes, a highly complex area for which few businesses yet have an efficient solution.

Philip Chaston was one of four speakers on a panel chaired by FiscalReps' chief executive Mike Stalley. The other speakers were David Jordorson, Head of European Indirect Tax at Marsh; Barbara Fardell, VAT & IPT Policy Manager at HM Revenue & Customs; and Greg Sinfield, a partner at law firm Lovells.

Chaston said, "There is a tendency at present for our industry to think of IPT compliance as an isolated headache. However, if premium taxes are going unpaid, it is entirely possible for national tax authorities to fine an insurer or its client. Very quickly, you could end up with a 'Notifiable Event' that must be reported to the FSA. The FSA wants to see that businesses have effective financial controls in place and will take action if they are absent. If more insurers were aware of this, there might be even greater urgency to finding a solution to IPT compliance."

David Jordorson said that the broker plays an essential role in seeing that premium taxes are correctly allocated and paid: "At Marsh, we're committed to securing best terms for our clients and ensuring they are aware of relevant issues. Increasingly, those issues include tax." He observed that premium tax compliance is assuming ever greater importance, as national tax authorities are adopting a more coordinated approach to pursuing non-payment. While he felt that technology might provide a partial solution to the compliance challenge in the medium term, he remained of the view that human interaction will always be a vital component. He said therefore that the allocation of risk and premium taxes will always remain an important issue for agreement between broker, insurer and client.

For HM Revenue & Customs, Barbara Fardell confirmed that the EU's Mutual Assistance Directive, now termed 'Administrative Cooperation', has been used by national tax authorities to investigate IPT compliance matters, although to date such use had not been extensive. She also gave an update on HM Revenue & Customs' recent consultation for fiscal representation within the UK, which may result in an easing of requirements in the future.

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Greg Sinfield of Lovells outlined a recent court case involving DSG, formerly Dixons, which perfectly illustrated the uncertainty surrounding the issue of Location of Risk and, consequently, where premium taxes are due. He said, “While for some types of risk the matter of location is very simple, for others, such as warranty and maintenance agreements, Location of Risk can be debated at considerable length. It is therefore not surprising that many insurers continue to struggle with this issue, with consequent possible legal risks for both them and their clients.

“Evolving case law, such as the DSG case, will gradually help clarify the situation. However, this will be just part of the solution and those in the industry clearly need to take additional steps. Insurers and their clients should seek to agree Location of Risk wherever possible in order to avoid confusion and ensure compliance”, Sinfield concluded.

Mike Stalley, chief executive of FiscalReps, concluded, “From advising our insurance company and captive clients, FiscalReps knows first-hand how complex EU premium taxes remain. There is no sign of IPT harmonisation across the EU and, meanwhile, insurers are under mounting pressure from clients, brokers, regulators and tax authorities to deliver effective compliance. We therefore believe that this annual event plays a valuable role in helping to share knowledge and best practice.”

**Ends**

**FOR FURTHER INFORMATION AND PHOTOGRAPHY FROM THE EVENT:**

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**NOTES TO EDITORS**

**About FiscalReps**

FiscalReps is an independent consultancy that helps insurers and insurance buyers to understand and manage their EU premium tax liabilities. Since its launch in 2005 it has amassed a client list that includes several of the world’s top insurers and corporate captive owners, all of which have been attracted to FiscalReps’ unique outsourced solution for premium tax liability management. Further information is available at [www.fiscalreps.com](http://www.fiscalreps.com).

**About the complexities of Insurance Premium Tax in the European Union**

Since there is no requirement for IPT harmonisation within the EU, there are presently separate IPT regimes operated by 18 EU member states. The majority of these deem insurance companies to be liable for the collection and payment of premium tax on risks covered within their jurisdiction, regardless of the insurer’s own location. As tax rates, payment methods and regulations vary widely between territories, this represents a considerable administrative burden for insurers covering risks in multiple jurisdictions.

Although in most countries the insurer is deemed responsible for the collection and payment of premium taxes, in practice there is often confusion over which party is given operational responsibility for tax settlement. As the result of a landmark ruling in 2001 by the European Court of Justice in the Kvaerner case, EU national tax authorities can pursue buyers of insurance for any premium taxes not correctly declared or paid by the insurer. Few insurance buyers are aware of this exposure, which creates the risk of unwelcome surprise and embarrassment.