

# GOVERNMENT WILL TURN ITS ATTENTION TO INSURANCE PREMIUM TAXES TO COPE WITH THE CREDIT CRUNCH, WARN EXPERTS

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London, 20 November 2008 – Governments could soon turn to transactional taxes to raise extra revenue vanishing from their coffers in the credit crunch, warns independent global tax consultancy FiscalReps (<http://www.fiscalreps.com>).

“Insurers must understand both IPT tax and FET are going to be increasingly on government’s radar,” warns Mike Stalley, the independent taxation services provider's Chief Executive. “As a result, you must ensure tax on both side of the Atlantic gets properly calculated and accounted for or the organisation will end up being not fully compliant.”

Stalley’s message struck home with delegates at last week’s annual Insurance Premium Tax Forum in the City hosted by FiscalReps at Gibson Hall, EC2 (14th November). With over 110 delegates attending the over-subscribed event drew senior representatives from the world’s major insurers – a fact underlining the fact that both US and UK insurers are finally waking up to the potential dangers of poor premium tax compliance (<http://www.fiscalreps.com/aboutus.php>) measures.

“The impact of the economy on tax globally was a major feature of last Friday’s Forum,” noted Stalley. “Insurers are bearing some heavy costs in this area and the forum highlighted what might be in store for the industry.”

A range of speakers at the Forum added similar wake up calls to insurers in the light of the ongoing and unprecedented economic crisis.

Roger Nightingale, a prominent commentator on the global economy, warned: “I believe that the fall-out from current economic development will be dramatic for the insurance market - with government seeing the insurance market as a likely source of revenue.”

Confirming the fact that IPT is getting greater attention in the UK in the light of the IPT Tribunal's recent ruling on HMRC vs. Homeserve, Robert Hartley, Senior Associate at Lovells, presented an analysis of the implications of the case, in particular drawing out the implications for those remunerated on a fee basis who may find themselves suddenly liable. “This ruling is going to affect sections of the industry - profoundly,” he said.

Meanwhile US expert on US tax, Asher Harris from the Law Offices of Asher Harris, New York City, discussed the impact of the United States’ Federal Excise Tax (FET) on insurance premiums, its impact on the structure of cross-border insurance programmes and the US view of the need for “cascading’ FET. “Negotiating complicated US tax treaties is complex, and establishing liability can be difficult,” he explained.

Steve Mummery, responsible for Financial & Executive Risks (FINEX) standards and compliance at Willis, provided an overview of how different tax authorities interpret what a ‘fair’ allocation means. “The complexity of European IPT means there is ample scope for miscalculation,” he warned. “We need to

frame a proposal for a way forward towards finding a common London Market approach.”

Finally, FiscalReps' Consultant Susie Crew discussed how insurers must avoid a 'tick box' based approach to any internal Insurance Premium Tax review (<http://www.fiscalreps.com/services.php?id=5>) - or run the risk of wasting valuable time and money. “Processes might be perfect, but the systems might be inefficient or the data poor and then the focus is on revising the system to improve financial control,” she reminded the Forum.

Concludes Stalley, “More than ever, insurers globally face heavy costs if they fail to address their IPT requirements. The economy and regulatory pressures make this an imperative. The Forum provided an authoritative update on these issues that insurers, brokers, captives and corporates need to understand.”

To download copies of the speakers' presentations, click [here](http://www.fiscalreps.com/viewevent.php?id=29) (<http://www.fiscalreps.com/viewevent.php?id=29>).

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NOTES TO EDITORS:

About FiscalReps

FiscalReps is an independent consultancy that helps insurance businesses to comply with Insurance Premium Tax and parafiscal taxes globally. The company is the European market leader, with a client list that includes many top insurers, brokers and corporate captive owners. Further information is available at [www.fiscalreps.com](http://www.fiscalreps.com)

About IPT

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. But the result of a landmark ruling in 2001 by the European Court of Justice (Kvaerner), means that EU national tax authorities can pursue buyers of insurance for any premium taxes not correctly declared or paid by the insurer. IPT is a tax that is paid on insurance premiums in the EU and under

different member-specific regimes to protect the client from such an eventuality. 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.

