Recent and upcoming Insurance Premium Taxes

Insurance premium tax (IPT) and parafiscal charges remain firmly on tax authorities’ agendas as a tool to increase tax revenue. This edition highlights some of the major legislative changes and changes in practice to premium taxes and other parafiscal charges on insurance transactions around the world.

**Australia**

**Capital Territory – Stamp Duty**

With effect from 1 July 2015 the basic rate of stamp duty decreased in Australia Capital Territory from 4% to 2%. This was part of the Territory’s planned reduction in duty on insurance transactions.

It is expected that the stamp duty rate will further decrease to 0% from 1 July 2016.

**France**

The following changes were introduced relating to Insurance Premium Tax (IPT) and parafiscal charges:

- **IPT** – for certain types of Legal Expenses insurance the rate of IPT increased from 11.6% to 12.5% effective from 1 January 2016.

We understand there is a likelihood of a further increase in rate possibility to 13.4% which may be introduced from 1 January 2017.

- **Terrorism Contribution Rate** – with effect from 1 January 2016 the French government increased the contribution to the Common Fund for Victims of Terrorism from EUR 3.30 per contract to EUR 4.30 per contract.

**Canada (Alberta)**

**Insurance Premium Tax (‘IPT’)**

With effect from 1 April 2016 the rate of IPT increased to 4% from 3%. The reduced rate for insurance classes’ life, accident and sickness has increased from 2% to 3%.

**Canada (Newfoundland and Labrador)**

As per Budget 2016 the following tax rate increases were announced and to be effective from 1 July 2016:

- Insurance Companies Tax to increase to 5% from 4%.

- Retail Sales Tax to be reintroduced on property and casualty insurance premiums at a rate of 15%.

- Harmonized Sales Tax (HST) to increase from 13% to 15% with the provincial portion of the HST increasing from 8% to 10%.
India
Service Tax
As per financial bill 2016, chapter VI, Service tax has increased from 14.5% to 15% with effect from 1 June 2016. This increase was announced in the Budget 2016-17 which proposed the “Krishi Kalyana cess (KKC)” of 0.5% on all taxable services including insurance. Tier A 12% to 16%.

Italy
Road Accident Victims’ Fund and Hunting Accident Victims Fund
Two of the Consap (Concessionaria Servizi Assicurativi Pubblici S.P.A) contributions have had their annual rate changes finalised.

The Instituto Per La Vigilanza Sulle Assicurazioni (IVASS) has fixed the deduction of the taxable base at 3.6%, previously 4.4%. This means the tax base for the Road Accident Victims Fund (RAVF) and Hunting Accident Victims Fund (HAVF) is now 96.4% of premium.

Therefore, with effect from 1 January 2016:
- The Road Accident Victims Fund (RAVF) contribution increased from 2.39% to 2.41%.
- Hunting Accident Victims Fund (HAVF) increased from 4.78% to 4.82% From publicly available information we understand further changes are expected in the next 12 months.

Malta
Fiscal Representative Requirement
On 5 January 2016 the Fiscal Representatives (Financial Services Undertakings Exercising a European Right) (Revocation) Regulations 2016, published in the Government Gazette relaxed the rules requiring the appointment of a fiscal representative for European insurance undertaking which carries business in Malta. Although the fiscal representation requirement no longer exists, it is still necessary to file and pay your premium taxes in accordance with the tax legislation.

Poland
Insurance Ombudsman Contribution
The Insurance Ombudsman Contribution due from foreign insurers (including insurers writing under Freedom of Services) has increased from 0.0125% to 0.0150% of total gross written premium. The contribution rate for domestic (Polish) insurance companies the rate has been set at 0.0138%. The new rates have been effective from 1 April 2016.

United Kingdom
Insurance Premium Tax
The standard rate of IPT increased to 9.5% from 1 November 2015. The 2016 Annual Budget announced a further increase of 0.5%, increasing the standard rate to 10% with effect from 1 October 2016. For insurers using the cask received method the change in rate is effective from 1 October 2016. However, a 4 month transitional period (from 1 October 2016 to 31 January 2017) has been announced for those insurers using the special accounting scheme.

From 1 February 2017, the standard rate of 10% will apply to all relevant premiums.

Disclaimer
We trust you find our IPT and parafiscal update useful. The remit of IPT and parafiscal charges is complex and the information provided within this newsletter is generic in nature. We cannot guarantee the ongoing accuracy of the information, but we wished to alert you as soon as possible to any potential change. Please do contact KPMG’s IPT specialists for any specific advice required.

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