

## Tax Insights

# Insurance Premium Tax

Managing Insurance Premium Tax (IPT) across a number of jurisdictions can not only be costly but can also lead to misunderstandings due to differing regulatory requirements and language barriers. However, help is at hand.

PKF Littlejohn's team of Insurance Premium Tax (IPT) experts provides a comprehensive global IPT management service to insurers and brokers required to collect, report and account for IPT. The team offers a bespoke compliance service tailored to your needs. We are able to advise you on all aspects of IPT in jurisdictions worldwide, through our international network, PKF International, providing practical solutions to complex IPT issues.

### **IPT compliance & advisory services**

IPT is a global issue and an area that is increasingly being targeted by tax authorities to ensure insurers and brokers are correctly accounting for IPT due in their jurisdictions. To tax authorities, IPT is a source of revenue and they are actively looking to identify non-domestic insurers who are underwriting risks in their jurisdiction without being registered. Some have implemented formal procedures and systems to identify the location of insurers.

Administering IPT across a number of jurisdictions can be not only costly but can also lead to misunderstandings due to differing regulatory requirements and language barriers. IPT and associated parafiscal taxes, such as Fire Brigade Tax, are due in the country in which the risk is located, which is not necessarily where the insured is established. Failure to register and account for IPT can lead not only to penalties and interest, but also to regulatory issues – and tax authorities can render policies null and void.

### **Our insurance expertise**

PKF Littlejohn has been a trusted adviser to the UK insurance sector for over 100 years and has one of the largest and most experienced specialist teams of insurance industry experts within the accountancy profession. We work with hundreds of clients throughout the insurance sector, from full- and AIM-listed global carriers, to specialist mutual insurance companies, to domestic and international managing general agents.

### **A comprehensive service**

PKF Littlejohn's IPT team is able to offer a comprehensive, cost effective international IPT service. We can advise on your IPT exposure and responsibilities worldwide and address any issues you may have. We have dealt with projects for insurers underwriting risks in Australia, USA, Japan, Canada, Norway, Switzerland, Iceland, Andorra, South Africa and all EU Member States.

We can support your team and provide a range of services including data checking, insurance classification and review; preparing and filing IPT returns; and dealing with queries raised by the tax authorities.

### **Our international network**

Our membership of PKF International, the eleventh largest network of accounting and business advisory firms, gives our clients access to specialists in all the major insurance markets around the world.

We can advise on the accuracy of your data and on system changes that might be required to ensure that you meet your IPT obligations.

Registering and filing returns may also necessitate the appointment of an agent, or even a Fiscal Representative requiring Power of Attorney and bank guarantees. We can act as a single contact point, thereby reducing costs and minimising the scope for error.

### **Our IPT services**

- Registering insurers for IPT/parafiscal taxes in identified jurisdictions and appointing agents/ fiscal representatives as required
- Reviewing data
- Filing local IPT/parafiscal tax returns as necessary
- Advising on IPT/parafiscal tax liabilities and arranging settlement on your behalf
- Negotiating with the tax authorities to minimise interest and penalties
- Dealing with tax authority queries and inspections as they arise.

### **How we have helped our clients**

#### **Case study 1**

A US insurer with a UK branch was underwriting a gas, oil and mineral exploitation policy with part of the risk onshore in Italy. The US insurer was not registered for IPT or accounting for IPT in Italy, nor was it authorised to write risks there. The Italian authorities looked to rule the entire policy null and void, even though the US insurer was underwriting less than 5% of the risk in Italy. We negotiated with the Italian authorities and agreed that the US insurer was technically authorised through the lead insurer, a Lloyd's Syndicate, persuading the tax authorities that the US insurer should be allowed to register and account for the IPT due.

#### **Case study 2**

A client of a major insurance broker was identified as having a retrospective IPT liability in several EU jurisdictions. We arranged registration and negotiated with the tax authorities to remove the threat of penalties for late registration and minimise the interest payable.

#### **Case study 3**

A global insurance company acquired a book of insurance business and identified significant retrospective IPT and parafiscal tax liabilities across Europe. We successfully registered the insurer in all required jurisdictions within three months and negotiated with the tax authorities to reduce interest and penalties to a minimum. We reviewed an insurer's premium data and identified errors in the categorisation of policies that had resulted in large overpayments of IPT and parafiscal taxes. We successfully negotiated the refund of overpaid tax in a number of jurisdictions.

For further information or to arrange a meeting with our expert team today, please contact:



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