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German Tax and Legal News

Consequences of Brexit on Insurance Premium Tax liability

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The impending withdrawal of the UK from the EU on 29 March 2019 will have consequences for the tax payment rules in Germany's insurance premium tax (IPT). Specifically, UK insurance companies that cover German risks no longer will be considered the responsible party for payment of the IPT; instead, the tax generally will have to be paid by the policyholder.

Under Germany's IPT, if an insurance policy covers risks that are subject to the tax, the insurer is responsible for reporting and paying the IPT if it is resident or has a registered office or permanent establishment in the EU or the European Economic Area (EEA).

If a UK company is the insurer, once the UK leaves the EU/EEA, the UK insurer no longer will be responsible for paying the IPT, and in general, the policyholder will have to pay the German IPT to the relevant tax authorities (BZSt). However, it is possible to authorize a special IPT agent to collect the insurance premium, and if the agent is resident in the EU/EEA, he will be liable for the IPT payment.

Notwithstanding the above, German law allows a person to declare and pay German tax voluntarily, even if the person is not responsible for paying the tax. As a result, UK insurance companies can continue to pay German IPT under their current IPT registration, even if the UK no longer qualifies as an EU/EEA member state. In such cases, the policyholders should be informed that the UK insurance company will continue to pay German IPT on a voluntary basis and the company should notify and reach an agreement on this procedure with the BZSt.

Notably, businesses that reorganized before Brexit in a way that insurance policies were transferred to a legal entity resident in an EU member state are not affected by the above.

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