

# MARKET BULLETIN

REF: Y4629

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| <b>Title</b>    | Hungary - Introduction of Insurance Premium Tax   |
| <b>Purpose</b>  | To notify underwriters and brokers of the introduction of a new premium tax applicable to Hungarian risks   |
| <b>Type</b>     | Event   |
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| <b>Date</b>     | 26 October 2012   |
| <b>Deadline</b> | 1 January 2013  |

This bulletin advises the market of the proposed introduction of insurance premium tax in Hungary and revised tax processing arrangements for Hungarian fire brigade charges.

The Hungarian Government recently announced their intention to replace a number of insurance related taxes, including fire brigade charge, with an insurance premium tax. The proposed date of introduction is currently 1 January 2013.

The tax will apply to risks located in Hungary (standard EU location of risk rules apply). The rate of tax for property and accident risks will be 10% and it is believed that other classes of insurance will also be caught by the charge. Motor risks will attract rates between 15% and 30%. When details are available they will be published on Crystal.

Unlike many European insurance premium taxes the charge will be levied on insurers, i.e. the tax will be a deduction from premium. In light of the proposed rate of tax underwriters are advised to consider the impact the tax may have when quoting premiums for new business and renewals.

Unless otherwise advised from 1 January 2013 all Hungarian business processed by Xchanging will be subject to premium tax. The inception date of the business is not relevant when considering if tax is due therefore where tax has not been taken into account underwriters should ensure business is presented in a timely manner to avoid incurring the tax.

At this time it is not clear if any exemptions will apply but as soon as information is available it will be published on Crystal, however it is understood that reinsurance will not be subject to the tax.

With effect from 1 January 2013 Hungarian fire brigade charge will be abolished. Arrangements in relation to how this will effect business incepting after 31 December 2012 or additional and return premiums processed after 31 December 2012 will be advised to the Market as soon as this is known.

If you have any queries on the content of this Bulletin please contact:

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