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LOCATION: TAX/58/323
EXTENSION: 6860
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REFERENCE: TAX/MCM/hrc/Y2416
SUBJECT: GREECE - PREMIUM TAX PROCEDURES
SUBJECT AREA(S):
ATTACHMENTS:
ACTION POINTS: **Underwriters and Brokers to note.**
DEADLINE: **Immediate.**

1. Introduction

- 1.1 The purpose of this bulletin is to remind Underwriters and Lloyd's Brokers of the current rates of tax applicable on insurance premiums where the associated risk is located in Greece and to update them on several procedural changes in relation to payment.
- 1.2 Although taxes are payable by the insured, the insurer is required to have systems which ensure that the tax is paid to the Greek tax authorities. Lloyd's current arrangements use Greek intermediaries and Lloyd's brokers. Section 2 sets out the rules for determining whether premium tax is due, section 3 describes a number of fiscal levies which are also payable, and section 4 sets out the procedures for payment.

2. What determines whether tax is payable

- 2.1 A premium tax is payable on all insurance premiums where the associated risk is located in Greece unless the premium is specifically exempted. The tax can be charged to the insured.
- 2.2 It is the underwriter's responsibility to assess the tax due and there are three steps to this process. Firstly, the underwriter must decide whether the risk is situated in Greece or not. For tax purposes a risk is deemed to be located in Greece if the insurance:
 - (i) relates to buildings and/or their contents and the property is located in Greece; or
 - (ii) relates to a vehicle which is registered in Greece. For these purposes, "vehicle" includes ships and aircraft; or

- (iii) covers holiday or travel risks of up to four months duration and the policy is taken out in Greece; or
- (iv) if (i) to (iii) do not apply then the risk is located in Greece if it covers a policyholder who is either:
 - an individual who is resident in Greece; or
 - a business with its business establishment, to which the policy relates, in Greece.

2.3 Secondly, if the risk is located in Greece, the underwriter must consider if it is covered by one of the exemptions. These exemptions are:-

- Marine hull
- Marine liabilities
- Aviation hull
- Aviation liabilities
- Goods in international transit
- Life business for a period over 10 years
- Reinsurance.

2.4 Finally, if the risk is taxable, the underwriter must then decide the rate of tax. The tax is payable on the gross premium and currently the following rates apply:

- | | |
|--|-----|
| • Fire | 20% |
| • Motor | 11% |
| (comprised of 10% premium tax plus 1% National Road tax) | |
| • Life - for a period under 10 years | 4% |
| • Other classes | 10% |

3. **Other Parafiscal Charges**

3.1 In addition to the premium tax there are also other parafiscal charges payable on premiums and, in some cases, claims.

3.2 **Stamp duty:** Stamp duty is payable on premiums (total premium + premium tax) and claims on all Greek risks, except reinsurance, marine and aviation hull and liabilities, whether written on a services or establishment basis. Stamp duty can be charged to the insured.

The current rates are:

- | | |
|---|------|
| • On all premiums | 2.4% |
| • On claims payments for goods carried by sea | 1.2% |
| • On all other claims payments | 3.6% |

3.3 **Insurance Employees Pension Fund:** Contributions to this fund are payable on all Greek risks, except reinsurance, marine and aviation hull and liabilities, whether written on a services and establishment basis. They should be calculated on the gross premium, excluding premium tax and stamp duty.

The current rates of the Insurance Employees pension fund are:

- For fire and other related risks 2%
- For theft 1%
- For transportation of goods, including by sea 1%
- For motor vehicles (damage and liability) 2%

These contributions are payable by insurers and represent an additional cost of doing business in Greece.

3.4 **Auxiliary Fund:** Contributions are payable both by the insurer and by the insured on motor vehicle liability business. A total of 5% of gross premium, excluding premium tax and stamp duty, is payable to the Auxiliary Fund, as follows:

- Insurer's contribution 3.5%
- Insured's contribution 1.5%

3.5 **Motor Insurance Bureau (MIB):** Contributions are payable by the insurer on motor vehicle liability business.

The current rates for the MIB, which should be calculated on the gross premium, excluding premium tax and stamp duty, are:

- For general vehicles 0.3%
- For trucks of international transportation 12%

3.6 **Contract Fee:** It is Greek market practice (not mandatory) for a contract fee of between 10%-20% of gross premium to be charged on every Greek insurance policy. Underwriters are free to negotiate their own arrangements with Greek intermediaries as to the amount and beneficiary of this charge.

The amount of the contract fee must be shown on all insuring documents sent to the insured and on the slip.

4. **Method of payment of taxes and parafiscal charges.**

4.1 **Business placed through a Greek intermediary:** The Greek intermediary should collect the premium, together with any taxes and parafiscal charges that can be charged to the insured, i.e. the premium tax, stamp duty and, if applicable, the insured's contribution to the Auxiliary Fund on motor liability. All taxes and parafiscal charges, including those

payable by the insurer, should be paid to the relevant fiscal authorities.

The Greek broker must send payment receipts from the fiscal authorities for premium taxes and parafiscal charges to Lloyd's Greek representative office on a monthly basis.

- 4.2 Business not placed through a Greek intermediary (i.e. direct assured business): The Lloyd's broker should collect the premium from the insured together with any taxes and parafiscal charges that can be charged to the insured, i.e. the premium tax, stamp duty and, if applicable, the insured's contribution to the Auxiliary Fund on Motor Liability. All taxes and parafiscal charges, including those payable by the insurer, should be paid to Lloyd's fiscal representative in Greece, Lloyd's Greece SA, c/o Lloyd's Greek representative office.

Cheques for tax payments should be made in the name of "Lloyd's Greece SA" and sent to Lloyd's Greek representative office. Payments should be made in the currency in which the original premium was paid (i.e. Sterling, US Dollars or Greek Drachma). Alternatively, payments can be made by bank transfer – please contact Lloyd's Greek representative office for further information.

The details of Lloyd's Greek representative office are as follows:

Lloyd's Greece SA
362 Syngrou Avenue
Kallithea, 176 74
Athens.

At the time of payment to the fiscal representative, the Lloyd's broker must also send a copy of the cover note relating to the policy to Lloyd's Greek office. The cover note must give a full breakdown of the taxes and parafiscal charges applicable to the policy.

5 Conclusion

- 5.1 Underwriters and Lloyd's Brokers should note the change in bank account details of the Greek fiscal representative for the payment of taxes without the involvement of a Greek intermediary. These changes are with immediate effect.
- 5.2 This bulletin gives Underwriters and Brokers the information they need to decide whether a risk is taxable or not and procedures for payment. It is important that correct taxes are paid. There is a provision in Greek law for tax audits and if insufficient tax is paid the Lloyd's underwriter will be responsible for paying the further tax due, together with any fines and interest charge.
- 5.3 This bulletin is being sent to all underwriting agents, underwriters and Lloyd's brokers. If you have any queries please contact me on Lloyd's extension 6860 (or 020 7327 6860) or Marianna Papadakis of Lloyd's Greek representative office on +30 1 94 21 973.