

# MARKET BULLETIN

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| <b>From</b>          | Indirect Tax Manager Taxation (extn 6727)  |
| <b>Date</b>          | 24 August 2006   |
| <b>Reference</b>     | Y3863  |
| <b>Subject</b>       | <b>Spanish Premium Tax - Temporary Reduced Rate</b>  |
| <b>Subject areas</b> | Spanish Premium Tax - Temporary Reduction applicable to insurance related to the public transport of people and goods                  |
| <b>Attachments</b>   | Annex  |
| <b>Action points</b> | <b>Underwriters and brokers to apply as necessary</b>  |
| <b>Deadlines</b>     | <b>Immediate for business where policy documents are not yet issued<br/>10 October for any reclaims relating to existing contracts</b> |

On 19th July 2006, the Spanish Government introduced a temporary 75% IPT reduction in relation to certain contracts of insurance. This applies to insurance covering risks related to the public transport of passengers and goods, i.e. passengers' personal accident, third party material damage, third party liability, damage to own property and other types of transporters' liability.

For calendar year 2006 such policies will effectively attract a 1.5% rate of IPT, representing a 75% reduction from the normal 6% premium tax rate. To qualify for the 75% IPT reduction the following conditions must be met:

- a) the policy must incept between 1<sup>st</sup> January 2006 and 31<sup>st</sup> December 2006;
- b) the premiums must be due from the insured in 2006;
- c) the duration of the contract must not exceed 1 year; and
- d) any repaid premium tax must be returned to the insured.

The Annex to this Bulletin sets out the procedures for adjusting for overpaid premium tax in respect of existing policies and for applying the 75% reduction to new insurance contracts. If you have any queries please contact me on 020 7327 6727 or [nick.marman@lloyds.com](mailto:nick.marman@lloyds.com).

Nick Marman  
Indirect Tax Manager  
Taxation

## ANNEX

**I. Procedure for reclaiming overpaid premium tax in relation to qualifying policies incepting prior to 19<sup>th</sup> July 2006 where policy documentation has been issued.**

Brokers or underwriters should provide the following details to Lloyd's Tax Department at [nick.marman@lloyds.com](mailto:nick.marman@lloyds.com) or fax 020 7327 5559. Lloyd's Tax Department will then arrange for the overpaid tax to be returned to underwriters in October 2006.

The following information is required:

1. Policy signing number and date
2. Broker policy reference
3. Inception date of the policy
4. Policyholder's fiscal identification number
5. Amount of gross premium to which insurance premium tax applied
6. Amount of IPT originally paid
7. Rate of IPT originally applied
8. IPT calculated to be overpaid
9. Difference between IPT paid and IPT overpayment.

To ensure valid refunds are claimed the information must be provided to Lloyd's Tax Department by 10<sup>th</sup> October 2006 at the latest. No adjustments can be made for overpaid IPT after that date.

Note that to qualify for a repayment of premium tax the overpaid tax must be returned to the insured. Underwriters will be responsible for keeping the necessary records to evidence this in the case of audit by the Spanish tax authorities.

**II. Procedure for processing qualifying policies that (i) incept on or after 19<sup>th</sup> July 2006, or (ii) where policy documentation has yet to be issued.**

The 75% IPT reduction is directly applicable to these policies and should be shown on the documentation issued to the insured. In addition the premium tax at 6% that would have been applicable should also be shown on policy documentation. When presenting slips for processing, brokers should clearly mark them as subject to the 75% IPT reduction.

If a policy has already been issued in relation to a risk incepting on or after 19<sup>th</sup> July an amended policy should be issued reflecting the new procedures. This must be done by 31<sup>st</sup> December 2006.

Xchanging will be validating qualifying policies.