



German Insurance Premium Tax ("IPT") changes impacting non-EEA risks December 2020

Summary

German IPT is normally due on insurance premiums related to risks located in Germany. Following recently proposed changes to German IPT law, the scope of German IPT is expected to be extended to also include any risks located in non-EEA countries where there is a German policyholder. As a result, risks located in non-EEA countries may be subject to double taxation.

Background

On 29 October 2020, the German Bundestag approved changes to the German Insurance Premium Tax law i.e. the "Insurance Tax Modernisation Act". Once the new law is enacted, AIG Germany will collect German tax with respect to risks located outside the EEA where there is a German policyholder (Article 1, Section 2 of the Insurance Tax Modernisation Act). These changes are expected to come into force imminently pending publication in the German Federal Gazette i.e. in December 2020.

Implications

The implication of these changes is that, as well as any tax paid locally in non-EEA territories, German IPT will now also be applicable on premium allocated to non-EEA risks where there is a German policyholder.

These rule changes will impact the following policies:

- All risk categories, in particular risks which relate to a non-EEA subsidiary, branch or other establishment of the policyholder, including general liability and miscellaneous financial loss;
- With a German policyholder (based on the location of its seat, domicile or abode); and
- Premium is (wholly or partially) allocated to a non-EEA territory.

EEA risks located outside of Germany are unaffected by these changes and the premiums relating to these risks will continue to be taxed where they are located.

Impact to you

AIG is an insurer registered in the EEA and therefore, will be required to apply and collect tax in accordance with the new rules. AIG will apply the new rules where the premium due date is after the implementation date. It is understood that the implementation date (i.e. publication of the new law in the Federal Gazette) is imminent.

AIG invoices impacted by these rules and due to be issued in December 2020, will be held back pending the implementation of the rules to avoid multiple invoices being required. The invoices will be issued when the rules have been implemented. Other invoices not impacted by these rule changes, including those which do not provide non-EEA coverage, will be issued as normal.

If you have any questions regarding the impact on your policy, please reach out to your AIG contact.