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## Reinsurance suffers VAT ruling

*by Richard Kilner*

The European Court of Justice has ruled that VAT is now payable on reinsurance contracts, in a reversal of standard industry practice.

It raises fears that those selling reinsurance and insurance will suffer damage to cash flow in light of the ruling, made on a case involving Swiss Re.

The case related the sale of reinsurance contracts between Swiss Re entities in Germany, considered by the local authorities to constitute a supply of service liable for 19% VAT.

The European Court of Justice ruled in favour of the German tax authorities, and the ruling now applies to all the member states of the EU.

TMF VAT & IPT Services' spokesman Richard Asquith has described the ruling as hugely significant, with the implication that it might not only affect reinsurance but insurance as well.

The insurance industry is now undergoing an urgent review into its future transactions, and any in the recent past caught by the ruling.