

Insider Week » EU throws VAT curveball at reinsurers

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In a reversal of normal industry practice, the European Court of Justice (ECJ) ruled last week (22 October) that value-added tax (VAT) is now liable on the cross-border sale of portfolios of reinsurance business, potentially increasing costs for (re)insurers, according to experts.

The ECJ ruled on a case – *Swiss Re Germany Holding GmbH vs Finanzamt München für Körperschaften* – that 19 percent German VAT should be paid on a reinsurance portfolio transferred to Swiss Re’s parent company by its German unit. The case relates to the transfer of a 2002 portfolio of life reinsurance contracts.

The ECJ decided in favour of the tax authorities that VAT was payable and that the cross-border sale of books of reinsurance business was not an exempt supply. Since this is an ECJ judgement, this means that this new interpretation applies to all European Union member states.

A spokesman for the Association of British Insurers said: “This is disappointing news for our members. We will work with HMRC to obtain further clarification going forward from this decision.”

Richard Asquith, of TMF VAT & IPT Services, said: “This is hugely important as the insurance industry had been, for the most part, treating this as tax-exempt supply. The decision may not be limited to reinsurance, and could be interpreted as applying to insurance and other contracts.