

# VAT decision goes against reinsurers

European Court of Justice rules VAT liable on reinsurance contracts

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The European Court of Justice has ruled that VAT is now liable on the sale

The ruling may have a big negative cash flow impact on those selling reinsurance and insurance contracts.

The case was based on the sale of reinsurance contracts between Swiss Re entities in Germany, in which the local tax authorities considered that such a transaction represented a supply of service, liable to 19% German VAT.

This judgement was escalated to the ECJ, which is the final court of appeal on European VAT issues, which ruled in favour of the German tax authorities.

As the judgement was given by the ECJ, the new interpretation applies to all European Union member states.

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. Also, the decision may not be limited to reinsurance, and could be interpreted as applying to insurance and other contracts."