

## Insurance Europe comments on the OECD public consultation on VAT/GST Guidelines

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Insurance Europe welcomes the opportunity to comment on the public consultation on the OECD international VAT/GST guidelines.

Insurance Europe acknowledges the OECD's work to issue international VAT/GST guidelines. In this respect, Insurance Europe supports the OECD's efforts to harmonise the VAT place of supply rules, which should lead to improved VAT/GST neutrality and legal certainty in the international environment. We look forward to continuing this dialogue and to further consultations at the later stage.

Insurance Europe would like to comment on the issue of recharge method (OECD Guideline 3.5), which is of great importance for the insurance sector. It is worth mentioning that the cross-border supply of both incoming and outgoing services is a common feature of the European insurance sector.

Insurance Europe agrees with the principle that the place of consumption of external services received by multiple location entity (MLE) should be the place of the establishments where the service is consumed. However, Insurance Europe has some concerns with respect to the methodology proposed by the OECD in order to allocate the services to the establishments. In this respect, Insurance Europe believes that it would be extremely difficult, if not impossible, to dissociate external and internal costs without using very complex activity-based costing systems.

The potential risk of the recharge method is that the tax administrations will ask the taxpayer to prove the distinction they make between recharges of external and internal costs, and that all recharges would be taxed if the distinction cannot be sufficiently demonstrated. This distinction will be extremely difficult to illustrate in cases where complex services are supplied.

Normally, all services supplied consist of both external and internal services. For example, a permanent establishment uses IT infrastructure provided by a headquarter composed of software which is provided by several external consultants. This in turn is put together as an integrated product by internal IT department. The headquarter charges a permanent establishment a monthly fee for this service, which includes also maintenance and helpdesk provided by the internal IT department.



Against the above background, in case an insurance company will not be able to prove a clear distinction between external and internal charges, Insurance Europe is concerned that the local tax administrations will tax all recharges.

Therefore, Insurance Europe urges the OECD to reconsider its approach on the recharge method.

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