

3 May 2013

Piet Battiau,
Head of Consumption Taxes Unit,
Centre for Tax Policy & Administration,
OECD,
Paris

For e-mail transmission to: piet.battiau@oecd.org

Dear Mr Battiau,

Thank you for inviting comments on the *OECD International VAT/GST guidelines*.

The International Underwriting Association of London (IUA) represents international and wholesale insurance and reinsurance companies operating in or through London. Our London Company Market Statistics Report shows that premium income for the London company market in 2011 was approximately £22.313bn. The purpose of our organisation is to promote and enhance the business environment for its members.

The IUA welcomes the project being undertaken by the OECD and its members to develop guidelines to encourage a fair and harmonised international framework of rules for identifying where and by whom VAT should be paid. It is very much in the interest of insurers that simplicity and clarity should be promoted and that there should be a level playing field for firms operating cross border and their customers.

We agree that neutrality towards business must be a key element in the administration of a levy whose function in the economy is clearly intended to be to tax the consumption of goods and services by households and not the businesses that supply them.

We also agree that the concept of “destination” provides a reliable guiding principle which maps out pathways to full neutrality. While it may be conceded that individual jurisdictions and trading blocs could adopt the “origin” principle for internal purposes, “destination” would appear to be the only viable approach within the intended international framework.

The principle of “use” for multi-located businesses is also eminently sensible, as it provides a clear and logical rationale for identifying where VAT should be charged.

We would like to point out that neutrality would be further enhanced if VAT were applied to insurance. While it may not be so for certain other financial services, the tax base of the outputs of insurance is relatively easy to assess, yet it is excluded from the VAT framework in many jurisdictions. That creates imbalances which are certainly not neutral in their effects. Insurers are clearly businesses, yet in many jurisdictions they pay VAT, while not being able to reclaim it or to collect it from their customers. As for the international framework, it clearly cannot exist for insurance when there is such clear inequality of treatment.

With regard to the “direct use method” (section 2.3, page 5), we agree that it would create complexity and uncertainty and should be rejected.

In the present context of taxation of insurance, we would also not be in favour of the head office option (section 2.3, page 5), in that it would create significant inequality of treatment that would furthermore certainly influence business decisions. Nevertheless, it is worth considering that, if there were full neutrality and VAT were applied to insurance, many complications would fall away and the inequality of treatment would no longer apply.

We hope that you will find this submission helpful and would be glad to provide you with further comments.

Yours sincerely



Nick Lowe
Director of Government Affairs, IUA