

## **Explanation in connection with implementation of the Insurance Contracts Tax Act and Decree on Fire Fee**

**Explanation of the Tax Administration of the Republic of Slovenia, number 4230-67/2008-2, March 19, 2008**

In connection with questions in relation to the base for settlement of tax on insurance contracts and possibilities of refund of over-paid tax on insurance contracts and fire fee we are explaining as following:

### **1. Is insurance agent's commission subject to tax on insurance contracts?**

*If insurance agent's commission is not a part of the insurance premium, then tax on insurance contracts is not settled from it.*

The Insurance Contracts Tax Act - ZDPZP (Official Journal of the RS, no. 96/05 – Official Consolidated Text 1) states in Article 6 that the base for settlement of tax on insurance contracts is the premium or contribution, which is paid on the basis of the concluded insurance contract. The tax base from the previous sentence includes also participation in profit, which is ascribed to the insurance sum.

The Insurance Act - ZZavar (Official Journal of the RS, no. 109/06 – Official Consolidated Text 2, 9/07 and 107/07) states in Article 83 Paragraph 1 Item 3 that if insurance covers risks in the Republic of Slovenia, the insurance contract shall also include provisions on definition and payment of the premium.

When the policyholder is an individual, the insurance company shall in accordance with Article 84 Paragraph 1 Item 5 of the ZZavar at conclusion of the insurance contract from Article 83 of this act inform the policyholder with a written note about the data on the amount of the premium, where the insurance premium shall be itemised on the insurance premium for individual risks if the insurance relation covers risks from several insurance types, and about the level of contributions, taxes and other costs, which are charged in addition to the premium, and about the total amount of payments.

The insurance premium is the sum, defined sum of money, which is paid by the policyholder to the insurance company at conclusion of the contract or it is a payment or one of regular periodical payments, which the policyholder shall conduct in connection with the insurance policy.

The subject to tax on insurance contracts is a premium or amount, which is paid by the policyholder to the insurance company and which is evident from the insurance contract. If insurance agent's commission doesn't represent a part of the insurance premium, then it is not subject to this tax.

### **2. May the insurance company request the refund of over-paid tax on insurance contracts and fire fee if a part of lump-sum paid premium has been refunded to the policyholder due to early cessation of insurance and in which way?**

*The insurance company shall submit the tax refund claim with appropriate explanations and evidence to the tax authority for refund of tax on insurance contracts. The tax authority decides about tax refund with a decision.*

*If the insurance company due to early cessation of the contract relation or reduction of the insurance premium repays a partial or whole insurance premium to the policyholder, then in the current settlement month the base for fire fee settlement is reduced for this amount.*

## **Tax on insurance contracts**

The ZDPZP doesn't include special provisions in connection with this situation, but it states in Article 12 that the act, which arranges the tax procedure, and the act, which arranges the tax administration, are used for all questions of the procedure and competences of the tax authority, which are not defined with this act.

The Tax Procedure Act - ZDavP-2 (Official Journal of the RS, no. 117/06) arranges tax refund in Article 97. The taxpayer files a tax refund claim with appropriate explanations and evidence at the tax authority. The tax authority on the basis of findings in the procedure for tax refund decides with a decision.

In accordance with Article 97 Paragraph 1 of the ZDavP-2 the tax authority repays the established over-paid tax, which exceeds 10 EUR, ex officio in 30 days after the day of delivery of the decision. The ZDavP-2 also states in Paragraph 4 of this article that the over-paid amount of tax, which doesn't exceed 10 EUR, is refunded upon request of the person liable for tax in 30 days after filing of the request unless the law states otherwise. If the request is not submitted, the over-paid tax is included into following payments or payments of other tax types.

The taxpayer shall file a tax refund claim with appropriate explanations and evidence at the tax authority in a concrete case. The tax authority on the basis of findings in the procedure for tax refund decides with a decision.

General explanations about tax on insurance contracts in the English language are available on our website address:

[http://www.durs.gov.si/en/the\\_use\\_of\\_the\\_insurance\\_contracts\\_tax\\_act\\_in\\_the\\_republic\\_of\\_slovenia/](http://www.durs.gov.si/en/the_use_of_the_insurance_contracts_tax_act_in_the_republic_of_slovenia/).

## **Fire fee**

In accordance with the Decree on Fire Fee – decree (Official Journal of the RS, no. 31/06) fire fee is paid from the insurance premium, which the policyholder pays to the insurance company on the basis of the insurance contract for insurance against fire risk (fire fee).

The decree states in Article 6 that in the case if the insurance company due to early cessation of the contract relation or reduction of the insurance premium repays a partial or whole insurance premium to the policyholder, then in the current settlement month the base for fire fee settlement is reduced for this amount.

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