

To: Taxation WG  
From: Personal & general insurance department  
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Subject: Summary of report on the 27th session UN Tax Committee

## Summary

The United Nations (UN) Committee of Experts on International Cooperation in Tax Matters released a report summarising its 27<sup>th</sup> session held in Geneva from **17 to 20 October 2023** (see ECO-TAX-24-015). The report highlights proposed changes to how insurance premiums are taxed under the UN Model Double Taxation Convention:

- The Committee generally supports replacing the existing rule on taxation of insurance companies with a new rule allowing gross-basis taxation of relevant premiums. This means premiums would be taxed directly wherever collected, potentially generating increased revenue for some countries.
- While broadly approving the shift to gross-basis taxation, some committee members advocate for creating a separate article instead of modifying the existing Article 7 of the 2021 UN Model Convention (see [ECO-TAX-23-123](#)).
- The new rule, regardless of form, should clarify how to determine the source of premium income for complex scenarios like reinsurance and multi-entity/country direct insurance.

Further discussions are expected at the 28<sup>th</sup> Committee session scheduled from **18 to 21 March 2024**, in New York. A provisional agenda for the session is included in the report.

## Background

A previous UN report released on **29 September 2023** by the Subcommittee on the UN Model Double Taxation Convention, proposed revising the UN Model Double Taxation Convention to simplify cross-border insurance taxation ([ECO-TAX-23-121](#)). The suggestion involves:

- **Eliminating the "deemed permanent establishment" concept for insurers** (removing paragraph 6 of article 5). Currently, an insurer is only taxed in a country if it has a physical presence there. This proposal would remove this requirement, allowing taxation based on where premiums are collected.
- **Introducing gross-basis taxation** (introducing a new paragraph 6 under article 7). A new provision would enable countries to tax insurance premiums directly, potentially increasing revenue for developing countries.

On **11 December**, the Global Federation of Insurance Associations (GFIA) provided a feedback to the UN report expressing a number of the industry's concerns, with support from Insurance Europe members like Germany and the UK ([ECO-TAX-23-133](#)). Their main concerns include:

- The UN Model Tax Subcommittee proposes a significant change in how cross-border insurance income is taxed. Currently, companies can only be taxed in a country if they have a physical presence there (permanent establishment). The new proposal would instead allow countries to apply taxes depending on where premiums are collected, regardless of any physical presence.



- This shift might simplify taxation and potentially increase revenue for countries where premiums are collected, especially developing countries. However, it raises concerns about double taxation and administrative complexity.

#### Next steps

- **21 February 2024**, Insurance Europe Taxation WG meeting.
- From **18 to 21 March 2024**, next (28<sup>th</sup>) session of the Committee.