

Is your client eligible for tax indemnity insurance?

Contact

We can determine whether tax indemnity insurance is feasible from an initial assessment call with our experienced experts.

Submission

We will need to obtain indicative terms, to do this we will need:

- An overview of the tax issue with details of the proposed transaction or restructuring scheme
- Copies of any correspondence with the tax authorities about the issue
- Copies of any relevant legal or accounting opinions
- A copy, if applicable, of the vendor's indemnity in a Purchase and sale agreement

Initial indication

When preliminary negotiations have been made with underwriters we will provide an indication of terms, including the premium cost, the level of any excess and, if appropriate, the insurer's due diligence costs.

Underwriting due diligence

Abbey Tax will review the information and prepare the risk assessment which will determine whether definite terms will be offered.

Placement completion

If the terms are accepted, instructions will be given to complete the placement. This will involve the production of policy wording, the premiums become payable when cover begins and the finalised documentation is released.

Capacity

Capacity is currently in excess of £50 million of "tax risk".

*"Tax risk" means the amount of additional tax that could become payable in the event of an adverse ruling or settlement of any dispute with the tax authorities and should include, where applicable, the cost of defending any litigation that may be involved.

Premiums

Premiums for tax indemnity insurance can be up to 20% of the "tax risk", where tax planning or high risk structures are involved. While every transaction raises unique issues and the insurance structure is determined case by case, the factors in setting premiums include:

- The nature of the transaction causing the tax issue
- The taxpayer's particular facts, representations made and insurance limit required
- Relative strength and legal basis of the tax position taken
- The structure of the insurance programme

If you have a client that you believe may benefit from this type of insurance cover, contact us on 0345 223 2727 and we will be happy to assist you.

Abbey Tax

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