Increase in VAT Rate
Industry Frequently Asked Questions

The Minister of Finance in his Budget Review, 2025 of 12 March 2025 announced a phased increase in the VAT rate from 15% to 15,5% effective 1 May 2025, and thereafter from 15,5% to 16%, effective 1 April 2026.

The following questions and answers ('FAQ's') are compiled to provide guidance to industry members regarding the impact of the increase in the VAT rate on non-life insurance transactions in line with the Value Added Tax Act, No 89 of 1991 ('the VAT Act'), non-life insurance specific SARS Binding General Rulings (BGR14, BGR32 and BGR37), Financial Sector Conduct Authority ('FSCA') requirements and the common approach to be applied across the industry.

In addition to this list of FAQ's a Public version is also compiled and placed on the SAIA website. Please consider both documents in conjunction.

The same principles as set out herein are also applicable when the VAT rate increases on 1 April 2026 from 15,5% to 16%.

Any comments and input are welcome in relation to any further matters that need to be included and / or if any matters are queried or require correction or further clarification.

FAQ	TOPIC	QUESTION	ANSWER
1	Premium	Does the increase in the VAT rate apply to non-life insurance premiums?	Yes, where an insurance premium attracts VAT at the standard rate the VAT component of the VAT inclusive premium increases from 15% to 15,5% with effect from 1 May 2025. **Example:** Premium of R115 becomes R115,5 In particular the insurer will be liable for output tax from 1 May 2025 equal to the tax fraction (15,5/115,5) of the premium, irrespective of whether or not the premium was in fact adjusted for the VAT rate increase. An insured VAT vendor will, subject to the normal rules, be entitled to deduct the VAT included in the premium as input tax.
2	Premium	What is the general rule regarding when to apply the new VAT rate of 15,5% and the old rate of 15% to premiums in the transition period? This question is unpacked below in view of the transitional rules provided for in the VAT Act and also in the Public FAQ that should also be considered for completeness.	BGR 14 stipulates that the time of supply of non-life insurance is when the insurer or its intermediary receives payment of the insurance premium. Accordingly, the general principle as to which rate of VAT should apply is the VAT rate applicable at the time the premium is received. Therefore: 1. Premiums paid before 1 May 2025 for a cover period which ends before 1 May 2025 are subject to VAT at 15% 2. Premiums paid before 1 May 2025 for a cover period on or after 1 May 2025 are subject to VAT at 15% 3. Premiums paid on or after 1 May 2025 for a cover period on or after 1 May 2025 are subject to VAT at 15,5%. For premiums paid on or after 1 May 2025 for a cover period which ended before 1 May 2025, the specific transitional rule in section 67A(1)(c)(i) overrides the general rule. Such premiums are subject to VAT at 15% (see FAQ 7)

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FAQ	TOPIC	QUESTION	ANSWER
3	Premium	Can VAT continue to be applied to premiums on and after 1 May 2025 at the old rate of 15% until IT systems can be changed to accommodate an increase to 15,5%?	No. Whether or not the VAT inclusive premium is increased by the VAT rate increase, the insurer remains liable to pay output VAT at the new tax fraction (15,5/115,5) of the premium received. Accordingly, if the premium is not increased by the VAT rate increase, it will result in a reduced VAT exclusive premium and a reduction in premium revenue for the insurer. This also creates similar reductions to commissions and insurer fees which are linked to the premium. If the insurer's systems cannot be changed before 1 May 2025, it is recommended that manual work arounds be applied to determine the new VAT inclusive premium value. A suggestion is to take the VAT inclusive premium at the former 15% (per existing rating engine), increase it by 115,5/115 (100.4348%) to determine the new VAT inclusive premium at 15,5%. The output tax is then determined by applying the new VAT fraction for accounting and disclosure purposes.
4	Premium	How will the VAT rate change apply to policies where premiums have been paid before 1 May 2025 for annual or fixed term periods of cover commencing before 1 May 2025 - say an annual policy purchased or renewed on 1 January2025 and paid on 31 March 2025	For an annually paid premium i.e. in respect of an annual or fixed term cover period that commenced before 1 May 2025 - where the premium was paid before 1 May 2025, there is no effect on the premium already paid. No adjustment to the premium needs to be made provided there is no variation made to the cover that requires increased or reduced premium (see also FAQ 14).
5	Premium	How will the rate change apply to policies where premiums for annual or fixed term periods of cover that commenced before 1 May 2025 are paid on or after 1 May 2025?	The special transitional rule provided for in section 67A(1)(c)(i) applies to premiums paid on or after 1 May 2025 for cover periods spanning 1 May 2025. For an annually paid premium i.e. in respect of an annual or fixed term cover period that commenced before the VAT rate change (say in April 2025) where the premium is paid on or after 1 May 2025, the premium must be apportioned to determine the portion of the premium which is attributable to the cover period before 1 May 2025, and the portion of the premium attributable to the cover period thereafter. The VAT rate of 15,5% will apply to the premium attributable to the cover period on or after 1 May 2025, whereas 15% will apply to the premium attributable to the cover period before 1 May 2025.
6	Premium	How will the rate change apply to policies where premiums are paid for annual or fixed term periods of cover commencing on or after 1 May 2025?	For an annually paid premium i.e. in respect of an annual or fixed term cover period that commences on or after 1 May 2025, the new VAT rate of 15,5% will apply if payment is received on or after 1 May 2025. Where payment is received before 1 May 2025, the VAT rate of 15% will apply.
7	Premium	How will the rate change apply to policies where premiums are paid monthly for monthly periods of cover?	For a monthly paid premium in respect of a policy with a cover period of one month that is renewable monthly (being the vast majority of monthly paid policies) the VAT rate of 15,5% applies for cover periods commencing on or after 1 May 2025 if payment is received on or after 1 May 2025. I.e. - Premium for April cover month attracts VAT at 15% whether paid before, on or after 1 May 2025. (see FAQ 2). - Premium for May cover month attracts VAT at 15,5%, if paid on or after 1 May 2025 and 15% if paid before 1 May 2025.

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FAQ	TOPIC	QUESTION	ANSWER
8	Premium	How will VAT be applied to a monthly policy that incepts during April but where the first premium charge on say 1 May 2025 includes the cover month of April and May?	The VAT rate applicable will depend on when the premium is paid and the cover period. If the premium is paid before 1 May 2025, VAT at 15% will apply provided the premiums are customarily paid in advance. If the premium is paid on or after 1 May 2025, VAT at 15,5% will apply to the pro-rata May 2025 portion of the premium whereas 15% will apply to the pro-rata April 2025 portion of the premium.
9	Disclosure and documentation	How will the scenario per FAQ7 be disclosed for VAT invoice purposes (where such documentation is issued) i.e. premium notifications and / or other policy documentation per BGR14?	The new premium will be reflected on the policy schedule and the VAT rate disclosed might be 15% or 15,5% depending on when the insurer will update its underlying policy administration system and depending on the renewal date of the policy. Where policy schedules are issued before 1 May 2025 reflecting the VAT rate of 15%, such policy schedules need not be re-issued to reflect VAT at 15,5% (section 67 of the VAT Act refers). However, it is important that the policy schedule specifies which VAT rate was applied to the premium and that insurers notify affected policyholders. In this regard a public announcement was made by the industry during April 2025 to ensure that this condition is met. The public announcement is available on www.saia.co.za. It is recommended that this is also recorded on insurer web sites with an option to print a suitable notice for use by policyholders who are VAT vendors.
10	Premium	What if a premium debit order for April at 15% for a cover period ending before 1 May 2025 is returned unpaid and is re-presented for payment in May?	The applicable VAT rate will remain at 15% because the VAT rate applicable to the premium is based on the cover period and not date of payment.
11	Premium	Will debit orders for April 2025 unpaid with VAT at 15% that are re-presented in May 2025 be separate to debit orders for the May 2025 premium with VAT at 15,5%?	This is unlikely. The two VAT inclusive premiums are likely to be combined in a single debit order but with reference to policy premium documentation that must comply with the requirements for an alternative tax invoice per BGR14. Premium documentation prepared prior to the rate change where VAT is shown at 15% used together with a revised premium payment inclusive of VAT at 15,5% has been confirmed by BGR 14 to comprise sufficient supporting evidence for policyholders who are VAT vendors to claim an input credit by applying the new tax fraction (15,5/115,5), provided the policy documentation meet the requirements of BGR 14.
12	Premium	How will the rate change apply to policies that provide cover for an annual or fixed term periods (i.e. beyond one month) where the premium is paid monthly?	The standard “time of supply” for such cases is the effective commencement date of cover (whether annual or for a fixed period) at which time the obligation to pay the full premium arises. In cases where the inception of such policies is before 1 May 2025, VAT on the total premium should have been accounted for at 15% on commencement of cover where payment of the first premium instalment was received before 1 May 2025. Section 9(1) of the VAT Act read with BGR 14 triggers the time of supply on the total premium when any payment of consideration is received. There is then no further VAT consequence on the payment of the subsequent agreed instalments on and after 1 May 2025 - these being regarded as financial transactions. In some instances these policies contain certain cancellation clauses which effectively means that the obligation to pay does not arise upfront. In these instances the VAT rate applicable will be the same as for monthly policies, refer to FAQ 7.

FAQ	TOPIC	QUESTION	ANSWER
13	Premium	For an annual or fixed term cover in place before 1 May 2025 where the annual premium was paid with VAT at 15%, what VAT rate applies to premium refunds where policies are cancelled before the end of the cover period.	The premium refunds in relation to premiums that were subject to VAT at 15%, are also subject to VAT at 15%
14	Premium	For an annual cover in place before 1 May 2025 where the annual premium was paid with VAT at 15%, what VAT rate applies to premiums in respect of variations in cover where the effective date of the variation is on or after 1 May 2025?	For variations on or after 1 May 2025 requiring an additional premium, these will attract VAT at 15,5%. For variations requiring a partial refund of premium previously paid with VAT at 15%, these also attract VAT at 15%
15	Premium	For an annual cover in place before 1 May 2025 where the annual premium was paid with VAT at 15%, what VAT rate applies to premiums in respect of variations in cover where the effective date of the variation is before 1 May 2025 but the premium is only collected after 31 April 2025?	If the cover period in relation to the adjustment premium ends before 1 May 2025, 15% applies. If the cover period in relation to the adjustment premium spans 1 May 2025, then apportionment applies i.e. 15% for the cover period before 1 May 2025 and 15,5% for the cover period thereafter.
16	Premium	What VAT rate will apply to extensions in cover periods on policies in force before 1 May 2025 where the premium was raised including VAT at 15%?	Premiums for such extensions to cover will attract VAT at 15% if the cover period ends before or after 1 May 2025, and the premiums were paid before 1 May 2025. For premiums paid on or after 1 May 2025 for an extension cover period commencing before and ending after 1 May 2025, the premium must be apportioned as explained in FAQ 5. Where the extension to cover takes effect on or after 1 May 2025 and the premium for the extension cover is paid on or after 1 May 2025, such premium is subject to VAT at 15,5%.
17	Premium	Which VAT rate will apply to no-claim bonuses and cash-back incentives?	No-claim bonuses and cash-back incentives will be treated in line with any other premium adjustments (per FAQ13 & FAQ14). Where the no-claim bonus or cash-back payment relates to a premium that was subject to VAT at 15%, such no-claim bonus or cash-back payment will also be subject to VAT at 15%.

FAQ	TOPIC	QUESTION	ANSWER
18	Premium	What rate will apply to marine declarations and other such "true-up" adjustments made in arrears where the cover period under the policy commenced before 1 May 2025?	Where policies qualify for VAT at the zero rate, premiums paid in respect of such policies will continue to attract the zero rate. Where policies are subject to VAT at the standard rate, the VAT treatment will be in line with any other premium adjustments (FAQ13 & FAQ14) and apportionment (FAQ5). This means that: - declarations giving rise to additional premium for a cover period before May will be subject to VAT at 15% but for a cover period commencing on or after 1 May 2025 will be subject to VAT at 15,5% (special transitional rule in FAQ5). - declarations giving rise to a refund premium in respect of an original premium that attracted 15% VAT, then the VAT rate of 15% should apply (general transitional VAT rules under FAQ 13 & FAQ 14).
19	Claims	How does the VAT rate increase impact indemnity payments made	Where indemnity claims payments are made prior to 1 May 2025, the insurer is entitled to a deduction of 15/115 of the payment made. If an indemnity payment is made on or after 1 May 2025, the insurer may make a deduction for VAT equal to 15,5/115,5 of the indemnity payment made, irrespective of whether the claim relates to a cover period prior to 1 May 2025 or if the claim was intimated prior to 1 May 2025. Vendor insureds will be liable to account for output tax equal to 15,5/115,5 of any indemnity payment received on or after 1 May 2025 or made by the insurer on or after 1 May 2025 to a third party to indemnify the insured under a contract of insurance, irrespective of when the claim was intimated.
20	Claims	Will insurers pay claims inclusive of VAT at 15,5% despite the premium only having been paid with VAT at 15%?	Yes. Despite the sum insured on a policy being set at an amount inclusive of VAT at 15% (say R115 000) the insurer should settle claims paid on or after 1 May 2025 with VAT at 15,5% (i.e. R115,5 00). The insurer is then entitled to a deduction for VAT equal to the tax fraction (15,5/115,5) of the claim settlement amount leaving the VAT exclusive cost of claim at R100 000.

FAQ	TOPIC	QUESTION	ANSWER
21	Claims	Will insurers require excesses to increase?	In principle yes. An excess is the portion of a loss that the policyholder has agreed to pay themselves. Excesses are generally expressed along with sums insured and other policy limits on a VAT inclusive basis. So if the excess was say R10 000 inclusive of VAT at 15% it should increase to R10 043.48 inclusive of VAT at 15,5%. This represents an actual increase in cost to individuals and entities that are not VAT vendors. Policyholders who are VAT vendors will have an increased input credit on such self insured loss amounts where they apply the excess as part payment to acquire goods or services to repair or replace the goods insured, so the VAT exclusive cost will remain the same if the excess amount is increased. So, where an excess is stipulated as a fixed amount, the excess amount should be increased to take the increased VAT rate into account to maintain equilibrium (another example is an excess of R1 000,00 should become R1 004.35). However it is more likely that in view of the low materiality levels insurers may generally decide to leave such fixed amount excesses unaltered. This will be regarded as the industry default approach unless advised otherwise by an insurer to policyholders. Where an excess is expressed as a percentage of the claim, the excess will be based on the VAT inclusive claim cost at 15,5% for claims settled on or after 1 May 2025. Where the claim is settled at a value inclusive of VAT at 15,5% then the VAT inclusive value of the excess as a pre-agreed percentage of this includes VAT at 15,5% and the equilibrium between insurer and policyholder share of loss is maintained.
22	Disclosure and documentation	May an insured deduct input tax at 15,5% even if the policy document states a premium inclusive of VAT at 15%?	Yes, in terms of BGR 14 the policy schedule together with proof of payment constitutes an alternative to a tax invoice. A policy schedule reflecting a premium of R115 together with proof of payment for the R115,5 premium actually paid will be sufficient supporting documentation for the insured to claim input tax of R15,5, provided the insured has been informed by way of notice that the rate of 15,5% applies from 1 May 2025 (see SARS FAQ 59 regarding the increase in the VAT rate from 1 May 2025). In this regard a public announcement was made by the industry during April 2025 to ensure that this condition is met. The public announcement is available on www.saia.co.za. Kindly refer to FAQ 59 of the SARS FAQ: Increase in the VAT rate from 1 May 2025 available on www.sars.gov.za for confirmation of this arrangement.

FAQ	TOPIC	QUESTION	ANSWER
23	Fees and commission	How will the increase in VAT rate affect commissions, brokerage and other remuneration paid by insurers that is calculated as a percentage of premium?	The increase in the VAT rate applies to such remuneration paid by or on behalf of insurers and the principle is the same as for the underlying premium (as described in other FAQs in this document). Where the VAT inclusive value of underlying premiums increase for the additional VAT, this also provides an increased VAT inclusive remuneration amount so that when VAT is paid at 15,5% as output tax the net of VAT value remains the same. However where the underlying premium is not increased on or after 1 May 2025 the recipient is still required to pay output VAT at the new rate of 15,5% and this will create a reduction in net of VAT remuneration. For example, on a VAT inclusive premium of R757 the VAT inclusive commission is R115 and the VAT thereon is R15. The VAT exclusive commission is therefore R100. After the VAT rate increase on 1 May 2025, if the VAT inclusive premium remains at R757, the commission is R115 and the VAT payable thereon is R15,43. The net commission is therefore R99.57. For binder fees and outsourced services that are based on premiums paid - see FAQ 24. No advices have been received from the FSCA in respect of any negative impact on commissions. Any cases will need to be addressed individually.
24	Binder and outsource fees based on premiums paid	How will the increase in VAT rate affect binder and outsource service fees that are based on premiums paid?	Binder and outsource fees invoiced on or after 1 May 2025 for services performed before 1 May 2025 are subject to VAT at 15% and for services performed on or after 1 May 2025 are subject to VAT at 15,5%. This treatment is based on the assumption that binder and outsource services are generally performed on an ongoing basis throughout the year and fees are raised by way of a tax invoice one month in arrears. This is in line with the provisions of the VAT Act regarding services that are supplied under an agreement that provides for periodic payments under section 9(3)(a) read together with the VAT transitional rules under section 67A(1)(c)(i). Note that the rate to be applied always follows the period in which the services are performed. Accordingly, fees charged for services performed prior to 1 May 2025 are subject to VAT at 15%, whereas fees charged for services performed on or after 1 May 2025 are subject to VAT at 15,5%.
25	Fees and commission	How will the increase in VAT rate affect fee payments (e.g. policy administration fees, value-added products / services, etc.) made by insurers where the fees have been agreed at VAT inclusive levels (say round amounts)?	These fees may be increased by the increase in the VAT rate on or after 1 May 2025 (section 67 of the VAT Act refers) so that the VAT exclusive amount in the hands of the supplier remains the same.

FAQ	TOPIC	QUESTION	ANSWER
26	Sums insured	How does the increase in VAT rate affect sums insured and other policy limits and sub limits that were set before 1 May 2025	In most instances policies are written on a VAT inclusive basis meaning that all sums insured and other monetary limits and sub limits are specified at VAT inclusive levels. In principle, wherever a policy limit or sub limit is referred to and forms the basis of settlement in the event of a claim, the amount needs to be at least **notionally increased** (see below) to allow for the increase in the VAT rate. This will support the same VAT exclusive claim cost and settlement amount in the hands of the policyholder. While it is recognized that the setting of sums insured rests with the policyholder, each insurer should decide on how it will treat the impact of the VAT rate increase on the sum insured.
27	Disclosure and documentation	Are the increases to premium and sums insured regarded as changes to policy terms and conditions requiring 31 days prior notification to policyholders?	The FSCA confirmed that the 31-day requirement in terms of Rule 11.6.3 and 11.6.4 of the Policyholder Protection Rules do not apply to the VAT rate increase. However, the FSCA stated that insurers are encouraged to send a general communication to all policyholders reminding them that the impending VAT increase will impact their premiums going forward.
28	Disclosure and documentation	If premium increase notifications cannot be implemented effective 1 May, will the FSCA's relaxation of the 31 day notification rule then still apply in June and July?	Yes, the dispensation will apply to all policies affected by the change in VAT rate and seeing as renewals are processed up to 3 months in advance of the actual renewal date the dispensation will cater for discrepancies until all policies incepted when VAT at 15% applied, have been renewed. It is envisaged that this could be up to 15 months in some instances.
29	Premium	How does the change affect premiums collected by intermediaries before 1 May 2025 that are paid to insurers on and after 1 May 2025?	Where premium is collected by intermediaries before 1 May 2025 for cover periods commencing before 1 May 2025, VAT at 15% will continue to apply even if the premium is paid to insurers on or after 1 May 2025, since the premiums are received by intermediaries as agents for and on behalf of insurers before the new rate applies. VAT at the rate of 15% also applies to commission deductions on such premiums. Where premium is collected by intermediaries before 1 May 2025 for cover periods incepting on and after 1 May 2025 (i.e. in advance), VAT at 15% applies, and VAT at 15% also applies to commission on such premiums. Premiums collected on or after 1 May 2025 for cover periods on or after 1 May 2025 will attract VAT at 15,5%. VAT at 15,5% will also apply to commissions on such premiums. Premiums collected on or after 1 May 2025 for cover periods prior to that date, are subject to VAT at 15%. The same applies to commissions on such premiums.

FAQ	TOPIC	QUESTION	ANSWER
30	Performance bonus	A performance bonus payment is made on 30 April 2025 and the premium renewal is processed on or after 1 May 2025. If the performance bonus payment is retained to be applied as part of the premium renewal which is due on 1 May 2025, and the retained performance bonus is set off against the renewal premium on 1 May 2025, which VAT rate will apply?.	Where the performance bonus is paid in respect of a premium which was subject to VAT at 15%, the VAT rate applicable to the performance bonus is also 15%. The insurer may deduct VAT at 15/115 of the performance bonus paid and a vendor insured must adjust for the input tax deduction previously made in respect of the premium previously paid at 15/115 of the performance bonus received. If the renewal premium falls due on or after 1 May 2025, and the retained performance bonus is set off against the renewal premium which becomes due and payable on or after 1 May 2025, the renewal premium is subject to VAT at 15,5%. Payment of the premium is only made when the actual set-off is applied, which is on or after 1 May 2025 for a cover period commencing on or after that date.
31	Fees and commission	How does the increase in the VAT rate affect commissions on premiums collected by insurers direct from policyholders where the premium is collected before 1 May 2025 and the commission is paid to the intermediary on or after 1 May 2025?	Premium for cover provided before 1 May 2025 collected by insurers before 1 May 2025 is subject to VAT at 15% and commission self-invoiced by insurers and paid to intermediaries on or after 1 May 2025 will also be subject to VAT at 15% in view thereof that the intermediary services were performed during the cover period prior to 1 May 2025 . Premium for cover provided before 1 May 2025 collected by insurers on or after that date is subject to VAT at 15%.Where the intermediary services were performed before 1 May 2025, VAT at 15% will apply to the commission self-invoiced by insurers and paid to intermediaries on or after 1 May 2025 (section 67A(1)(c)(i) of the VAT Act refers).
32	Disclosure and documentation	How does the VAT rate increase affect premium payment and / or claims settlement bordereaux?	Transactions and / or totals on bordereaux must stipulate transactions on which VAT is accounted for at 15% and transactions on which VAT is accounted for at 15,5% separately to enable the insurer to reflect these transactions separately on the insurer's the VAT201.
33	Fees and commission	How does the VAT rate increase affect fees payable to intermediaries by policyholders?	Fees charged by intermediaries to policyholders that are dependent on the policyholder taking up the cover and which are linked to the payment of the premium, are subject to the same VAT rate as the premiums as outlined above. Fees charged by intermediaries to policyholders that are payable whether or not a premium is paid (i.e. more often charged to larger commercial and corporate clients for risk management services or in lieu of commission from insurers) are subject to VAT at 15% if they relate to services performed before 1 May 2025, irrespective of when an invoice is issued for such fees (section 67A(1)(c)(i) of the VAT Act refers). If the fees are charged for services supplied on or after 1 May 2025, the fees are subject to VAT at 15,5% if the invoice is issued on or after that date. If the invoice is issued before 1 May 2025 for services supplied on or after 1 May 2025, VAT at 15% will apply if such invoices are customarily issued on this basis.

FAQ	TOPIC	QUESTION	ANSWER
34	Claims	How does the increase in VAT rate affect trade payments made to suppliers in claims settlements?	Goods and services supplied and invoiced on or after 1 May 2025 will generally attract VAT at 15,5%. Insurers will be entitled to an input credit at the increased rate as reflected on the supplier's tax invoice, so the VAT exclusive claim cost to insurer will remain unchanged. Only the amount of VAT charged by the supplier may be claimed as an input tax deduction. Accordingly, if the supplier charged VAT at 15% but the supply should attract VAT at 15,5%, the insurer may not deduct the higher VAT rate as input tax because the insurer will not be in possession of a valid tax invoice to substantiate a higher input tax deduction. In such case the insurer should request a replacement tax invoice.
35	Claims	How does the increase in VAT rate affect claims payments to policyholders made in claims settlements i.e. indemnity payments?	Claim payments made by insurers on or after 1 May 2025 will give rise to an input credit under section 16(3)(c) of the VAT Act at 15,5%, with the result that insurers are entitled to make VAT inclusive indemnity payments at 15,5% without the VAT exclusive claim cost increasing. Insureds who are VAT vendors receiving indemnity payments on or after 1 May 2025 are required to account for VAT under section 8(8) of the VAT Act at 15,5%. Insurers should amend claim settlement notifications to policyholders accordingly.
36	Claims	How does the increase in VAT rate affect "Third- party payments made by insurers to such third- parties where the insured is a VAT vendor? How will this affect the insured?	The payment to the third party must be based on the third party's actual loss (as per the standard approach for third party settlements). So where a third party is a non VAT vendor and had a vehicle repaired, invoiced and paid before 1 May 2025 at 15% VAT, then the third party payment will be for that amount invoiced inclusive of VAT at 15%. Where the third party is a VAT vendor, the third party payment will be for the VAT exclusive amount. Where payments are made directly to third parties where the insured is a VAT vendor, the amount paid to the insured to compensate the insured for the insured's output tax liability under section 8(8) of the VAT Act, will need to be at 15% for payments made before 1 May 2025, and at 15,5% for payments made on or after 1 May 2025.
37	Claims	How does the increase in the VAT rate affect recoveries from third-parties?	Recoveries from third parties are not subject to VAT so there is no effect to the insurer. If an insurer undertakes a recovery of an excess paid by an insured who is not a VAT vendor then it must be at the same VAT rate incurred by the insured.
38	Claims	How does the increase in VAT rate affect salvage sales by or on behalf of insurers?	Salvage sales are subject to VAT in the same way as any other supply of goods. Insurers are required to issue a tax invoice at the time of sale and if this date is before 1 May 2025, VAT at 15% applies. For salvage sales on or after 1 May 2025, VAT at 15,5% will apply.
39	SASRIA	Will SASRIA premiums be affected?	Yes, SASRIA premiums and claims are affected by the VAT rate increase in the same manner as it impacts on any other non-life premiums as described herein.

FAQ	TOPIC	QUESTION	ANSWER
40	SASRIA	What impact will the new VAT rate have on monthly policies issued by SASRIA where insurers pay SASRIA in advance but collect from the client on a monthly basis?	Where an insurer pays SASRIA in advance prior to 1 May 2025, the payment is subject to VAT at 15%, and the subsequent collection of monthly payments from the insured is not affected.
41	Reinsurance	Which VAT rate applies to reinsurance premium, commission (to cedents) and brokerage (to RI brokers)?	If the time of supply per BGR32 is before 1 May 2025, VAT at 15% is applicable, whereas VAT at 15% and / or 15,5% applies where time of supply is on or after 1 May 2025. **Example:** Quarter runs from December 2024 to February 2025, time of supply is the due date of 15 April 2025. VAT at 15% is applicable to premium and commission. **Example:** Quarter runs from January 2025 to March 2025, time of supply is the due date of 15 May 2025. VAT at 15% is applicable to premium and commission. **Example:** Quarter runs from March 2025 to May 2025, time of supply is the due date of 15 July 2025. Apportionment applies, hence VAT at 15% is applicable to March 2025 and April 2025 premium and commission and VAT at 15,5% is applicable to May 2025 premium and commission. **Example:** Quarter runs from May 2025 to July 2025, time of supply is the due date of 15 September 2025. VAT at 15,5% is applicable to premium and commission.
42	Reinsurance	Which VAT rate applies to reinsurance claims?	Reinsurance claims paid to a cedent by reinsurers before 1 May 2025 is subject to VAT at 15%. Reinsurance claims paid to a cedent by reinsurers on or after 1 May 2025 is subject to VAT at 15,5%. The above must be applied both to individual claims paid and claims bordereaux offset against premium bordereaux in net accounting. For example, a net account for the quarter ended 30 April 2025 will have premium at 15% and claims at 15,5%.
43	Reinsurance	Which VAT rate applies to reinsurance claims recoveries (i.e. reductions in claims values previously reimbursed by reinsurers)?	Reinsurance claims recoveries paid by a cedent to a reinsurers before 1 May 2025 is subject to VAT at 15%. Reinsurance claims recoveries paid by a cedent to a reinsurers on or after 1 May 2025 is subject to VAT at 15,5%. Where reinsurance claims recoveries are netted from new claims paid on a reinsurance statement in respect of the period 1 January 2025 to 28 March 2025 which is due and paid on 15 May 2025, the recovery is subject to VAT at 15,5%.

FAQ	TOPIC	QUESTION	ANSWER
44	Reinsurance	For Excess of Loss reinsurance a Minimum and Deposit Premium (MDP) is paid in advance for contracts that run from 1 July 2024 to 30 June 2025. The MDP's are paid on 1 July 2024 and 1 January 2025 and cover the full period (1 July 2024 to 30 June 2025). Given that the MDP's that are paid in advance spans the implementation date, does the amount that relates to the period after 1 May 2025 need to be re-invoiced at the new rate?	Where payment is made before 1 May 2025 for cover periods before and after 1 May 2025, VAT at 15% applies. Where payment is made after 1 May 2025 for a cover period before and after 1 May 2025, the MDP must be apportioned. The MDP attributable to the cover period before 1 May 2025 is subject to VAT at 15%, whereas the MDP attributable to the cover period from 1 May 2025 is subject to VAT at 15,5%.
45	Reinsurance	Excess of Loss adjustment accounts are only calculated after the contract period, for example 1 July 2024 to 30 June 2025 and will therefore fall into the period after 1 May 2025. Does the VAT amount need to be apportioned based on the period of the contract?	The excess of loss adjustment payment is a top-up premium payment made to reinsurers. Where the top-up premium payment is made for the cover period prior to 1 May 2025, the premium is subject to VAT at 15%. Where the top-up premium payment is made for the cover period on or after 1 May 2025, the premium is subject to VAT at 15,5%.
46	Reinsurance	Facultative Premiums - The cover period is 1 May 2024 to 30 April 2025. The transaction is raised by the cedent on the policy administration system on 1 April 2025. The premium is paid by the cedent to the reinsurer on 15 May 2025.	The total premium is subject to VAT at 15% as the cover period commenced and ended before 1 May 2025 even though the premium is paid after 1 May 2025.
47	Reinsurance	m	VAT is payable at 15% on the premium attributable to the cover period 1 March 2025 to 30 April 2025 and VAT at 15,5% is payable on the premium attributable to the cover period 1 May 2025 to 28 February 2026.
48	Reinsurance	Facultative Premiums - The cover period is 1 May 2024 to 30 April 2025. The transaction is raised by the cedent on the policy administration system on 5 May 2025. The premium is paid by the cedent to reinsurer on 10 May 2025.	VAT is accounted for at 15% as the cover period commenced before and ended before 1 May 2025.
49	Reinsurance	Facultative Premiums – The cover period is 1 March 2025 to 28 February 2026. The transaction is raised by the cedent on the policy administration system on 20 May 2025. The premium is paid by the cedent to reinsurer on 30 May 2025.	VAT is payable at 15% on the premium attributable to the cover period 1 March 2025 to 30 April 2025 and VAT at 15,5% is payable on the premium attributable to the cover period 1 May 2025 to 28 February 2026.