

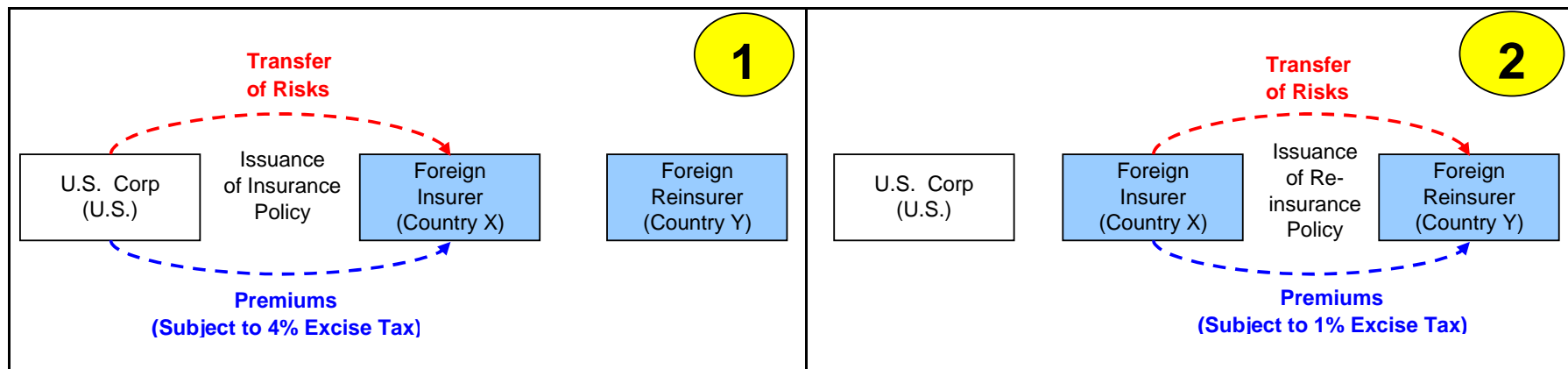
**Revenue Ruling 2008-15,  
Situation 1**

**Section 4371 Excise Tax on Outbound  
Insurance & Foreign-to-Foreign Reinsurance**

Copyright © 2008 Andrew Mitchel LLC  
International Tax Services  
www.andrewmitchel.com

**Insurance**

**Reinsurance**



Foreign Insurer, a foreign corporation incorporated in Country X, issues policies of casualty insurance to U.S. Corporation, a domestic corporation, with respect to hazards, risks, losses, or liabilities wholly or partly within the United States. Foreign Insurer is not engaged in a trade or business in the United States. Country X does not have an income tax treaty with the United States. Foreign Insurer enters into a reinsurance agreement with Foreign Reinsurer, a foreign corporation incorporated in Country Y, whereby Foreign Reinsurer agrees to indemnify Foreign Insurer against all or part of the loss that Foreign Insurer may sustain under the policies it has issued to U.S. Corporation. Foreign Reinsurer is not engaged in a trade or business in the United States. Country Y has an income tax treaty with the United States that does not exempt insurance premiums from the excise taxes imposed by section 4371.

Section 4371 imposes an excise tax on each policy of insurance, indemnity bond, annuity contract, or policy of reinsurance issued by any foreign insurer or reinsurer. Section 4371(1) imposes such excise tax at the rate of 4 cents on each dollar, or fractional part thereof, of the premium paid on the policy of casualty insurance or the indemnity bond, if issued to or for, or in the name of, an insured as defined in section 4372(d). Section 4371(2) imposes such excise tax at the rate of 1 cent on each dollar, or fractional part thereof, of the premium paid on the policy of life, sickness, or accident insurance, or annuity contract. Section 4371(3) imposes such excise tax at the rate of 1 cent on each dollar, or fractional part thereof, of the premium paid on the policy of reinsurance covering any of the contracts taxable under paragraph (1) or (2) of section 4371. Section 4372(a), for purposes of Section 4371, defines the term "foreign insurer or reinsurer" as an insurer or reinsurer who is a nonresident alien individual, or a foreign partnership, or a foreign corporation. Section 4372(d)(1) defines the term "insured" to include a domestic corporation or partnership, or an individual resident of the United States, that is insured against, or with respect to, hazards, risks, losses, or liabilities wholly or partly within the United States. The premiums paid by U.S. Corporation on the policies of casualty insurance issued by Foreign Insurer are subject to the four-percent excise tax imposed by section 4371(1), because the policies were issued by Foreign Insurer, a foreign corporation, to U.S. Corporation, an "insured" for purposes of section 4372(d). In addition, premiums paid by Foreign Insurer on the policies of reinsurance issued by Foreign Reinsurer with respect to the foregoing insurance policies are subject to the one-percent excise tax imposed by section 4371(3) because section 4371(3) imposes an excise tax on reinsurance policies issued by a foreign reinsurer with respect to risks covered by contracts described in section 4371(1).

[HUNDREDS of additional charts at www.andrewmitchel.com](http://www.andrewmitchel.com)