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FROM : Manager, Taxation Department  
EXT: 5228  
DATE : 23 November 1992  
REF: TD/VAT/I21/AJG/1n/6521s/86

LLOYD'S OF LONDON			
GENERAL REGISTRY			
Registered Number			
		1	827

SUBJECT: CANADIAN GOODS AND SERVICES TAX (GST)  
AND PROVINCIAL SALES TAXES

At the request of the Canadian Management Committee I attach a copy of a letter that has recently been issued to all Canadian Coverholders and Correspondents by the Attorney in Canada for Lloyd's Non-Marine Underwriters. It is concerned with the application of the Federal GST, the Quebec Sales Tax and the British Columbia Retail Sales Tax to insurance placed at Lloyd's.

This circular is being sent to all Managing Agents and Lloyd's Brokers. If you have any queries, please contact Andrew Green on extension 6048.

D R Culliford  
Manager  
Taxation Department

**M.J. OPPENHEIM, C.A.**

ATTORNEY IN CANADA  
FOR LLOYD'S NON-MARINE UNDERWRITERS

FONDÉ DE POUVOIR AU CANADA  
POUR LES SOUSCRIPTEURS D'ASSURANCE  
NON MARITIME DU LLOYD'S



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November 12, 1992

TO: ALL COVERHOLDERS AND CORRESPONDENTS

in connection with the introduction of the GST on January 1, 1991, the Attorney's office issued specific guidelines to Coverholders/Correspondents with respect to the application of GST to legal and other professional fees and salvage sales in relation to Lloyd's activities. Despite these guidelines, our office and Lloyd's have received many enquiries regarding the GST position we have taken. The purpose of this Circular is not only to reiterate our previous position and expand upon it but also to cover the new Quebec Sales Tax and the British Columbia Retail Sales Tax.

Goods and Services Tax (GST)

As explained in our previous Circulars of January 29, 1991 and October 16, 1991 (**copies** attached):

- a) Lloyd's Non-Marine Underwriters, as non-residents, are not liable to charge GST on sales of salvage. **Coverholders** and **Correspondents** should not collect GST where salvaged property is sold on behalf of Underwriters. To comply with the Excise Tax Act, purchasers need to be advised at the time of sale that the sale is made on behalf of Lloyd's Non-Marine Underwriters, who are non-residents; and
- b) legal and other professional services rendered in connection with insurance placed in the Lloyd's Market are eligible for zero-rating as an export of service. This is because the services are supplied to Lloyd's Non-Marine Underwriters in London, who are not resident persons.

Fee notes for these services should be addressed to "Non-Marine Underwriters at Lloyd's of London, One Lime Street, London, England, c/o Coverholder/Correspondent".

Since the fee is zero-rated, it follows that any charges for disbursements should also be zero-rated.

Quebec Sales Tax (QST)

We are advised that the QST legislation applicable to sales of salvage by non-residents and supplies of professional services to non-residents mirrors the GST rules.

Therefore, QST should not be charged on sales of salvage made by Coverholders/Correspondents on behalf of Lloyd's Non-Marine Underwriters, and Professional services supplied to Lloyd's Non-Marine Underwriters are eligible for zero-rating. The normal GST rules detailed in a) and b) above therefore also apply for QST purposes.

British Columbia Retail Sales Tax (RST)

With effect from June 1, 1992, the 6% RST has been extended to apply to certain legal services rendered after that date.

We have been advised that legal services provided in B.C. to Lloyd's Non-Marine Underwriters in connection with a court or administrative proceeding in B.C. will be subject to the RST at 6%. What this means is that in these circumstances, the service would not normally be subject to GST but would be liable to the RST. However, services provided to Lloyd's outside B.C. will not be subject to RST.

We will keep you informed of any developments affecting the approach we are taking with respect to GST, QST and RST. In the meantime, this and previous circulars should be applied.

A handwritten signature in black ink, appearing to read 'MJO', is written in a cursive style.

MJO/sd  
Enc.

**C-1592B**

E. W. TINMOUTH, C.A.  
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October 16, 1991

TO ALL COVERHOLDERS AND CORRESPONDENTS

GOODS AND SERVICES TAX (GST)

We have received several enquiries relative to the application of GST on legal fees. In order to clarify this situation, we would advise that legal fees for services rendered *in connection* with insurance placed with Lloyd's Non-Marine **Underwriters, London, England, are for the account of the insurer.** As a result, the services rendered are zero-rated and therefore not subject to GST.

The Excise Tax Act (Canada) provides that GST does not apply to fees for services of an advisory, consulting or professional nature that are rendered to a person that is not a resident of Canada. Based on the provisions of this legislation, Lloyd's is a non-resident person. It therefore follows that GST does not apply to your fees to Lloyd's.

I would also advise that accounts for services as noted in the preceding paragraph, without GST, should be addressed as **follows:**

Non-Marine Underwriters at Lloyd's  
London, England  
c/o Coverholder/Correspondent

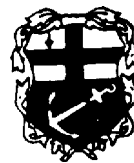
In those instances where the application of GST is being questioned, I would suggest that a copy of this circular be forwarded to the firm submitting the account for their confirmation that GST does not **apply** for services rendered to Lloyd's.

C-1592A

(version française au verso)

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January 29, 1991

TO: ALL BROKERS

RE: GOODS AND SERVICES TAX ( GST )

I am attaching a circular 'or Brokers that has been prepared by the Taxation Department at Lloyd's, London, England on the application of the Goods and Services Tax (GST) as it pertains to Lloyd's Non-Marine Underwriters.

If you have any questions relative to the foregoing, please contact either Mr. Ronald Hamelin or myself.

A handwritten signature in cursive script, appearing to read 'E. W. Tinmouth'.

T/B/ar  
Enc 1.

c-1592

TO ALL COVERHOLDERS AND CORRESPONDENTS

**LLOYD'S**  
LLOYD'S OF LONDON

January 29, 1991

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GOODS AND SERVICES TAX (GST)

This note is intended to assist coverholders and correspondents in dealing with GST in relation to Lloyd's activities. It is not meant to clarify the particular tax position of coverholders or correspondents on which they may wish to seek their own advice. The following points should be noted:

1. Generally, insurance is an "exempt supply" but in addition Lloyd's Non-Marine Underwriters, as non-residents, are not required to register, and therefore any premiums are not subject to GST.
2. Coverholders and correspondents should not collect GST where salvaged property is sold on behalf of Lloyd's Underwriters. To comply with the Act, however, it will be necessary to indicate to the purchaser of the salvaged property that the sale is made on behalf of Lloyd's Non-Marine Underwriters, who are non-residents.
3. It is our understanding that legal fees for services to Lloyd's Non-Marine Underwriters in London will be treated as an export and therefore zero-rated, that is no GST will be charged. We are currently seeking confirmation of this point from Revenue Canada but in the meantime coverholders and correspondents should advise lawyers to render their accounts without charging GST to Lloyd's Non-Marine Underwriters, Lloyd's of London, 1 Lime Street, London, England, c/o of the coverholder or correspondent.
4. In line with general insurance industry practice, Lloyd's Non-Marine Underwriters intend to settle claims net of GST where the insured is registered for GST.

Where an insured is entitled to recover the GST component of a claim settlement through the input tax credit mechanism, the settlement proceeds should not, in principle, include the GST. In practice the insured will be required to settle the full amount of the claim with his supplier, claim the net amount from the Lloyd's Non-Marine Underwriters and recover the GST from Revenue Canada as an input tax credit.

Where the insured is not entitled to an input tax credit (for example, a non-registrant or an entity only providing exempt services) the insured may expect the settlement to include GST.

We will, of course, keep you informed of any changes or progress in respect of GST and Lloyd's Non-Marine Underwriters.