

# MARKET BULLETIN

REF: Y4863

<b>Title</b>	<b>U.S. Virgin Islands Licensed Business: Premium Tax</b>
<b>Purpose</b>	To advise the market of changes in procedures in respect of U.S. Virgin Islands Premium Tax applicable to all direct U.S. Virgin Islands licensed business
<b>Type</b>	Event
<b>From</b>	Pat Talley, Regional Director, US Central Region, Lloyd's America (Ext. 7241)
<b>Date</b>	21 January 2015
<b>Deadline</b>	New procedures to apply from 1 April 2015
<b>Related links</b>	Section 603 of Chapter 25, Title 22 of the Virgin Islands Code <a href="#">Link to code</a> U.S. Virgin Islands Division of Banking and Insurance Tax Q&A <a href="#">Link to Q&amp;A</a>

## Overview

Under the law of the U.S. Virgin Islands, insurers writing U.S. Virgin Islands licensed business have a responsibility to pay premium tax on all risks located in the U.S. Virgin Islands. Specifically, Section 603 of Chapter 25, Title 22 of the U.S. Virgin Islands Code states:

*“Each insurer shall, on or before the first day of February, May, August and November of each year, pay to the Office of the Commissioner of Insurance **a tax of five percent (5%) on the quarterly gross receipts premiums on all types of insurance**, except for annuities, transacted in the Virgin Islands or covering risks resident, located or to be performed in the Virgin Islands, **less return premiums relating thereto** and less reinsurance premiums on such business received from insurance companies authorized to do business in the Virgin Islands.” (Emphasis added).*

Currently, local agents and producers deduct the tax and send it with a report to Lloyd's AIF in the U.S. Virgin Islands where tax is then remitted and the report sent to the Office of the Commissioner of Insurance. In line with the approach Lloyd's applies to other insurer taxes, from 1 April 2015, Lloyd's will deduct the U.S. Virgin Islands premium tax centrally and arrange payment to Office of the Commissioner of Insurance. Local agents and producers should no longer deduct and send the premium tax to Lloyd's AIF in the U.S. Virgin Islands.

**New procedures and transitional arrangements**

With effect from 1 April 2015 and in accordance with transitional arrangements below, all premium taxes on licensed U.S. Virgin Islands business must be sent directly to Lloyd's Underwriters via Lloyd's central accounting. Lloyd's is responsible for administering the payment of the taxes on U.S. Virgin Islands licensed business and will collect tax (subject to the transitional arrangements below) through ARCS (Lloyd's central charging system) to ensure remittance of the taxes in accordance with the U.S. Virgin Islands code. Lloyd's Underwriters will be responsible for credit control processes and ensuring taxes are paid to them.

In order to transition to the new process and ensure all premium taxes due are correctly calculated and paid, 1 April 2015 will be the point at which the following changes will take place:

**i. Open market placements**

Any open market placement incepting on or after 1 April 2015 should no longer have tax deducted and paid to Lloyd's AIF U.S. Virgin Islands. Instead, the entire premium is to be sent to London. Therefore, the final tax payment to Lloyd's AIF U.S. Virgin Islands, due 15 April 2015 (to allow time to process and remit the payment), should only comprise premium tax deducted from open market placements incepting prior to 1 April 2015.

**ii. Binding authority bordereau**

The last bordereau on which the gross premiums tax will be deducted and paid to Lloyd's AIF U.S. Virgin Islands will be payment for the Q1 2015 placements. From 1 April 2015, all bordereau will no longer be subject to tax deduction by Lloyd's appointed licensed agents. Therefore, the final tax payment to Lloyd's AIF U.S. Virgin Islands, due 15 April 2015, should only comprise premium tax deducted from binding authority bordereau covering periods prior to 1 April 2015.

**iii. Quarterly Reporting**

Reports accompanying the final tax payments to Lloyd's AIF U.S. Virgin Islands, due 15 April 2015 will be the last submitted to Lloyd's AIF U.S. Virgin Islands. From reporting period Q2 2015 and thereafter, the report should be submitted to Lloyd's Kentucky, Inc. Lloyd's will issue further guidance concerning all reporting arrangements later this quarter.

**iv. LPANs**

Lloyd's brokers should note that the change in procedure can be reflected on the London Premium Advice Note (LPAN), i.e. U.S. Virgin Islands premium taxes are no longer required to be identified in Box 20 and should be included with net premium in Box 25.

**Further Information and Contacts**

If you have any queries about this market bulletin, please contact:

**Lloyd's Kentucky, Inc.**

Bill Wallace, Vice President - Finance & Administration

US +1 502 875 0412 or UK +44 (0) 20 7327 7242

[bill.wallace@lloyds.com](mailto:bill.wallace@lloyds.com)

or

**Lloyd's International Trading Advice (LITA)**

Lloyd's Desk, Ground Floor, Underwriting Room

Telephone: +44 (0) 207 327 6677

Email: [LITA@lloyds.com](mailto:LITA@lloyds.com)

[www.lloyds.com/crystal](http://www.lloyds.com/crystal)