

FROM: Head of Taxation, Taxation Department
LOCATION: TAX/86/441
EXTENSION: 5228
DATE: 14 February 2001
REFERENCE: TAX/MCM/hrc/Y2484
SUBJECT: MEMBERS' TAX ON JAPANESE BUSINESS -
LLOYD'S JAPAN
ACTION POINTS: **To note**

1. In 1997 a number of syndicates started to write direct business in Japan using the services of Lloyd's Japan Inc. The Japanese National Tax Agency has taken the position that members of these syndicates are liable to Japanese taxes on this business. That tax liability covers corporation and income taxes, and also the "Enterprise Tax" and the "Inhabitant Tax".
2. To date, members' exposure to corporation and income taxes has been minimal, because while the business is developed expenses and claims have matched premium income and there has been little or no taxable profit.
3. However, corporate members and Scottish Limited Partnerships (but **not** individual members) are liable to local taxes known as the Enterprise Tax and the Inhabitant Tax. The Enterprise Tax is based on premiums received. The Inhabitant Tax is based on the share capital of any company or other body with legal personality that is doing business in Japan (including Scottish Limited Partnerships), and has a minimum payment of Yen 70,000.
4. The taxes due from members for 1997, 1998 and 1999 have been paid by Lloyd's Japan. Lloyd's Japan is now seeking reimbursement of these taxes from the corporate members and Scottish Limited Partnerships concerned, together with the professional costs related to the filings charged to them by Chuo Coopers Lybrand in relation to this work. The taxes due and the administration charge made by Lloyd's Japan will be collected this year through the 1998 distribution process for members who were underwriting for that year of account. The collection will be made in US dollars. For members whose first year of account is 1999, the collection will not take place until the 1999 distribution process, that is in 2002.

5. Corporate members and Scottish Limited Partnerships will be advised by the MSU in April 2001 of any amount that is due from them. This report will show the amounts of tax and professional charges for each year.
6. This bulletin is being sent to corporate members and Scottish Limited Partnerships, their tax advisors and members' agents. Any queries concerning this bulletin should be addressed to Maureen McLeod, Lloyd's Taxation Department (direct line 020 7327 6860) or Elizabeth Rogula, Lloyd's Japan (direct line 020 7327 8470).

David Clissitt
Head of Taxation
Taxation Department