

**FROM:** Head of Taxation, Taxation Department  
**LOCATION:** TAX/86/441  
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**SUBJECT:** VAT TREATMENT OF SERVICES PROVIDED BY LPSO  
**ACTION POINTS:** **For information**

Customs & Excise are reviewing the VAT treatment of services provided by LPSO Ltd and have said that the VAT exemption should no longer apply. We are challenging the decision and will keep managing agents informed of further developments.

In the past Customs have ruled that services provided by LPSO to managing agents are exempt from VAT. This is on the basis that LPSO acts in the role of an insurance intermediary and the services are related to the provision of insurance. The ruling is, however, subject to review from time to time.

Customs are currently reconsidering the services provided by LPSO, and have informed Ins-sure Services Ltd that the VAT exemption no longer applies. They no longer believe that LPSO acts as an insurance intermediary or provides insurance-related services. They are taking the view instead that LPSO undertakes the role of a data processor on behalf of managing agents and that such data processing services are subject to the standard rate of VAT.

This revised decision by Customs does not in any way relate to the change in ownership of LPSO or to any change in the nature of its services. It simply represents a change in Customs' view as to the correct VAT treatment to be applied. However, because they have previously made a ruling on the same matter, the new ruling is not retrospective.

We believe that Customs are mistaken and we are working closely with the management of Ins-sure Services Ltd to persuade them that their earlier ruling should still stand. Our firm view is that LPSO is an insurance intermediary within the VAT rules as its services are an integral part of the insurance business processing chain between the insured and the underwriter. Moreover, as the primary role of LPSO is to act on behalf of underwriters to ensure that contract documentation is checked and validated and to liaise and negotiate with brokers to co-ordinate activities and resolve technical matters, we believe it is an insurance-related service that is VAT exempt.

Customs have now agreed to reconsider their latest ruling and will visit LPSO's Chatham office later this month to review the activities at first hand. This on site examination will give them a better understanding of the nature of the services. We hope that it will also lead to a reversal of Customs' latest ruling and confirmation that the VAT exemption still applies.

This bulletin is being sent to all managing agents. We view this as a very important issue for the Lloyd's market, and we will keep you fully informed of developments. In the meantime, if you have any questions or require further information please contact Harinder Sandhu on Lloyd's extension 5396 or myself on extension 5228.

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