

FROM: Tax Manager, Taxation Department
LOCATION: TAX/G4/441
EXTENSION: 6839
DATE: 7 April 2003
REFERENCE: TAX/JP/ln/Y3032
SUBJECT: **VAT ON MEMBERS' AGENTS SERVICES:
REPAYMENTS TO MEMBERS**
ATTACHMENTS: Annex 1
ACTION POINTS: **Members' agents to process repayments and inform MSU**
DEADLINE: **Unpaid VAT at member level – report by 11 April 2003**

1 Introduction

- 1.1 VAT that has been charged on members' agents fees from 1 January 2001 onwards is now repayable, following a VAT tribunal decision. Market bulletins Y2837 of 22 July 2002 and Y2870 of 13 September 2002 give further background.
- 1.2 This bulletin sets out the procedures to be followed in respect of refunds made by members' agents to members. It also sets out what action is to be taken by members' agents if a refund has been made otherwise than as set out in this bulletin.

2 Repayment procedure

- 2.1 The correct mechanism for the repayment of VAT depends on which year of account the fees relate to.

2.1.1 Years of account 2001 and 2002

VAT refunds in respect of VAT on advance members' agents fees paid out of syndicate Premiums Trust Funds in relation to the 2001 or 2002 years of account should be made back to the syndicate Premiums Trust Funds.

2.1.2 Years of account 1999 and prior

VAT refunds in respect VAT on members' agents fees for 1999 and prior years of account should be made to the member's Personal Reserve Fund via the Debt Allocation Matrix ("DAM"). This should be done for all members except where members have ceased and have no debts outstanding to Lloyd's.

Members who have ceased and have no debts to Lloyd's can receive repayments of VAT direct. It is not necessary to route these through the DAM.

- 2.2 It is not expected that any VAT will have been charged in respect of members' agents fees for the 2000 year of account. In the exceptional case that it has, please contact Juliet Phillips or Christine Allcott (contact numbers at the end of the bulletin).
- 2.3 To enable Lloyd's Members Services Unit to process the payments as appropriate, the guidelines issued at the MSU Customer Panel on 26 March 2003 (attached as Annex 1) should be followed. The supporting spreadsheet showing repayments being made to the members' Personal Reserve Funds via the DAM should clearly state the Member number and the amount due. It is important to note the 11 April 2003 deadline given in the guidelines is not applicable but repayments must be made within the 90-day deadline required by HM Customs and Excise and the information should be sent to MSU at least one week before sending the cash to make the repayment.

3 Cases where repayments have already been made

- 3.1 We believe that in some cases repayments have been made otherwise than in accordance with the procedures outlined above. It is important that future repayments should follow these procedures.
- 3.2 However, with regard to repayments already made direct to members, it is recognised that it is not practical to unscramble and then re-route the repayments via the DAM. As a practical measure, repayments that have already been made direct need not therefore be recovered.
- 3.3 Members' agents must, however, advise MSU (Tax Operations) of all direct repayments that have been made to date to members for tax reporting purposes. This will enable MSU to report the members' expenses correctly on the forms CTA2 which are sent to the members for tax return purposes.
- 3.4 If any repayments were made prior to 31 December 2002, then MSU need to receive this information as a matter of urgency in order to include the adjustments on the CTA2s currently being prepared. Any delay in this notification will create delays in the issue of the CTA2s. For repayments made or to be made in 2003, please provide the relevant information to MSU as soon as you are able, ensuring that the repayments can be made within 90 days of receipt of the repayment from Customs and Excise.

4 Unpaid VAT amounts at member level

- 4.1 Some members' agents fees payable at distribution remain unpaid. In such cases, members' agents will need to provide MSU with details of unpaid VAT amounts at member level to enable them to remove the VAT from debts due. This information should be sent to MSU by 11 April 2003.

5 Readership and contact details

- 5.1 This bulletin is being sent to members' agents, managing agents and recognised auditors.
- 5.2 If you have any questions on the repayment and reporting mechanisms please contact Christine Allcott on 01634 392433. If you have any questions on VAT, please contact Harinder Sandhu on 020 7327 5396 or Juliet Phillips on 020 7327 6839.

Juliet Phillips
Tax Manager

Guidelines for the repayment of VAT on members' agents fees to members

1. Repayments for active and run-off members **must** be made via the PTF/Distribution DAM.
 2. Repayments for ceased members can be paid direct – either by members' agents or MSU. MSU will need to be advised of all refunds however, including any paid by members' agents.
 3. The agent receiving the benefit of the fees must issue VAT credit notes to members. VAT credit notes should only be issued against VAT invoices raised to members. The credit note must be raised in exactly the same way as the original invoice, i.e. if the original invoice just showed the gross figures, the refund of VAT must be included in the net and gross fields on the invoice and not in the VAT field.
 4. All cash from point 1, and any cash from point 2, that you require the MSU to deal with, should be sent electronically to: - National Westminster Bank (60-00-01) a/c 14945983 (The Corporation of Lloyd's Members Trust No.3 a/c). A covering spreadsheet, breaking down this amount should be sent to lloyds-tax-ops@lloyds.com. This should include the Member Number and amount. The cash should arrive no later than 11 April, and it would be preferable if the spreadsheet could arrive by 8 April to facilitate processing. Details of any refunds paid or to be paid directly by members' agents should be listed on a separate sheet.
 5. A further sheet, listing unpaid VAT amounts at Member level will also need to be submitted by members' agents to MSU to be written off. This should be based on the DAM position at 25 March and should also be submitted by 8 April to the above e-mail address.
 6. A new asset type will be created to credit the refunds back to the DAM – write-offs will be dealt with via a new debt reduction transaction type. Whitespace will be contacted once the detail has been agreed.
- * If agents have any technical queries on this issue, please speak to either Harinder Sandhu (ext 5396) or Juliet Phillips (ext 6839) in Taxation.