

FROM: Head of Taxation EXTN: 5228
DATE: 16 December 2004 REF: Y3461
SUBJECT: **Italian Premium Taxes: Advance Payments**
SUBJECT AREA(S): Italian Premium Taxes
ATTACHMENTS: None

ACTION POINTS: To note
DEADLINE(S): None

Purpose

This bulletin informs managing agents of the arrangements for making an advance payment of Italian premium taxes on account of 2005 liabilities. Further information will be sent in due course on arrangements for future years. Managing agents need take no action at this point.

Advance Tax Payment for 2005

On 29 November 2004 the Italian government passed a law requiring an advance payment to be made on account of 2005 insurance premium taxes. The advance payment, which is due on 15 December 2004, is calculated as equalling 12.5% of the premium taxes paid in relation to 2003 (other than third party motor). Insurers will be allowed to offset the 2005 advance payment against tax payable in relation to returns made from February 2005 onwards.

In view of the very short timescale between the passing of the law and the due date Lloyd's has made the advance payment required for 2005 out of Corporation funds. This advance payment will then be reimbursed out of 2005 tax payments, and managing agents need take no action in respect of this. Premium taxes will continue to be processed and accounted for in the normal way under existing procedures, either by Lloyd's office in Italy or by Taxation Department under the Central Taxes System, as the case may be.

Lloyd's may make a charge to syndicates for the temporary advance of the funds and for any expenses it incurs in relation to the arrangements. If it does so, it is proposed that this charge will be calculated by reference to the amount of relevant Italian premiums written by each syndicate. Further information will be sent to syndicates on this in due course.

Advance Tax Payments for 2006 onwards

The law of 29 November requires advance payments also to be made for future years, in each case by 30 November in the preceding year. So, for example, the advance payment of 2006 tax will be due by 30 November 2005 and will be calculated as 12.5% of the premium taxes paid in respect of 2004 (other than third party motor). Insurers will be allowed to offset the 2006 advance payment against tax payable in relation to returns made from February 2006 onwards.

We are looking at possible mechanisms to collect and pay the advance payments due from 30 November 2005 onwards, and we will issue a further bulletin on this in due course setting out the arrangements.

Readership and Contact Details

This bulletin is being sent to all managing agents, underwriters and Lloyd's brokers. If you have any queries please contact –

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