

FROM: Indirect Tax Manager EXTN: 6727
DATE: 7 September 2005 REF: Y3621
SUBJECT: **Cypriot and Maltese Stamp Duties - additions to Central Taxes System**

SUBJECT AREA(S): Stamp Duty

ATTACHMENTS: Annex – rules and procedures

ACTION POINTS: Underwriters and brokers to note revised procedures

DEADLINE(S): Business incepting from 1 November 2005

This bulletin sets out new procedures for processing stamp duties in relation to Cypriot and Maltese policies. It is effective for policies incepting on or after 1 November 2005. Brokers and underwriters should ensure that, where appropriate, stamp duty is collected and passed with the premium to syndicates.

Details on the application of stamp duties are in the Annex. Where there is no local coverholder, Lloyd's Central Taxes System will be used to account for these taxes where they apply and Xchanging will check that taxes are correctly shown on slips and associated insuring documentation.

Cypriot stamp duty is due on all insurance policies covering Cypriot risks. For Cypriot coverholder business the responsibility for collecting and accounting for stamp duty remains with the coverholder. Where there is no Cypriot coverholder it is the Underwriter's responsibility to assess if duty is due and to collect it.

Maltese stamp duty becomes due when a policy is executed in Malta. This will normally only apply to establishment business, i.e. policies written by Maltese coverholders. Policies executed outside Malta are not liable to stamp duty unless they are subsequently required to be used or produced in Malta.

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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Cyprus - Duty on Insurance Documents (Stamp Duty)

1. When is Cypriot stamp duty due?

- 1.1 Stamp duty is due on all insurance policies covering Cypriot risks. If the risk is located in Cyprus the Coverholder or Underwriter, as appropriate, must decide what rate of duty is applicable, see the table below for rates. In the context of this Annex, the words "Cyprus" and "Cypriot" do not refer to that part of the Island of Cyprus which is under Turkish control.
- 1.2 Cyprus became a member of the EU on 1 May 2004 and for tax purposes a risk is located in a EU member state if the insurance:
- (i) relates to buildings and/or their contents and the property is located in the member state;
 - (ii) relates to a vehicle which is registered in the member state. For these purposes vehicle includes ships and aircraft;
 - (iii) covers holiday or travel risks of up to four months duration and the policy is taken out in the member state; or
 - (iv) if (i) to (iii) do not apply, if it covers a policy holder who is either:
 - (a) an individual who is habitually resident in the member state; or
 - (b) a business and its business establishment, to which the policy relates, is in the member state.
- 1.3 If a Cypriot business establishment is covered in a global (or multinational) policy, stamp duty will be due on the policy.

2. Who is responsible for collection and payment of stamp duty?

- 2.1 In relation to Cypriot coverholder business the responsibility for collecting and accounting for stamp duty remains with the coverholder.
- 2.2 In the case of all other business it is the Underwriter's responsibility to assess if duty is due. Stamp duty should be collected by the broker and paid to the underwriter via the Central Taxes System. Stamp duty due should be shown in the "risk details" section of the LMP slip as "taxes payable by insured". Lloyd's Taxation Department will then manage the process of collating returns and making payments of duty.

Exemptions from Stamp duty:	None	
Current rates of duty:	Fire (sum insured under C£1000)	C£0.50
	Fire (sum insured C£1000 or more)	C£1.00
	Marine (premium under C£200)	C£0.50
	Marine (premium C£200 or more)	C£1.00
	Workmens' compensation (Employer's liability)	C£1.00
	Motor vehicles third party insurance	C£1.00
	All other classes including reinsurance	C£1.00
Tax charged to: (i.e. who bears the cost of the duty)	The insured, stamp duty is an addition to gross premium.	
Method of calculation:	Stamp duty is applicable to each policy document	
Who is responsible for collection and payment:	<p>Business through a Cypriot coverholder: Where business is placed through a Cypriot coverholder, the coverholder is responsible for collecting stamp duty and paying it over to the Cypriot Tax Authorities.</p> <p>For all other types of business, ie: -direct business (where there is no local broker) -open market business (where there is a Cypriot broker) -coverholder business (where there is <u>no</u> Cypriot coverholder, even if there is a Cypriot broker)</p> <p>Stamp duty is collected from the insured and paid to the authorities by the underwriter. This process is administered by Lloyd's Taxation Department through the Central Taxes System (CTS). Lloyd's brokers should ensure that stamp duty is settled with the premium to underwriters.</p>	

Malta - Government Duty on Insurance Documents (Stamp Duty)

1. When is Maltese stamp duty due?

- 1.1 Insurance policies covering risks located in Malta are subject to Government Duty (stamp duty) under the Duty on Documents and Transfers Act 1993. However, there are a number of exemptions from stamp duty, which are set out in the table below.
- 1.2 Malta became a member of the EU on 1 May 2004 and for tax purposes a risk is located in a EU member state if the insurance:
 - (i) relates to buildings and/or their contents and the property is located in the member state;
 - (ii) relates to a vehicle which is registered in the member state. For these purposes vehicle includes ships and aircraft;
 - (iii) covers holiday or travel risks of up to four months duration and the policy is taken out in the member state; or
 - (iv) if (i) to (iii) do not apply, if it covers a policy holder who is either:
 - (a) an individual who is habitually resident in the member state; or
 - (b) a business and its business establishment, to which the policy relates, is in the member state.
- 1.3 Stamp duty becomes due when a policy is executed in Malta. In relation to Lloyd's business this will normally only apply to establishment business, i.e. policies written by Maltese coverholders.
- 1.4 Policies executed outside Malta are not liable to stamp duty unless they are subsequently required to be used or produced in Malta, e.g. as evidence in a Maltese court. Therefore, policies written under the freedom of services provisions are not subject to Maltese stamp duty as they are executed in London, unless they are subsequently required in Malta.
- 1.5 If a Maltese business establishment is covered in a global (or multinational) policy, stamp duty will not be due on the policy unless the policy is executed or required to be used in Malta.

2. Who is responsible for collection and payment of stamp duty?

- 2.1 Where business is placed through a Maltese coverholder, it is the coverholder who is responsible for collecting stamp duty and paying it over to the Maltese Tax Authorities.
- 2.2 In relation to business where there is no Maltese coverholder involved the policy will normally not be subject to stamp duty. However, if the policy is required to be produced in Malta at a later date stamp duty will become due. In the event that this occurs the broker should contact Lloyd's Taxation Department.

Exemptions from stamp duty:	Reinsurance Aviation Marine Cargo Marine Hull (including small craft) Export Credit Suretyship Medical Cover
Current rates of duty:	10% subject to a minimum of Lm 5. (Where the premium is lower than the Lm 5 minimum charge the stamp duty is 50% of the premium cost.)
Tax charged to: (i.e. who bears the cost of the duty)	The insured, stamp duty is an addition to gross premium.
Method of calculation:	Stamp duty is applicable to each policy document
Who is responsible for collection and payment:	<p>Business written through a Maltese coverholder, i.e. establishment business: Where business is placed through a Maltese coverholder, the coverholder is responsible for collecting stamp duty and paying it over to the Maltese Tax Authorities.</p> <p>Non establishment business, i.e. freedom of services business, where the contract of insurance is executed outside Malta: Stamp duty is not due on contracts of insurance executed outside Malta. At Lloyd's an open market insurance contract is usually executed at the point that the underwriter signs the slip, i.e. in London.</p> <p>Non establishment business, i.e. freedom of services business, where the contract of insurance is used in Malta: Where a contract is required to be produced in Malta after execution, the Lloyd's broker should contact Lloyd's Taxation Department.</p>

3. Other information

- 3.1 The Government duty on insurance must be shown on all relevant documents sent to the insured.
- 3.2 In the case of endorsements which increase the premium, the policy has to be reassessed for duty purposes. This is subject to the proviso that allowance is made for any duty already paid in respect of the policy, subject to a minimum duty of Lm 1. However, minor alterations which do not result in an increase of the premium are not dutiable.
- 3.3 Where a Lloyd's syndicate co-insures a Maltese risk the Lloyd's element of the premium is liable to stamp duty, subject to the guidance set out above.