

MARKET BULLETIN

From	Head of Tax & Treasury (extn 5228)
Date	9 November 2005
Reference	Y3667
Subject	Taxes in French Polynesia
Subject areas	Direct and Premium Taxes
Attachments	Annex
Action points	To note and apply new procedures for placing business
Deadlines	Now

1. Introduction

- 1.1 This bulletin gives information about Lloyd's new tax arrangements for French Polynesia.
- 1.2 Sections 2-5 and the Annex deal with the administration of the French Polynesian taxes with effect from 1 January 2006:

Section 2 deals with the profits tax (impôt sur les bénéfices des sociétés).
Section 3 deals with the premium tax (la taxe sur les conventions d'assurances).
Section 4 deals with the insurance tax (la taxe sur les activités d'assurance).
Section 5 sets out the changes to the placing and closure procedures.

The Annex contains the new sections from the database of overseas premium taxes in Lloyd's taxation website.

- 1.3 Section 6 sets out how the taxes that are due for 2005 and earlier years will be handled.

2. Profits Tax

- 2.1 The profits tax is chargeable on a deemed profit of 7.5% of gross premiums where the named insured, i.e. the named policyholder, is resident in French Polynesia. The effective rate of tax can vary from year to year and will not be determined until after the year has ended, but under the current rates the average charge will amount to around 3% to 4% of the gross premium. The tax applies to open market business as well as to business written through binding authorities.
- 2.2 Tax is payable once a year on 31 March and Taxation Department will calculate the amount due and collect it from syndicates writing French Polynesian business. The Central Taxes System tax will be used to record taxable premiums with effect from 1 January 2006.
- 2.3 HM Revenue & Customs accept that the profits tax qualifies for double tax credit relief. Members will therefore be able to claim relief against their UK tax, subject to the usual double taxation relief rules. Details of the French Polynesian tax paid will be included on the tax advices issued by the MSU.
- 2.4 Please note that the 10% French Polynesian withholding tax, which was introduced with effect from 1 January 2005 for non-established insurers, does not apply to premiums paid to Lloyd's Underwriters.

3. Premium Tax

- 3.1 A premium tax of 10% is due on gross premiums where the named insured, i.e. the named policyholder, is an individual or business in French Polynesia. The following insurance contracts are exempt from the premium tax –
- ◆ hull and associated liabilities relating to ships used by the merchant navy and fishing vessels;
 - ◆ hull and associated liabilities for aircraft;
 - ◆ export credit;
 - ◆ reinsurance;
 - ◆ life;
 - ◆ retirement savings plans;
 - ◆ sickness and invalidity;
 - ◆ educational contracts for the benefit of pupils at educational establishments;
 - ◆ certain contracts relating to social insurance institutions.
- 3.2 The cost of the premium tax can be passed on to the insured.
- 3.3 The French Polynesian broker will pay the premium tax to the tax authorities for both open market and binding authority business. If there is no local broker the Central Taxes System will be used to account for the tax and Taxation Department will arrange for it to be paid once a year on 31 March.

4. Insurance Tax

4.1 A 3% tax is due on gross premiums where the named insured, i.e. the named policyholder, is resident in French Polynesia. The following insurance contracts are exempt from the tax –

- ◆ life;
- ◆ capitalisation;
- ◆ certain savings contracts.

4.2 The tax cannot be passed on to the insured and is therefore a cost to Underwriters of doing business in French Polynesia.

4.3 The French Polynesian broker will pay the insurance tax to the tax authorities for both open market and binding authority business. If there is no local broker the Central Taxes System will be used to account for the tax and Taxation Department will arrange for it to be paid once a year on 31 March.

5. The Central Taxes System

5.1 The placing and closing procedures already used for the countries covered by the Central Taxes System will be extended to cover the three French Polynesian taxes.

5.2 Underwriters are reminded that it is their responsibility to decide if the premium is taxable and the broker should provide them with the information needed to assess the tax position. The following information should be shown on the slip –

- ◆ **Profits tax** – in the fiscal and regulatory section “Profits tax due on gross premium of xxx”. As the rate of tax cannot be determined until the year has ended the tax rate does not have to be shown.
- ◆ **Premium tax** – in risk details “Premium tax yyy (calculated xxx (gross premium) x 10% (rate of tax)”. If the tax has been paid by the local broker a note to this effect should be included.
- ◆ **Insurance Tax** – in the fiscal and regulatory section “insurance tax zzz (calculated xxx (gross premium) x 3% (rate of tax)”. If the tax has been paid by the local broker a note to this effect should be included.

5.3 The technicians at Xchanging will check the way in which taxes are shown on slips and associated documentation and errors or omissions may delay the premium signing.

6. Taxes due for 2005 and earlier years

- 6.1 The Central Taxes System will only be used to deal with taxes due on premiums signed on or after 1 January 2006. Tax payments for 2005 and earlier years will be calculated centrally using data supplied by managing agents and Taxation Department will write separately to them about this.

7. Readership and Contact Details

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

For technical queries - Maureen McLeod on 020 7327 6860 or
e:mail maureen.c.mcleod@lloyds.com

Roger Ramage on 0207 327 6852 or
e:mail roger.e.ramage@lloyds.com

For queries regarding the processing of business –
Xchanging Enquire helpline on 01634 392999 or
e:mail enquire@xchanging.com

David Clissitt
Head of Tax & Treasury

Example LMP slip for French Polynesia



This is an example of the tax information to be included on LMP slips for French Polynesia.


For details of taxes and parafiscal charges for French Polynesia see the Lloyd's Premium Tax pages at: www.lloyds.com/taxation.

RISK DETAILS	
Premium (gross)	CCY X,XXX
Taxes payable by insured and administered by underwriters:	Premium tax: CCY X,XXX [calculated: CCY X,XXX (gross premium) x Z% (rate of tax)]. If the tax has been paid by the local broker a note to this effect should be added
FISCAL AND REGULATORY	
Taxes payable by underwriter(s):	Profits tax due on deemed profit of 7.5% of gross premiums
	Tax on insurance contracts: CCY X,XXX [calculated: CCY X,XXX (gross premium) x Z% (rate of tax)]. If the tax has been paid by the local broker a note to this effect should be added

CCY = currency

X,XXX= applicable monetary value

CCY X,XXX: values must be shown, including gross premium values, to facilitate Xchanging procedures

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French Polynesia - premium tax

Exemptions from premium tax:	<ul style="list-style-type: none"> ▪ Hull and associated liabilities relating to ships used by the merchant navy and fishing vessels; ▪ Hull and associated liabilities for aircraft; ▪ Export credit; ▪ Reinsurance; ▪ Life; ▪ Retirement savings plans; ▪ Sickness and invalidity; ▪ Educational contracts for the benefit of pupils at educational establishments; ▪ Certain contracts relating to social insurance institutions.
Current rate of premium tax:	10% on gross premiums where the named insured i e, the policyholder is an individual or business in French Polynesia
Tax charged to (ie, who bears the cost of the tax):	The insured (ie, tax is an addition to gross premium)
Method of calculation:	Rate of tax X gross premium
How should this be shown on the LMP slip:	Show in risk details under 'Taxes payable by insured' Example of LMP slip for French Polynesia (62.8 kb, pdf)
Method of payment for Lloyd's business:	The French Polynesian broker will pay the premium tax to the Tax Authorities for both open market and binding authority business. If there is no local broker the Lloyd's Central Taxes System will be used to account for the tax and Taxation Department will arrange for it to be paid once a year on 31 March.

Other information**Lloyd's market bulletins:**

- Taxes in French Polynesia (Y) November, 2005

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French Polynesia - insurance tax

Exemptions from tax on insurance contracts:	<ul style="list-style-type: none"> ▪ Life ▪ Capitalisation ▪ Certain savings contracts
Current rate of tax on insurance contracts:	3% on gross premiums where the named insured i e, the named policyholder is resident in French Polynesia.
Tax charged to (ie, who bears the cost of the tax):	The insurer (ie, tax is a deduction from gross premium)
Method of calculation:	Rate of tax X gross premium
How should this be shown on the LMP slip:	Show in fiscal and regulatory details section under 'Tax payable by underwriter(s)' Example of LMP slip for French Polynesia (62.8 kb, pdf)
Method of payment for Lloyd's business:	The French Polynesian broker will pay the tax on insurance contracts to the Tax Authorities for both open market and binding authority business. If there is no local broker the Central Taxes System will be used to account for the tax and Taxation Department will arrange for it to be paid once a year on 31 March.

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French Polynesia - profits tax

Exemptions from profits tax:	None
Current rate of profits tax:	The profits tax is chargeable on a deemed profit of 7.5% of gross premiums where the named insured, i.e. the named policy holder is resident in French Polynesia. The effective tax rate can vary from year to year and cannot be determined until after the year has ended.
Tax charged to (ie, who bears the cost of the tax):	The insurer (ie, tax is a deduction from gross premium)
Method of calculation:	Tax charged at corporation tax rates on deemed profit
How should this be shown on the LMP slip:	Show in fiscal and regulatory details section under 'Tax payable by underwriter(s)' Example of LMP slip for French Polynesia (62.8 kb, pdf)
Method of payment for Lloyd's business:	Tax is payable once a year on 31 March and Taxation Department will calculate the amount due and collect it from syndicates writing French Polynesian business. ¹

¹ The Central Taxes System tax will be used to record taxable premiums with effect from 1 January 2006.

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