

FROM: Manager, International Tax, Taxation Department
LOCATION: 58/323
EXTENSION: 6860
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REFERENCE: TAX/MCM/hrc/Y2237
SUBJECT: PREMIUM TAXES AND DELINKING
SUBJECT AREA(S):
ATTACHMENT: None
ACTION POINTS: For information
DEADLINE: None

1. Introduction.

- 1.1 The market bulletin dated 5th August 1999 from the General Manager of LPSO set out changes in business processing which are needed to enable the de-linked submission of accounting transactions by brokers.
- 1.2 As a result of the new process, de-linked transactions will be allocated an LPSO signing number and date earlier in the business processing cycle, although monies will not be settled to underwriters until settlement has been triggered. The purpose of this bulletin is to advise underwriters and brokers about the impact this has on the premium tax systems which are administered centrally. Section 2 covers insurance premium tax (IPT) and section 3 covers other premium taxes.

2. Insurance Premium Tax.

- 2.1 The tax point is the LPSO signing date and de-linked transactions bearing IPT will be reported in the next quarterly return following the signing at the de-linked stage by LPSO. This may result in IPT being due before the premium is received.
- 2.2 If the settlement trigger has not been set by the middle of the month following the end of the reporting quarter, the tax payable will be collected from syndicates to fund the payment. This collection will take place on the third Friday of the month following the quarter end (i.e. the same date which is used for paid by cheque non-cash processed business) and an advice will be produced for syndicates. Collections will take place quarterly under tabulation number 672.

Where settlement has been triggered after the end of the reporting quarter but before the quarterly processing program is run in the middle of the following month, no collection will be needed.

When a transaction is released for settlement and the IPT has already been collected from syndicates, the IPT will be passed to syndicate accounts to reimburse the amount previously funded. An advice will be produced for the transaction. Payments will be made daily under tabulation number 671.

2.3 Syndicates who are opted out of the central Lloyd's quarterly return are now receiving a new report to identify de-linked items, to help them complete their own IPT returns.

3. Other Premium Taxes.

3.1 A number of premium tax systems for other countries are operated centrally and for some the tax is calculated by reference to LPSO signing numbers and dates. This may result in tax being collected for payment to the tax authorities before the premium and associated tax are settled.

This bulletin has been issued to all managing agents. If you have any queries will you please contact either LPSO Technical Services Enquire team on extension 2999, or Maureen McLeod (extension 6860) and Peter Walk (extension 5477) in the Taxation Department.

Mrs M C McLeod
Taxation Department