

FROM: International Tax Manager
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SUBJECT: **CANADA – PAYMENT OF PROVINCIAL
PREMIUM TAXES**
ATTACHMENTS: Appendix 1
ACTION POINTS: **To note the new arrangements for tax collections**
DEADLINE: **None**

New regulatory and tax procedures were introduced with effect from 1 January 2001 for Canadian business (see market bulletin dated 23 November 2000 (Y2419) for details). Canadian and US brokers handling Canadian business which is not processed through Scheme Canada no longer pay the Canadian allowance to Lloyd's Canada's office in Montreal. The two components of the blended allowance, the levy and provincial premium taxes, will now be collected separately from syndicates.

The purpose of this bulletin is to let agents know that the non-Scheme Canada premium taxes due for the year to 31 December 2001 will be collected on 1 February 2002 under tabulation number 506. The collection will be made in Canadian dollars. Market bulletin Y2672 dated 18 December 2001 gives details of the collection of the levy.

Most provinces require payments on account, which are based on the tax due for the preceding year, to be made on a monthly or quarterly basis. After the year end the actual tax liability is calculated and a balancing payment made, or a repayment claimed, depending on whether the tax due is less or more than the payments on account. The payments on account for 2001 were initially funded from monies held by Lloyd's Canada but for 2002 and future years the payments on account will be collected from syndicates. Monthly tax collections will therefore be made during the course of 2002 to fund payments on account.

The Canadian allowance is still collected by Lloyd's Canada on some late reported business and Underwriters will receive credit for the tax element in the amounts collected to fund payments in 2002.

The arrangements described in this bulletin apply only to non-Scheme Canada business. For Scheme Canada business, taxes will continue to be funded by the allowance collected by Lloyd's Canada. Details of the blended allowance rates for this business are also given in market bulletin Y2672 dated 18 December 2001.

Appendix 1 sets out the rates of tax for each province on direct business. Reinsurance is exempt from premium taxes. Further information about the taxes payable can be found in the Canadian pages of the Taxation Department website (www.lloydstaxation.com).

This bulletin is being sent to all managing agents and Lloyd's brokers. If you have any queries please contact Maureen McLeod on Lloyd's extension 6862 (e.mail: Maureen.C.Mcleod@lloyds.com) or Roger Ramage on Lloyd's extension 6852 (e.mail: Roger.E.Ramage@lloyds.com).

Maureen McLeod
Taxation Department

APPENDIX 1

<u>Province</u>	<u>Class of insurance</u>	<u>Premium tax including any fire charges (% of gross premium)</u>
Alberta	Marine	Exempt
	Life, sickness & accident insurance	2%
	Other	3%
British Columbia	Marine (not pleasure craft)	Exempt
	Marine pleasure craft	4%
	Life & health	2%
	Other	4%
Manitoba	Marine	Exempt
	Life	Exempt
	Accident & sickness	2%
	Property	4.25%
	Other	3%
New Brunswick	Marine	Exempt
	Life, sickness & accident insurance	2%
	Fire	4%
	Other	3%
Newfoundland	Marine	Exempt
	Other	4%
Northwest Territories	Marine	Exempt
	Fire	4%
	Other	3%
Nova Scotia	Marine	Exempt
	Life, sickness & accident insurance	3%
	Property	5.25%
	Other	4%
Nunavut	Marine	Exempt
	Fire	4%
	Other	3%
Ontario	Marine	Exempt
	Life, sickness & accident insurance	2%
	Property	3.5%
	Other	3%
Prince Edward Island	Marine	Exempt
	Fire	4.5%
	Other	3.5%
Quebec	Marine	3.35%*
	Life, sickness & accident insurance	2.35%*
	Other	3.35%*
	* rate includes compensation tax	

Saskatchewan	Marine	Exempt
	Life, sickness & accident insurance	3%
	Hail	3%
	Motor vehicle insurance	5%
	Property	5%
	Other	4%
Yukon	Marine	Exempt
	Property	3%
	Other	2%