

FROM: International Tax Manager
LOCATION: 86/441
EXTENSION: 6860
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REFERENCE: TAX/RER/ln/Y2731
SUBJECT: **NEW TAX COLLECTION ARRANGEMENTS:**

- **AUSTRALIAN DIRECT ASSURED BUSINESS**
- **CANADIAN DIRECT ASSURED BUSINESS**
- **BAHAMAS – ALL DIRECT BUSINESS**

ATTACHMENTS: Appendix 1
ACTION POINTS: **Underwriters and brokers to apply**
DEADLINE: **Effective from 1 April 2002**

1. Introduction

- 1.1 This bulletin advises underwriters and brokers of new tax collection and payment arrangements with effect from 1 April 2002 in respect of:
- Australian income tax on direct assured business;
 - Canadian Retail Sales Tax on direct assured business; and
 - Bahamian premium tax on all direct business.
- 1.2 With effect from 1 April 2002 these taxes will be transferred onto Lloyd's Central Taxes System (CTS). From that date brokers will need to pass the taxes on to syndicates with premiums. Further information about the CTS and underwriters' and brokers' responsibilities is in market bulletin Y2594 of 8 August 2001.
- 1.3 Under existing procedures, effective only up to 31 March 2002, Lloyd's Taxation Department collects the taxes from brokers on a quarterly basis and arranges settlement to the appropriate tax authorities. This bulletin gives details of the new procedures to replace those arrangements.

2. Australia – direct assured business

New collection and payment arrangements

- 2.1 For business processed on or after 1 April 2002 Taxation Department will collect the tax from syndicates and arrange for payment to the Australian tax authorities. Brokers should therefore not deduct tax from the premium when presenting risks to Ins-sure on or after 1 April 2002.

Certification and slip requirements

- 2.2 A completed Australian Direct Assured Scheme tax certificate should continue to accompany all Australian direct assured business presented to Ins-sure. Copies can be obtained from Lloyd's Taxation Department. Ins-sure technicians will query slips submitted without a tax certificate.

3. Canada – direct assured business

New collection and payment arrangements

- 3.1 For business processed on or after 1 April 2002 Lloyd's brokers should settle Retail Sales Tax with the premium to underwriters for all Canadian direct assured business (including Canadian business coming into Lloyd's via a US broker). Taxation Department will arrange collection from syndicates at the appropriate time and make payment to the relevant Canadian Provincial authorities. All risks presented to Ins-sure on or after 1 April 2002 should therefore have the tax added to the premium.

Certification and slip requirements

- 3.2 All Canadian direct assured business presented to Ins-sure from 1 April 2002 should be accompanied by a new-style Canadian Excise Tax "direct assured" tax report form which will no longer include a reference to retail sales tax. The new form, which is attached as Appendix 1, will replace the existing forms LPO133, LPO134 and LPO555 with effect from 1 April 2002. Ins-sure technicians will query slips submitted without the completed form.
- 3.3 The Canadian Excise Tax Act also imposes a tax of 10% of premium on every person who is resident in Canada (whether an individual or a corporation) and who insures a Canadian risk with an authorised non-resident insurer without using a Canadian agent or broker. There are exceptions for reinsurance, life, personal accident, sickness, certain marine risks and risks where cover is not available in Canada. Lloyd's brokers are reminded that they have a responsibility to inform the insured that they should pay the tax to the Canadian Ministry of Finance.

4. Bahamas – all direct business

New collection and payment arrangements

- 4.1 For business processed on or after 1 April 2002 Taxation Department will collect the tax from syndicates and arrange for payment to the Bahamian tax authorities. Brokers should therefore not deduct tax from the premium when presenting risks to Ins-sure on or after 1 April 2002.

5. General

- 5.1 Brokers should show the type and rate of tax on slips under a separate “taxes and charges” heading. Full details of the placing and closing procedures are in Lloyd's market bulletin Y2594 of 8 August 2001.

6. Readership and contact details

- 6.1 This bulletin is being sent to underwriters, Lloyd's brokers and recognised auditors.
- 6.2 If you have any queries please contact: Roger Ramage on 020 7327 6852 (e.mail: Roger.E.Ramage@lloyds.com), or Maureen McLeod on 020 7327 6860 (e.mail: Maureen.C.Mcleod@lloyds.com).

Maureen McLeod
Taxation Department

Canadian “direct assured” tax report form

(For use on all Canadian business placed without the intervention of a Canadian broker – to be completed by the Lloyd's broker and to accompany submission to ins-sure)

The **Canadian Excise Tax Act** imposes a 10% premium tax on every person resident in Canada (including corporations) who places insurance (or on whose behalf insurance is placed) on Canadian risks with authorised non-resident insurers without the intervention of a Canadian resident agent or broker. However, reinsurance and certain classes of direct insurance are exempt and these are detailed on Lloyd's Taxation Department's website - www.lloydstaxation.com.

Name of Lloyd's Broker	
Name of Insured	
Insured's full address (including post code)	
Policy number	
Date attaching and period	
Interest insured, nature and class of business	
Amount of insurance (including currency)	
Location of risk	

Transaction type (tick as applicable)	Premium or declaration		Additional premium		Return premium	
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If additional or return premium, nature of amendment	
Effective date of amendment	

Taxable premium (or return premium) – Lloyd's proportion, including currency	
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	For ins-sure use only
Signing Number & Date	