

**FROM:** Head of Taxation  
**LOCATION:** TAX/G4/441  
**EXTENSION:** 5228  
**DATE:** 13 September 2002  
**REFERENCE:** TAX/HS/ln/Y2870  
**SUBJECT:** **VAT ON MEMBERS' AGENTS SERVICES AND  
LLOYD'S MEMBERS SUBSCRIPTIONS**  
**ATTACHMENTS:** None  
**ACTION POINTS:** **To note**

## **1. Introduction**

### 1.1 This bulletin:

- confirms that members' agents services are exempt from VAT, following Customs & Excise's decision not to appeal against the tribunal decision reported in the market bulletin of 22 July 2002; and
- reports that members' Lloyd's subscriptions will be VAT exempt from 2003 onwards.

## **2. Members' agents' services**

- 2.1 Market bulletin Y2837 of 22 July 2002 reported the VAT and Duties Tribunal's decision that members' agents' services are exempt from VAT. That decision was in a test case for members' agents, SOC Private Capital Ltd, following Customs' ruling that members' agents must apply VAT from 1 January 2001 onwards.
- 2.2 Customs and Excise have decided not to appeal against the decision, which has now become final. In accordance with the Lloyd's VAT Arrangements, any VAT that has been accounted for on these supplies should therefore now be recoverable via a procedure that is to be notified. We will be liaising with members' agents and Customs and Excise in order to arrange an efficient way of doing this, and also to update the Lloyd's VAT Arrangements to reflect the decision.

### **3. Members' subscriptions to Lloyd's**

- 3.1 Up to this year, members' Lloyd's subscriptions have been subject to a composite VAT rate that has varied from year to year. A "notional" VAT rate has initially been applied to the members' subscriptions when they are charged by Lloyd's, and this has been adjusted to a definitive rate for each year once that has been agreed with Customs and Excise.
- 3.2 In June 2002 Customs issued a ruling that the VAT liability of members' subscriptions to Lloyd's should bear VAT at the standard rate of 17.5% from 2003 onwards. We requested a formal reconsideration of this ruling and submitted further information, and as a result Customs have decided that these charges will be exempt from VAT. The revised ruling applies to all members' Lloyd's subscriptions for the year 2003 onwards, and means that no VAT will be charged on these subscriptions.
- 3.3 Members' subscriptions in respect of 2000, 2001 and 2002 were initially subject to notional VAT rates. These years are still subject to VAT at composite rates, and the definitive rates for these years have now been agreed with Customs as 5.91%, 7.42% and 5.63% respectively. This will result in refunds for 2000 and 2002 but further VAT payable for 2001. We will shortly be contacting managing agents and issuing further invoices and credit notes accordingly.

### **4. Readership and contact details**

- 4.1 This bulletin is being sent to members' agents, managing agents, recognised auditors, and members' personal accountants.
- 4.2 If you have any questions on the contents of this bulletin, please contact Harinder Sandhu on 020 7327 5396 or email [harinder.sandhu@lloyds.com](mailto:harinder.sandhu@lloyds.com).

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