

FROM: Head of Taxation
LOCATION: TAX/G4/441
EXTENSION: 5228
DATE: 5 April 2004
REFERENCE: Y3285
SUBJECT: **VAT: MANAGING AGENTS RETURNS**
ATTACHMENTS: None
ACTION POINTS: **Managing agents to use current quarter data for their VAT recovery rate calculations. Annual adjustment to take account of change.**
DEADLINE: Immediate

1. Introduction

- 1.1 Market bulletin Y3227 of 23 December 2003 told managing agents that Customs & Excise now require syndicates to use current quarter information to determine the recoverable element of non-attributable input tax, rather than the arrears information used previously. It also dealt with the calculation of the annual adjustment for the year of transition.
- 1.2 Although that bulletin did not address managing agents' own VAT returns, we understand that many changed their recoverable input tax calculations to a current quarter basis at the same time. Customs have now said that all managing agents should use current quarter premium information for the quarter ended 31 March 2004 onwards.
- 1.3 This bulletin sets out what steps need to be taken by managing agents that have not yet changed basis. It also deals with the annual adjustment for the year of transition, both for managing agents that will change for the quarter ended 31 March 2004 and for those that changed the previous quarter.

2. Detail

- 2.1 As part of the quarterly VAT return process managing agents are entitled to reclaim a proportion of non-attributable input VAT on the “managing agent sector” (sector 1) in accordance with the recovery rate set out in section 7.5 of the Lloyd’s VAT Arrangements. (For the text see the VAT section of www.lloyds.com/taxation .) The recovery rate is based on the liability split of fees as determined by the insurance business that is underwritten by the syndicates managed.
- 2.2 The insurance business underwritten is determined by the value of premiums processed, both through LPSO and elsewhere. Historically, as with syndicates, Customs & Excise allowed managing agents to use the LPSO Premium VAT reports on a quarterly in arrears basis, as current quarter information was not available in time to use it to prepare and submit the VAT returns.
- 2.3 As the LPSO Premium VAT reports are now available very soon after the quarter end Customs have now withdrawn this concession. In preparing VAT returns for the quarters ended 31 March 2004 onwards, managing agents must therefore use actual premiums processed for the quarter for which the VAT return is being prepared.

3. Action required

- 3.1 Any managing agent that was already using current quarter premium values in preparing their VAT returns for quarters prior to the quarter ended 31 December 2003 need take no further action as a result of this bulletin.
- 3.2 All managing agents that have to date continued to use the previous quarter’s figures to calculate the recovery rate must use current quarter premium values in their calculations from the quarter ended 31 March 2004 onwards.
- 3.3 All managing agents that are changing to a current quarter basis for the quarter ended 31 March 2004 or that changed from the quarter ended 31 December 2003 onwards also need to deal with the transition from a previous quarter basis to the current basis.
- 3.4 For such managing agents Customs have indicated that the calculation of the 2003 annual adjustment, which is to be reported in the VAT return for the quarter ended 31 March 2004, should use the LPSO Premium VAT values for the 15 months from 1 October 2002 to 31 December 2003 for the calculation of the “managing agent sector” recovery rate.

4. Readership and contact details

- 4.1 This bulletin is being sent to all managing agents and recognised auditors. If you have any queries, please contact Harinder Sandhu on 020 7327 5396 or e:mail harinder.sandhu@lloyds.com .

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