

MARKET BULLETIN

REF: Y4658

Title	Certificates of Residence
Purpose	To advise Brokers, Managing Agents, and non-resident members of a new process for obtaining Certificates of Residence for Lloyd's syndicates
Type	Provision of Guidance
From	Mark Edwards, Head of Tax, Taxation, Finance and Operations 0207 327 6839 Mark.edwards@lloyds.com
Date	21 December 2012
Deadline	Managing Agents to provide contact details to Tax Operations by 4 January 2013. 2013 Certificates dispatched to managing agents by 15 January 2013
Related links	http://www.lloyds.com/the-market/tools-and-resources/tools-e-services/crystal

Purpose

Certificates of UK tax residence for Lloyd's members are required to secure relief from withholding taxes on premiums paid in a number of countries. This bulletin outlines changes to the certificates issued by HMRC and to the process for obtaining certificates of UK tax residence for 2013. It also explains how brokers and non-UK tax resident members should obtain certificates where needed and where brokers can find the relevant information to check how much relief from the withholding taxes should be obtained.

Background

In previous years HMRC issued a UK certificate of residence in respect of the Lloyd's market as a whole. HMRC have conducted a review of their general procedures in this area and have concluded that they can no longer issue the Lloyd's certificate. This is because although all members are taxable in the UK on their profits from underwriting in the Lloyd's Market, not all members are UK tax resident.

HMRC changes

HMRC have issued certificates to Managing Agents on request, specifying the percentage of UK tax residents participating on their syndicates. This has created additional work and much duplication of effort in the handling of certificates and their provision to the payers of

premiums. In particular, the change has caused significant difficulties in Mexico. See below for the specific approach to providing certificates to the market in Mexico that Lloyd's Tax Department is seeking to agree with the Mexican tax authorities.

In order to centralise and simplify processes as far as possible Lloyd's Tax Department (LTD) have agreed a revised procedure with HMRC for 2013. Four separate processes are outlined below and are governed by the nature of the certificate required.

Certificates of UK tax residence for countries that require an original signed certificate with an apostille attached, or other additional certifications.

This affects the following countries: Azerbaijan, Chile, Kazakhstan, Russia, Turkmenistan, and Uzbekistan

LTD has provided HMRC with details of the UK tax resident members of each syndicate. Certificates should be requested directly from HMRC, by e-mail as follows:- Support.lbslondon@hmrc.gsi.gov.uk, to evidence the UK tax residence of members of their syndicates. The following information will need to be provided.

- Nature of the transaction
- Source territory
- Type of income (e.g. dividends, interest, royalties, insurance premium)
- Syndicate name/number
- Managing Agent's name and address

Countries where a form is required to be completed in order to claim treaty exemption

This affects the following countries: Indonesia and Vietnam

LTD has provided HMRC with details of the UK tax resident members of each syndicate. Managing agents should contact HMRC directly, by e-mail at the following address:- Support.lbslondon@hmrc.gsi.gov.uk, to obtain the necessary confirmation required for the purposes of the country-specific form. The following information will need to be provided.

- Nature of the transaction
- Source territory
- Type of income (e.g. dividends, interest, royalties, insurance premium)
- Syndicate name/number
- Managing Agent's name and address

Certificates of UK tax residence for countries that do not require an apostille attached to certificates.

This affects the following countries: Argentina, India, Mexico, Pakistan, Philippines, Romania, Spain, Ukraine, and Venezuela.

HMRC will provide LTD with certificates to evidence the UK tax residence of the members of each syndicate. LTD will distribute the certificates to all Managing Agents by no later than 15 January 2013 (subject to agents providing contact details as requested below). If

there are any queries on the certificates, or replacements are subsequently required, please contact Sarah Vincent on 01634 392635 or e-mail lloyds-tax-operations@lloyds.com

Certificates will be distributed in electronic format as pdf files. HMRC have assured us these should be acceptable to tax authorities in all of the countries affected. If there are any difficulties encountered in certificates being accepted in this format please contact Sarah Vincent as above.

To back up the pdf version of the certificate, LTD will also hold a paper original certificate that can be produced if required for audit purposes by the overseas tax authorities.

Certificates of UK tax residence for Mexico.

In view of the particular difficulties that have been faced in Mexico, LTD have spoken with the Mexican tax authority ("SAT") about alternative approaches that could simplify the distribution of certificates to the Mexican market. We are currently awaiting confirmation but in the interim have reached agreement for LTD to distribute certificates for 2013 directly to the cedents and local brokers to cover the whole market. This will be done by 15 January 2013.

Certificates will be pdf files and LTD will hold a signed original paper certificate that can be provided in the event of an audit by SAT. We have also asked that SAT confirm directly to the market in Mexico that certificates provided under this arrangement should be accepted as appropriate evidence of UK tax residence.

How will brokers obtain certificates and know what tax should be withheld on any particular premium payment?

If brokers need to present a certificate of UK tax residence to mitigate the withholding tax on a premium payment they should obtain the certificate from the Managing Agent(s) for the relevant syndicate(s).

If the payer already has the relevant certificates and the broker just needs to check the relevant percentage of UK tax residents to confirm the amount that will be withheld this information will be available in Crystal in the middle of January using the following link:- <http://www.lloyds.com/the-market/tools-and-resources/tools-e-services/crystal>. If you are not already registered for this service you will need to do so to access the site.

Non-UK tax residents

For non-UK tax resident members who are tax resident in countries which have tax treaties with the affected countries, there may be relief from the withholding taxes on premiums under those treaties. Such members should consider obtaining certificates from the tax authority in their country of residence. Further guidance will be provided in the New Year.

LTD is unable to do this on behalf of non-UK tax resident members or to advise on whether relief would be due under particular tax treaties.

Other matters

Further details of the withholding taxes applicable to premiums in the affected countries can be found on Crystal.

If you are encountering any difficulty getting the new certificate accepted please contact Helen Halliwell on 0207 327 6859

Managing Agents

In order that LTD can forward the certificates to the managing agent, LTD requires that you nominate an individual or individuals within the managing agency to receive the certificates and to deal with queries from cedents and brokers. Therefore, please e-mail the following information to Lloyds-tax-operations@lloyds.com by no later than 4 January 2013:-

Managing agent's name, contact name, e-mail address and telephone number and the syndicate numbers for which certificates are to be provided.

Contacts

Queries of an administrative nature should be referred to: Sarah Vincent on 01634 392635 or alternatively e-mail Lloyds-tax-operations@lloyds.com.

Queries of a technical nature should be referred to: Helen Halliwell on 0207 327 6859

Requests for certificates with an apostille or for completion of documents: e-mail support.lbslondon@hmrc.gsi.gov.uk

Queries of a technical nature for HMRC should be referred to peter.c.gill@hmrc.gsi.gov.uk