

MARKET BULLETIN

REF: Y5008

Title	New Zealand – changes to goods and services tax (GST) applicable to Lloyd's business
Purpose	The purpose of the bulletin is to advise Lloyd's underwriters, New Zealand Coverholders, Lloyd's brokers and other intermediaries of arrangements to process GST in relation to Lloyd's insurance business.
Type	Event
From	Mary O'Brien, Senior Manager Indirect Tax, Lloyd's Tax Department Tel: 020 7327 6852, email: mary.obrien@lloyds.com
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Deadline	Effective from 1 October 2016
Related links	http://crystal.lloyds.com/Search

Purpose

The purpose of the bulletin is to advise Lloyd's underwriters, New Zealand Coverholders, Lloyd's brokers and other intermediaries of the arrangements to process GST in relation to Lloyd's New Zealand insurance business. This bulletin should be read in conjunction with Crystal content and guidance issued by the New Zealand Inland Revenue Department (IRD) and should not be treated as a guide to New Zealand GST.

Background

In 2015 the New Zealand Government announced changes to GST legislation to address the non taxation of certain consumer transactions. These changes require non New Zealand resident businesses that provide services to New Zealand resident consumers to charge GST on their supplies.

As a result Lloyd's underwriters will have an obligation to charge and bring to account GST. This bulletin sets out the arrangements on how GST on Lloyd's business is to be administered.

Administration

The changes are effective from 1 October 2016 and directly impact all taxable insurance contracts incepting on or after 1 October 2016.

For the purposes of this bulletin a taxable insurance contract is a contract covering a New Zealand resident insured. More details on taxable insurance contracts will be published on Crystal in due course.

GST will also be due on additional premiums with an effective date on or after 1 October 2016 irrespective of the inception date of the original policy. GST will only be claimable in respect of return premiums where the tax was charged on the original premium and an appropriate credit note has been issued to the insured.

GST is a cost borne by the insured and is charged at a rate of 15% (current at the date of this bulletin) on the gross premium invoiced to the insured.

The method of administering GST will depend on the route of the business into Lloyd's.

Administration of GST - New Zealand coverholder business

In respect of business bound under a delegated authority held by a New Zealand resident coverholder GST must be charged and accounted for in accordance with arrangements agreed with the Lloyd's underwriter.

Under the coverholder agreement the New Zealand coverholder is responsible for accounting for GST and must do so in accordance with the relevant provisions of the New Zealand GST Act, i.e. they are required to report and settle GST direct to the IRD. Charging GST will be a condition of the delegated authority so this arrangement is not optional and covers all business including policies issued to GST registered insureds.

The main change for New Zealand coverholders is that from the 1 October 2016 they must charge GST on taxable supplies of insurance made to non GST registered insureds, i.e. consumers, as well as to GST registered insureds. It is understood that some coverholders prior to this date were already charging GST to their commercial clients.

GST may be recovered on expenses and claims costs in accordance with the relevant provisions of the New Zealand GST Act. For further information coverholders should consult the IRD's guidance.

New Zealand Coverholders should note that they are wholly responsible for the administration of GST on the Lloyd's business they bind and may be individually subject to audit by the IRD.

Administration of GST - all other business not via a New Zealand coverholder

In respect of all other business, i.e. that written via a New Zealand resident broker, a non-New Zealand resident intermediary or any another basis, GST must be charged and accounted for in accordance with arrangements published by Lloyd's.

With effect from the 1 October 2016 GST must be charged on taxable supplies of insurance made to non GST registered insureds, i.e. consumers. In respect of these supplies GST may be recovered on claims and expenses when incurred.

Where the insured is GST registered and the supply of insurance is for their business it must be treated as outside the scope of New Zealand GST, i.e. no GST charged. Evidence of the GST status of the insured must be reported to the underwriter, this can take the form of their GST registration number. Xchanging have instructions to check that appropriate evidence of GST status is provided when processing the policy and failure to provide it will result in delays to processing premium to underwriters and may require the premium to be subjected to GST.

In relation to outside the scope supplies there is no right to recover GST on claims and expenses.

Where GST is charged it should be passed to Lloyd's underwriters with the premium and will then be settled centrally by Lloyd's tax department.

Information on how GST may be recovered on expenses and claims in relation to this business will be published on Crystal.

Further guidance

The attached appendix sets out how GST should be administered in relation to supplies of insurance made by Lloyd's.

In addition further details can be found on the IRD's website and on Crystal. Please note that the guidance provided by Lloyd's is not meant to replace that provided by the IRD.

If you have any queries please contact Mary O'Brien on 020 7327 6852 / email: mary.obrien@lloyds.com or Nick Marman on 020 7327 6727 / email: nick.marman@lloyds.com

Table 1

New Zealand (NZ) coverholder business			
(Business bound by a New Zealand resident coverholder under a Lloyd's delegated authority)			
NZ GST status of the insured	GST treatment of the premium	GST treatment of the claim	Comments
GST registered and insurance used for the purposes of the insureds business	GST charged at 15%*	A deduction is available when an insurance claim payment is made	On the understanding that the Lloyd's coverholder has formally agreed with the Lloyd's underwriter that the supply of insurance is to be treated as a supply made by a NZ resident ** This treatment was adopted by many Coverholders prior to the GST amendments
Not GST registered	GST charged at 15%*	A deduction is available when an insurance claim payment is made	On the understanding that the Lloyd's coverholder has formally agreed with the Lloyd's underwriter that the supply of insurance is to be treated as a supply made by a NZ resident ** This treatment changed as a result of the GST amendments

* Rate applicable at time of publication

** This is not an optional arrangement and will be formalised in the coverholder agreement

All other New Zealand business

(All business **not** bound by a New Zealand resident coverholder under a Lloyd's delegated authority, i.e. local (New Zealand) brokered business, business written through non New Zealand resident coverholders and business written through any other means not involving a New Zealand resident coverholder)

NZ GST status of the insured	GST treatment of the premium	GST treatment of the claim	Comments
GST registered and insurance used for the purposes of the insureds business	No GST charged Supply is outside the scope of New Zealand GST	A deduction is not available when an insurance claim payment is made	Where insurance is supplied to a registered person, the service must be treated as outside the scope of New Zealand GST if the supplier can confirm that the insured is GST registered This treatment has not changed as a result of the GST amendments however evidence of the GST status of the insured is required to be captured **
Not GST registered	GST charged at 15%*	A deduction is available when an insurance claim payment is made	GST should be passed to the Lloyd's underwriter with the premium. Lloyd's will then centrally settle the GST with the IRD** This change of treatment reflects the purpose of the GST amendments

*Rate applicable at time of publication

** This is not an optional arrangement