

FROM: Head of Taxation, Taxation Department
LOCATION: TAX/58/323
EXTENSION: 5228
DATE: 23 December 1999
REFERENCE: TAX/NG/ln/Y2202
SUBJECT: LLOYD'S VAT ARRANGEMENTS
ATTACHMENTS:
ACTION POINTS: **Corporate members and Scottish Limited Partnerships to check entitlement to register for VAT from 1st January 2000**
DEADLINE: **As soon as possible**

1. Introduction

- 1.1 The Market bulletin (Y12158) which was issued on 3rd November 1999 referred at paragraph 4.3 to the VAT registration status of corporate members and Scottish Limited Partnerships (SLPs) from 1st January 2000. The bulletin indicated that clarification was being obtained from Customs & Excise (Customs) on the issue of whether corporate members and SLPs could continue to be registered for VAT after 31st December 1999 where they did not hold any non-EU investments.
- 1.2 Customs have now clarified their view. The purpose of this bulletin is to notify corporate members and SLPs of Customs' view and to request that they review their registration position and in particular their entitlement to register for VAT as soon as possible.

2. Customs' advice

- 2.1 Customs have given us the following advice on the VAT position of corporate members and SLPs.
- 2.2 "Most corporate members and SLPs will not generally be obliged to register for VAT. This is due to the fact that they do not in the main make taxable supplies over the VAT registration threshold (£51,000). Nevertheless they may register voluntarily provided that they make taxable or outside the scope supplies with input tax credit relief."

- 2.3 “Corporate members and SLPs do make outside the scope supplies to the extent that they underwrite non-EU risks. Under the revised Lloyd’s VAT Arrangements, this activity gives a right from 1 January 2000 to register on a voluntary basis at syndicate level only. It will not therefore be possible under the revised LVA for corporate members and SLPs to register from that date at company or partnership level on the basis of their underwriting of non-EU risks.”
- 2.4 “This does not represent a change from the position under the current LVA. Corporate members and SLPs have been allowed to register but on the basis of outside the scope supplies deriving from their non-Lloyd’s activities. Typically such members have been allowed to register by virtue of their investment dealing activity in non-EU investments.”
3. Commentary
- 3.1 The change to the LVA has recently focused Customs’ attention on the entitlement of corporate members and SLPs to register in respect of their non-Lloyd’s activities. It has become apparent that certain members (e.g. Namecos and SLPs) may have been incorrectly registered in the past in that they did not make any outside the scope supplies other than via their Lloyd’s underwriting.
- 3.2 Customs has requested that all corporate members and SLPs should check their entitlement to register and de-register if necessary. The review should not give rise to a problem for those corporate members which are registered for VAT by virtue of a group registration since the entitlement to register criteria should be met through another VAT group member. In addition, corporate members which own the whole of the capacity of a syndicate are entitled to register by reference to the underwriting of non-EU risks by the syndicate.
- 3.3 However, a problem may exist for conversion vehicles (e.g. Namecos and SLPs) which will not in most cases be carrying on an activity which results in the making of outside the scope supplies. In particular, conversion vehicles will not generally have any capital during the interavailable period or possibly thereafter and will not therefore be able to invest in non-EU assets.
- 3.4 Corporate members and SLPs who consider that they may be in this position should consult their tax advisors to identify whether an entitlement to register exists. If an entitlement to register cannot be identified, such members must contact Customs at the following address and de-register:

The Insurance Helpdesk,
City VAT Office,
Thomas Paine House,
Torrens Street,
London, EC1V 1TA.

Telephone: 020 7865 3072

Fax: 020 7865 3062

3.5 Customs has informed Lloyd's that corporate member and SLPs which do not have an entitlement to register provided by non-Lloyd's business activities and which do not voluntarily de-register for VAT will be compulsorily de-registered. Lloyd's therefore requests that corporate members and SLPs co-operate with Customs in this matter.

4. Readership and contact details

4.1 This bulletin is being sent to all members' agents, managing agents, recognised auditors, corporate members and Name's accountants.

4.2 If you have any questions on the contents of this bulletin, please contact Nick Godden on Lloyd's extension 5396 or David Clissitt on Lloyd's extension 5228.

David Clissitt
Head of Taxation
Taxation Department