

FROM: Manager, International Tax, Taxation Department
LOCATION: 58/323
EXTENSION: 6860
DATE: 16 May 2000
REFERENCE: TAX/RER/hrc/Y2302
SUBJECT: MEXICO - WITHHOLDING TAX ON REINSURANCE PREMIUMS
SUBJECT AREA(S): Tax
ATTACHMENTS: None
ACTION POINTS: Underwriters and Brokers to make any necessary claims for exemption or repayment of Mexican tax
DEADLINE: Now

1 Introduction

1.1 The purpose of this bulletin is:-

- to advise underwriters and brokers that the Mexican Ministry of Finance has confirmed that Lloyd's Underwriters are not subject to withholding tax on reinsurance premiums paid or ceded to them; and
- to set out the procedures to be followed by Lloyd's Underwriters to make a claim for exemption from withholding tax or a claim for reimbursement of tax already withheld.

2 Background

2.1 The Mexican Government introduced a withholding tax of 3.5% on gross premiums paid or ceded to non-resident reinsurers, with effect from 1 January 1999. The rate was reduced to 2% with effect from 1 January 2000.

2.2 Lloyd's argued that the UK/Mexico Double Taxation Agreement provides for exemption from the withholding tax. After lengthy correspondence we have secured the agreement of the Ministry of Finance.

3 Exemption procedure

- 3.1 To ensure that future reinsurance premiums paid or ceded are not subject to withholding tax, a copy of official letter, reference number 330-SAT-11-3125, should be sent to the local insurance company. A copy of the Mexican letter and the English translation are available on request from Lloyd's Taxation Department. The local company should retain the letter with its accounting and tax records in case there is an enquiry from the authorities.

4 Reimbursement of taxes already withheld

- 4.1 The Mexican authorities have also agreed that tax withheld at 3.5% (1999 rate) and 2% (2000 rate) should be reimbursed to Lloyd's Underwriters. Repayments will be in pesos and adjusted for inflation since the date of payment.
- 4.2 To claim repayment applications should be sent to the Mexican Ministry of Finance, via the local cedant. Each application should be supported by:-
- a certified copy (by a Notary Public in Mexico) of :- the official letter, reference 330-SAT-11-3124 for 1999 claims and/or the official letter, reference 330-SAT-11-3125 for 2000 claims.
 - details of the amounts and dates of premiums paid and of the amounts and dates of taxes withheld and paid.

Copies of the official Mexican letters and English translations are available on request from the Lloyd's Taxation Department.

- 4.3 Lloyd's legal representatives in connection with the withholding tax negotiations have offered their assistance with regard to the submission of repayment applications. Applicants will be charged for this service. The contact name and address details are:-

Mr Eduardo Siqueiros T.
Barrera, Siqueiros y Torres Landa, S.C.
Montes Urales 470 – PISO 1
Lomas de Chapultepec
11000 Mexico, D.F.

Telephone: - (525) 540-8054
Facsimile: - (525) 520-5115
E-mail:- est@bstl.com.mx

5 Readership and contact details

- 5.1 This bulletin is being sent to all underwriters, Lloyd's brokers and recognised auditors.
- 5.2 If you have any queries concerning the content of this bulletin or require copies of the official letters and translations please contact Roger Ramage on Lloyd's extension 6852 or e-mail: - Roger.E.Ramage@lloyds.com.