

FROM: Indirect Tax Manager EXTN: 6727  
DATE: 07 July 2005 REF: Y3586  
SUBJECT: **IPT – Reinsurance of surety business**  
SUBJECT AREA(S): Insurance Premium Tax  
ATTACHMENTS: None

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ACTION POINTS: To note IPT treatment and consider any potential reclaim  
DEADLINE(S): None

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Market Bulletin Y3561 of 13 May reported the VAT & Duties Tribunal's decision, in a test case supported by Lloyd's, that contracts reinsuring surety bonds are not subject to insurance premium tax (IPT). HM Revenue & Customs have now announced that they are not going to appeal against this decision.

This reverses the ruling issued by Customs in April 2003 that premium received in respect of the reinsurance of surety bonds is subject to IPT. Syndicates that reinsure surety bonds should treat such reinsurance contracts as not subject to IPT.

Any syndicate that has already collected and paid IPT on such contracts may be able to make a claim to HM Revenue & Customs for the overpaid IPT. Any claim for the repayment of IPT will, however, be subject to "unjust enrichment" provisions which are designed to ensure only the entity that incurred the economic burden of the tax can benefit from its repayment. This entity will normally be the insured, although in some cases the insurer may have opted to bear the tax charge.

Managing agents who believe they are eligible to make a claim and wish to do so should contact Nick Marman in Lloyd's Taxation Department, who will manage this process for the syndicates.

This bulletin is being sent to all managing agents, underwriters and Lloyd's brokers. If you have any queries, please contact me on 020 7327 6727 or email: [nick.marman@lloyds.com](mailto:nick.marman@lloyds.com)

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