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POLICY NOTE

P & OGC No. 001/2024

Income Tax Act, Cap. 73

Insurance Premium Tax: Association of Underwriters

Introduction

In accordance with *section 2* of the *Insurance Act, Cap. 310* an “association of underwriters” means

...an association of individual underwriters organised according to the system known as "Lloyd's", whereby every underwriting member of a syndicate becomes liable for a separate part of the sum secured by each policy subscribed to by that syndicate, limited or proportionate to the whole sum thereby secured;

Lloyd's is recognized as an “association of underwriters” under the *Insurance Act, Cap. 310* and pursuant to its registration under a Class 3 Licence¹ the members of Lloyd's have permission to arrange the conduct of insurance business in the market.

Lloyd's is not an insurer but rather a subscription market.

Lloyd's facilitates risk sharing among the different underwriters in Lloyd's marketplace via subscription underwriting. This is a process through which two or more insurers collaborate to underwrite a single risk. Should a claim occur on the resulting insurance policy, each insurer pays out their pre-agreed percentage. They are each individually responsible. Insurance risk is placed via subscription policies when the coverage that the insurance buyer requires is more than any one underwriter is willing to carry.

Thus, in the context of Lloyd's, the insurers are members of Lloyd's otherwise known as “Names”. A “Name” is an individual who, or a limited company that, pledges capital to back-up their underwriting activities. “Names” organise into syndicates to provide insurance cover.

Who is liable to pay?

Pursuant to *section 20* of the *Income Tax Act, Cap. 73* the business of underwriting policies of insurance carried on by an association of underwriters, is a separate business carried on by a separate person.

The assessable income of such a person is *30% of the total amount of gross premiums (other than re-insurance premiums) derived from Barbados and payable in the income year on policies of insurance underwritten by that person.*

¹ [Insurance - List of licensed Entities Database - as at January 31 2024 - Download Summary - Financial Services Commission \(fsc.gov.bb\)](#)

The rate of tax is 30% of the taxable income of that person for the particular income year as per *section 45* of the *Income Tax Act, Cap. 73*. The taxable income is the assessable income barring any allowances.

Thus,

- (a) any person who is in the business of underwriting policies of insurance carried on by an association of underwriters, will be regarded as a carrying on a separate business.

- (b) such persons will be subject to tax a rate of 30% on its taxable income. The tax rate of 30% is applied to 30% of the total amount of gross premiums (other than re-insurance premiums) derived from Barbados and payable in the income year on policies of insurance underwritten by that person.

More importantly, a person in Barbados who as a broker or agent, places insurance business with an association of underwriters is required to deduct, withhold and remit the tax otherwise payable by the association of underwriters, to the Barbados Revenue Authority.

Legislation

Section 20 (1) and (2) of the *Income Tax Act, Cap. 73* provide:

"20(1). The business of underwriting policies of insurance, other than life insurance, carried on by an association of underwriters shall be deemed to be a separate business carried on by a separate person, for the purposes of this Act.

(2) The assessable income of a person deemed by subsection (1) to be a separate person carrying on a separate business for an income year is 30 per cent of the total amount of the gross premiums other than re-insurance premiums derived from Barbados and payable in the income year on policies of insurance underwritten by that person."

Section 45 of the *Income Tax Act, Cap. 73* provide:

"45. Notwithstanding section 42, 43 or 44, the tax payable by an association of underwriters that is deemed by section 20 to be a separate person carrying on a separate business for an income year is,

*...
(d) in respect of income year 2018 and subsequent years, 30 per cent,*

of every complete dollar of the taxable income of that separate person for that income year."

Settlement of obligations

The person settling the withholding tax obligation should file a withholding tax return, which can be accessed through the Returns tab in TAMIS.

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**Policy and Office of the General Counsel
Barbados Revenue Authority**