

**FROM:** Head of Taxation  
**LOCATION:** TAX/G4/441  
**EXTENSION:** 5228  
**DATE:** 17 May 2002  
**REFERENCE:** TAX/DC/Y2792  
**SUBJECT:** **UK INCOME TAX RELIEF FOR LOSSES: UPDATE**  
**ATTACHMENTS:** Annex 1  
**ACTION POINTS:** **To note**  
**DEADLINE:** **Immediate**

1. Market bulletin Y2790 of 14 May reported the Inland Revenue's revised view of the correct legal basis for relieving losses. That bulletin also noted that we asked the Government to continue with the earlier procedures for losses of the 2000 and later years of account.
2. The Economic Secretary to the Treasury has now told us that the Government will not continue those procedures by concession. However, it is offering some help to those members who are in difficulties following the World Trade Centre attack.
3. Such help may, for example, take the form of arrangements giving time to pay taxes. Collectors of Taxes will consider such requests sympathetically and on an individual basis within existing law. The text of the Economic Secretary's letter is in the annex to this bulletin.
4. This bulletin is being sent to all underwriting agents, recognised auditors, personal accountants and individual members who deal with their own tax affairs. If you have any questions, please contact Roger Ramage at Lloyd's on 020 7327 6852.

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15 May 2002

### **LLOYD'S: LOSS RELIEF CLAIMS**

Thank you for your letter of 27 March 2002. I am sorry to hear about the hardship some of the Names are suffering following the events of September 11 last year. It is clear from your letter that there are two distinct issues.

The first is the expectation you say members have to have early relief for losses sustained in the 2000 or later years of account. The Inland Revenue have explained how early relief was given in error for the 1999 year of account, and I can understand therefore how this expectation might have arisen. Whilst this is regrettable, it would not be right to continue with an incorrect application of the law. I have agreed that the Inland Revenue should honour any expectation arising directly from the 19 December 2001 Market bulletin in relation to losses in the 1998 and 1999 years of account, even though that is not strictly within the law. But to authorise any further departure from the correct legal position would be unfair to other businesses who have sought a similar concession and been refused.

The second issue you raise is the significant strain put on some members, in terms of hardship generally and also their cash flow, following the cash calls they have had to pay into the market to meet losses arising from the attack on the World Trade Centre. This is something I can offer some help on, as we have done for other people and businesses finding themselves in similar circumstances. Where others have been affected we have not adopted a blanket approach. Applications for help have been dealt with as sympathetically as possible but on an individual basis and in accordance with existing law as it stands.

Those in the Inland Revenue with responsibility for collecting tax that is due have been alerted to the issues, and encouraged to help where possible with, for example, time to pay arrangements. I will make sure they are made aware of the problems relating to Lloyd's Underwriters, and I can assure you that your members will have the same sympathetic approach extended to them.

**Ruth Kelly MP**