

**FROM:** General Manager, Members' Services Unit (MSU) and  
Head of Taxation

**LOCATIONS:** CH/L3 and 86/441

**EXTENSIONS:** 2433 and 5228

**DATE:** 11 July 2002

**REFERENCE:** Y2829

**SUBJECT:** **US 2001 AND LATER FEDERAL INCOME TAX RETURNS –  
NEW ARRANGEMENTS AND CHARGES FOR LARGER  
CORPORATE MEMBERS**

**ACTION POINTS:** **1. Complete EDF**  
**2. Some corporate members to meet LeBoeuFs to review EDFs**

**DEADLINE:** **31 July 2002**

## **1. Introduction**

- 1.1 Lloyd's members are subject to US federal income tax on business that is deemed to be effectively connected with a United States permanent establishment. All members provide a power of attorney to Messrs LeBoeuf, Lamb, Greene & MacRae (LeBoeuFs) to enable them to submit a combined Lloyd's "first level" tax return covering each member of Lloyd's. The data for this return is obtained from a number of sources, including members' Expense Declaration Forms (EDFs).
- 1.2. With the increase in size and complexity of large corporate members in recent years there has been an increasing demand for the preparation of tax return data to be a more interactive process. After consulting with corporate members, their agents and advisors earlier this year, we have concluded that discussions about the content of members' first level tax returns would be useful to all concerned.
- 1.3 These new arrangements will be tested this year for the 2001 first level tax returns, with a view to their being introduced more extensively for 2002 and later years' returns.

## **2. 2001 first level return: proposed arrangements**

- 2.1 For the 2001 first level tax return we will be providing a more bespoke service focused primarily on the larger corporate members and groups. These will be targeted at those members and groups that underwrote in excess of £50m in aggregate over the 1999, 2000 and 2001 underwriting years (i.e. the three years of account included in the 2001 US return), as these are the members where we expect the service to be most beneficial.
- 2.2 In July or August, MSU or Taxation Department will contact the members concerned to arrange a meeting with them and LeBoeufs to discuss the information for inclusion in the first level tax return. These meetings are likely to take place during August and September. The EDFs should be submitted before then, by 31 July 2002.
- 2.3 As the scheme is being piloted this year, there will be no additional charge for the cost of the visit or for Lloyd's own preparation and follow-up work. If, however, there are issues arising from the discussions where further assistance is required, Lloyd's will not meet any costs incurred. Any further advice from LeBoeufs will be on a user pays basis, although members are, of course, also free to seek advice from other providers if they wish.

## **3. 2002 and subsequent first level returns: Proposed arrangements**

- 3.1. With effect from calendar year 2003, when the 2002 first level return preparation takes place, a new charging structure will be introduced for corporate members within the central filing. This will reflect the amount of time that is spent dealing with the member's affairs, and as with our other costs will be on a user pays basis. A base charge of £300 will cover the inclusion of the corporate member's results in the central filing and the costs of dealing with the US tax authorities on issues arising on audit. It also covers the cost of any basic queries dealt with by MSU or Taxation Department. This represents an increase of £100 on previous years' charges but more accurately reflects the level of work involved.
- 3.2 In addition to the base charge of £300, a further charge will be made to those corporate members that have a meeting with LeBoeufs and Lloyd's as part of their first level tax return preparation in 2003. Such members will be either selected because of their size or the complexity of their affairs, or will be able to request the service.
- 3.3 The indicative cost of this service will be £1500 per member, and this will cover the cost of the meeting itself together with time spent preparing for it and following it up. Experience gained during this year's pilot process will also influence the final charging structure. Additional advice that a corporate member may choose to take from LeBoeufs, or another advisor, would be separately agreed and paid for by that member. The £1500 per member is an indicative charge, which may be varied either upwards or downwards depending on the relative complexity of the member's affairs. In cases where there are a number of members in the same group there may be economies of scale.

3.4 Any members that choose not to be part of the central filing of the combined first level tax return will be charged on a time and materials basis for any information that they require in order to file their US returns themselves.

**4. Completion of EDFs**

4.1 Corporate members were recently sent EDFs for completion and return by 31 July 2002. Please complete the form as soon as possible, and in any event by no later than that deadline.

**5. Readership and contact details**

5.1 This market bulletin has been sent to all direct corporate participants and recognised auditors.

5.2 Following this bulletin MSU will contact some corporate members or groups to arrange meetings to review the 2001 first level tax return data. If you think you should be asked but are not contacted before 31 July, please contact Annette Stone on 01634 392376.

5.3 If you have any queries about this bulletin, please contact Maureen McLeod, Lloyd's Taxation Department on 020 7327 6860, or Christine Allcott, MSU on 01634 392433.

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