

FROM: Head of Taxation
LOCATION: 86/441
EXTENSION: 5228
DATE: 26 February 2003
REFERENCE: TAX/DHC/Y2999
SUBJECT: **AMLIN SYNDICATE 2001: INDIVIDUAL TAX ISSUES**
ATTACHMENT: None
ACTION POINTS: To note
DEADLINE: Effective immediately

1. Introduction

1.1 Market bulletin Y2862 of 5 September 2002 dealt with the tax consequences of the Amlin offer that became unconditional on 2 September 2002. This bulletin provides further information for individual members, including market value figures that the Inland Revenue will accept for the Amlin shares received and for the 2003 limited tenancy capacity on 2 September 2002.

2. Individual members with bespoke capacity

2.1 For individual members, syndicate capacity is a chargeable asset within the capital gains tax rules. Acceptance of the shares or cash plus the Amlin 2003 capacity is treated as a part disposal of the Amlin capacity that the member held on 2 September 2002. The earlier bulletin sets out how to do this. Members who received shares have to use their market value for tax purposes, and calculating the gain or loss also entails apportioning the original expenditure on acquiring the capacity between the market value of the cash or shares received and the value of the Amlin 2003 capacity that is retained.

2.2 The Inland Revenue's Shares Valuation Division has indicated that it will accept the following market values for Amlin shares and the Amlin 2003 limited tenancy capacity as at 2 September 2002.

2.3 Under the statutory formula used for CGT purposes, the Inland Revenue has said that

the market value of the shares as at 2 September 2002 was 95p per share.

- 2.4 Using the 2002 auction prices as a basis, the Inland Revenue has said it will accept a market value for the 2003 limited tenancy capacity as at 2 September 2002 of 1.3p in the pound.

3. Individual members with MAPA capacity

- 3.1 For individual members each MAPA is itself the chargeable asset for CGT purposes, and you do not look through the MAPA to the underlying syndicate participations. Market bulletin Y2122 of 6 September 1999 set out the general tax rules applying to MAPAs, under which each sum that a member receives from a MAPA is treated as a part disposal of that MAPA.
- 3.2 Members who received Amlin shares from a MAPA holding can use the market value of 95p a share to determine the amount of consideration received.
- 3.3 To calculate the capital gain or loss arising from a MAPA part disposal it is necessary to know the market value of the member's MAPA holding immediately after the part disposal. As noted in the bulletin of 6 September 1999, agents should supply this information to the members concerned. As the MAPA valuation at that date will include the value of any Amlin 2003 capacity that is held within the MAPA, this is the figure that should be used to apportion the acquisition expenditure between the consideration received and the MAPA value retained. The valuation of 1.3p in the pound for bespoke Amlin 2003 capacity is therefore not relevant for MAPA calculations.

4. Readership and further information

- 4.1 This bulletin, which has been agreed by the Inland Revenue, is being sent to all underwriting agents, auditors, personal accountants and members who deal with their own tax affairs.
- 4.2 If you have any queries please contact Richard Pester on 020 7327 6727, or myself on 020 7327 5228.

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