

FROM: Head of Taxation
LOCATION: TAX/G4/441
EXTENSION: 5228
DATE: 28 May 2003
REFERENCE: Y3064
SUBJECT: **PAYE CODINGS: UK INCOME TAX RELIEF FOR INDIVIDUALS' LLOYD'S LOSSES**
ATTACHMENTS: Annex 1
ACTION POINTS: Return form to Inland Revenue if appropriate
DEADLINE: None

1. The Inland Revenue has decided to appeal against the High Court decision in the case of Stephen Blackburn (H M Inspector of Taxes) v Christopher Keeling. In that case the High Court decided that an individual member's 2002-03 PAYE code could take account of the forecast 2003-04 loss from his Lloyd's underwriting.
2. Market bulletin Y3027 of 3 April 2003 reported that the Inland Revenue will now take into account provisional Lloyd's losses of the 2000 year of account in individuals' 2003-04 PAYE codings. This applies to all Lloyd's losses of income tax year 2003-04, including movements on earlier years' run-offs and non-syndicate income and expenses. The procedure for claiming this coding adjustment was set out in the market bulletin.
3. The Inland Revenue has now told us - in contradiction to the position reported on 3 April - that it will also take into account provisional Lloyd's losses for the 2001 year of account in individuals' PAYE code numbers for 2003-04, if members wish to claim an adjustment for them. This applies to all Lloyd's losses of income tax year 2004-05, including movements on earlier years' run-offs and non-syndicate income and expenses.
4. Individuals who wish to claim a 2003-04 coding adjustment now for 2004-05 losses should send the completed form in Annex 1 to the Inland Revenue's West Yorkshire Personal Tax Unit together with the latest members' agent's forecast for the 2001 underwriting account. However, they should also note that the Inland Revenue will only take account of 2004-05 losses in 2003-04 PAYE code numbers on the basis that this will cease if the High Court decision in Blackburn v Keeling is overturned on appeal.

5. 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.

David Clissitt
Head of Taxation

To : West Yorkshire Personal Tax Unit

Name Tax reference

Calculation of 2003/04 coding adjustment for provisional 2004/05 underwriting loss

Estimate of underwriting income of the year ended 31 December 2004

- 1. Income from Funds at Lloyd's
- 2. Withdrawal or Release from SRF
- 3. Stop loss recoveries
- 4. Other Lloyd's receipts
- 5. Total of boxes 1. to 4.

Estimate of underwriting expenses of the year ended 31 December 2004

- 6. Stop loss, Exeat or EPP premiums
- 7. Fees for bank guarantees or letters of credit
- 8. Estimate of 2001 account syndicate losses*
- 9. Interest on underwriting loans
- 10. Members' agents fees
- 11. Accountancy fees
- 12. Other Lloyd's expenses
- 13. Total of boxes 6. to 12.
- 14. Estimated loss claimed for 2004/05 : line 13. less line 5.
- 15. Name of employer or pension provider
- 17. PAYE Tax Office
- 18. PAYE Tax Reference
- 19. Amount of losses to be included in code number for 2003/04

Attach a separate schedule if more than one code number requires amendment

*** Please attach a copy of your members' agent's loss forecast for the 2001 account**