

FROM: Head of Taxation, Taxation Department
LOCATION: TAX/86/441
EXTENSION: 5228
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REFERENCE: TAX/MCM/ln/Y2556
SUBJECT: **EXCHANGE RATE ADJUSTMENTS**
ACTION POINTS: **Corporate members and individual members who deal with their own tax affairs to note**
DEADLINE: **Effective immediately**

1. Introduction

- 1.1 This bulletin advises members of the tax treatment of exchange adjustments on cash calls that are paid in US dollars.
- 1.2 Such adjustments are necessary to recognise any exchange gain or loss between the closing rate of exchange at which the syndicate accounts are drawn up and the rate applying when the US dollars are paid into the syndicate premium trust funds.

2. The tax position

- 2.1 We have had discussions with the Inland Revenue over whether these exchange rate adjustments should be reflected in the determination of syndicate taxable profits, and we have reached an arrangement with them that they need not. This arrangement provides a practical way of dealing with the issue as follows:

Syndicates – the exchange gains or losses do not need to be taken into account in the determination of the syndicate taxable result.

Natural members – Members Services Unit will calculate the gains or losses for individual natural members and report them as a separate item on the form CTA2. Gains and losses relating to cash calls for the 1997 year of account will be reported on the CTA2 for 2000.

Corporate members – the exchange gains or losses will normally be included in the accounts for the corporate member and should not be adjusted for in the tax computation. Exceptionally, where it has not been included in the accounts an exchange gain or loss should be calculated and included in the tax computation.

3. Readership and contact details

- 3.1 This bulletin, which has been agreed with the Inland Revenue, is being sent to all underwriting agents, recognised auditors, corporate members, tax advisers to individual members and members who deal with their own tax affairs.
- 3.2 If you have any queries, please contact Maureen McLeod of Lloyd's Taxation Department on 020 7327 6860, or e:mail maureen.c.mcleod@lloyds.com.

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