

FROM: Head of Taxation
LOCATION: TAX/G4/441
EXTENSION: 5228
DATE: 3 April 2003
REFERENCE: Y3027
SUBJECT: **2003-04 PAYE CODINGS: UK INCOME TAX RELIEF FOR LLOYD'S LOSSES**
ATTACHMENTS: Annex 1
ACTION POINTS: Return form to Inland Revenue if appropriate
DEADLINE: None

1. The Inland Revenue has told us that it will now give provisional relief for Lloyd's losses of the 2000 year of account in members' 2003-04 PAYE codings. This applies to all Lloyd's losses of income tax year 2003-04, that is including movements on earlier years' run-offs and non-syndicate income and expenses.
2. Members who wish to claim relief in their codings will need to provide evidence that relief will be due and that they will be able to show title to it at some time in 2003-04. Members should therefore complete and send the attached calculation sheet to the Inland Revenue's West Yorkshire Personal Tax Unit together with their claims.
3. This represents a change from the Revenue approach that was reported in previous market bulletins (Y2790 of 14 May 2002 and Y2895 of 22 October 2002). Those bulletins reported that members would have to wait until 1 January 2004 before their 2000 year of account losses could be taken into account in the tax coding system. The change brings forward the time at which the Inland Revenue will give relief in the PAYE system.
4. The High Court is shortly expected to deliver its judgement in the appeal concerning a member's 2002-03 PAYE coding. That case concerns the carry back of a member's 2003-04 Lloyd's loss against other income of 2002-03. We will report the outcome in due course.

5. Until the decision in that case is final, and notwithstanding the change of practice reported above, we understand that the Inland Revenue remains of the view that:
 - relief for tax losses of 2004-05 cannot be given in 2003-04 PAYE code numbers; and
 - effect cannot be given to claims to repayment or set-off of tax in respect of 2003-04 losses relieved in 2002-03 until after 31 December 2003.
6. 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 underwriting loss

Estimate of underwriting income of the year ended 31 December 2003

- | | | |
|---|----------------------|----------------------|
| 1. Income from Funds at Lloyd's | <input type="text"/> | |
| 2. Members Special Contributions refund | <input type="text"/> | |
| 3. Withdrawal or Release from SRF | <input type="text"/> | |
| 4. Stop loss recoveries | <input type="text"/> | |
| 5. Other Lloyd's receipts | <input type="text"/> | |
| 6. Total of boxes 1. to 5. | | <input type="text"/> |

Estimate of underwriting expenses of the year ended 31 December 2003

- | | | |
|--|----------------------|----------------------|
| 7. Stop loss, Exeat or EPP premiums | <input type="text"/> | |
| 8. Fees for bank guarantees or letters of credit | <input type="text"/> | |
| 9. Estimate of 2000 account syndicate losses* | <input type="text"/> | |
| 10. Interest on underwriting loans | <input type="text"/> | |
| 11. Members' agents fees | <input type="text"/> | |
| 12. Accountancy fees | <input type="text"/> | |
| 13. Other Lloyd's expenses | <input type="text"/> | |
| 14. Total of boxes 7. to 13. | | <input type="text"/> |
| 15. Estimated loss claimed for 2003/04 : line 14. less line 6. | | <input type="text"/> |
| 16. Name of employer or pension provider | <input type="text"/> | |
| 17. PAYE Tax Office | <input type="text"/> | |
| 18. PAYE Tax Reference | <input type="text"/> | |
| 19. Amount of losses to be included in code number | <input type="text"/> | |

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 2000 account**