

FROM: Manager, Tax Operations, Members' Services Unit
LOCATION: CH/L3
EXTENSION: 2433
DATE: 14 April 2003
REFERENCE: Y3037
SUBJECT: RETURNS REQUIRED FOR 2002 US INCOME TAX YEAR
SUBJECT AREA(S): Lloyds US dollar trust funds held in London
ATTACHMENTS:
ACTION POINTS: **LDTF returns to be submitted**
DEADLINE: **7 May 2003**

1 Background

- 1.1 All Lloyd's members are subject to US tax under the provisions of the Closing Agreement concluded with the US Internal Revenue Service. To comply with these reporting obligations the investment income and capital gains/losses on the US Dollar trust funds have to be calculated. Citibank New York has a tax reporting package but it cannot be used for funds held in London.

2 Reporting requirements for Dollar Trust Funds held in the UK (LDTF)

- 2.1 In order that the Members' Services Unit (MSU) may calculate the gains and losses within the LDTF for US tax purposes a return of LDTF investments is required.
- 2.2 The schedules to be completed will be available via the market returns website on the L-Net, (<http://info.lloyds/msu/apps>) on 15 April 2003.

- 2.3 A return must be completed for each syndicate holding assets in the LDTF, at 1.1.2002 and/or during 2002. This applies to all LDTF assets including those held by Citibank. Instructions are attached as Appendix A.
- 2.4 Those syndicates who invest in the Citibank Dublin sweep account, Wellington or AIM mutual funds do not need to make a return as this data is collected centrally. If you use any other collective arrangement, please advise MSU of the details.
- 3 Any feedback on the new LDTF return software would be appreciated. Please e-mail your comments and suggestions for enhancement of the product to Lloyds-Tax-Ops@lloyds.com.
- 4 This bulletin has been sent to all managing agents and other preparers of Syndicate Information Statements.
- 5 Please e-mail your queries to Lloyds-Tax-Ops@lloyds.com, providing a contact telephone number or alternatively call Ian Chidgey on Lloyd's extension 2393.

Christine Allcott
Manager, Tax Operations
Members' Services Unit

Notes for the Provision of LDTF Data

All schedules to be returned by 7 May 2003.

The schedules to be completed can be found on the L-net market returns website. (<http://info.lloyds/msu/apps>)

A return is required for each syndicate that held assets within the LDTF at 1.1.2002 and or during 2002. Holdings with **all** custodians, including Citibank London must be reported.

Whilst the method of reporting the data has changed the format used in previous years has been retained to facilitate the transfer of your data into the system. The operation of the function is self-explanatory but if you have any problems using the system, please contact Ian Chidgey on 01634 392393 or send an e-mail Lloyds-tax-ops@lloyds.com.

The facility to import data from both the spreadsheet previously used and a CSV file has been provided. For users of IRAS System a function has been developed that will allow you to export from your systems into the LDTF return.

The system now contains validation to enable you to consider the details in the return and to assist in ensuring the records submitted are correct.

Purchase and Sales

Please record any maturities under sales. The new system will advise if sales are recorded for stock that is not held and that where the maturity date has been exceeded a disposal must be recorded. Asset backed securities should also be included on these schedules. If these details are loaded utilising CSV file it is then possible to amend individual entries. Maturity dates of the securities held must be provided if there is less than a year between issue date and maturity. The maturity date may be provided for all other securities. All transactions with a trade date of 2002 must be entered on the schedules, even if the settlement date is 2003. If last year you omitted to report securities with a trade date of 2001 and settlement date 2002 these should also be included on this report.

Any securities transferred between the LATF and LDTF must be recorded at the original cost, but with an accrued interest figure of nil. Securities being transferred into the LDTF must be entered with the original purchase date transfers to the LATF must be recorded at the date of transfer.

Dividend and Interest

All dividends and interest payments should be recorded. The system will carry out some basic checks to ensure that any income recorded originated from a security shown as either bought forward or purchased during the year. It is therefore imperative that the same security codes are used for interest as was assigned to the acquisition of stock.

Validation/Reasonability Checks

Any validation items on the validation report must be corrected to enable the return to be submitted, whilst a reason must be selected from a drop down box for any items highlighted by a reasonability check.

In order to see the transaction for a particular stock, click on the stock, right click with the mouse and select stock profile from the dropdown box. This may assist you with reading any queries that arise on validation.