

**FROM:** Manager, Tax Operations, MSU  
**LOCATION:** CH/L3  
**EXTENSION:** 2433  
**DATE:** 1 July 2003  
**REFERENCE:** Y3087  
**SUBJECT:** CONSOLIDATED TAXATION ADVICES  
**SUBJECT AREA(S):**  
**ATTACHMENTS:**  
**ACTION POINTS:** Tax computations to be returned to Lloyd's  
**DEADLINE:** 1 September 2003

## **1.0 Background**

The purpose of this bulletin is to inform agents of the information that is required by the MSU for the 2000 account including run-off syndicates reporting at 31 December 2002. In order to provide Members with a UK tax advice for their 2000 account syndicate results, certain information is required by the MSU regarding the tax computations of the individual syndicates.

## **2.0 Exchange rate adjustment required to the tax computations**

2.1 An exchange adjustment is needed to recognise any exchange gain between the closing rate of 1.61 used for the syndicate accounts and the rate of exchange applying on 17 April 2002 of 1.44, when the US dollars in respect of the surplus were paid to the MSU. So for example if there is a US dollar profit of \$1,000 an exchange gain of £73.32 calculated as follows should be included in the tax calculation -

\$1,000 converted to sterling at 1.44	=	£694.44
\$1,000 converted to sterling at 1.61	=	£621.12
		-----
Exchange gain		£ 73.32
		-----

The assessable profit is therefore £694.44 i.e. the result of £621.12 shown in the accounts plus an exchange gain of £73.32. This adjustment needs to be made in respect of any dollars being released from the syndicate to the members.

- 2.2 The exchange rate adjustment must be included within the tax computations and Managing Agents should provide full details of the calculation to City D. The adjustment needs to be shown on the face of the computation where indicated.

### **3.0 Tax Computation Data**

- 3.1 The form attached as Appendix 1 should be completed for the individual syndicates and should be returned to the MSU within 7 working days of submitting the tax computation, including the exchange adjustments in 2.1 above, to the Inland Revenue, City D Large Business Office, and in any event by no later than 1 September 2003. The Microsoft™ Excel spreadsheet forms are available on diskette on request (see below for details). They will also be made available for download from the Market Returns web site on the L-Net within 10 days of the date of this bulletin. The site will also enable agents to upload their completed forms. Should you have any questions regarding the Market Returns web site, please contact John White on 0207 327 5914.

When submitting your returns to the Inland Revenue, please ensure that you also complete the section on the LL250, authorising the Inland Revenue to disclose the details of the tax determination to Lloyd's.

- 3.2 To produce fully reconciled consolidated taxation advices, the MSU will utilise the syndicates' results data obtained through the centralised distribution systems.
- 3.3 Within 7 days of receipt of the Inland Revenue's notice of determination, the MSU should be advised that the computations have been determined by City D. If the determination is in agreement with the original computation this may be done using the letter attached as Appendix 2. Appendix 3 must be completed where the determination differs from the computation originally submitted. This is particularly important as it serves as an independent check on the agreement details and without it the processing associated with an agreed computation cannot take place.

### **4.0 Quota Share Information**

- 4.1 Where Managing Agents are aware of Members entering into personal quota share arrangements, they are asked to contact Annette Stone on Lloyd's extension 2376, to discuss how any relevant information can be provided.

### **5.0 Apportionment Schedules for Managing Agents**

- 5.1 Notwithstanding that the legislative requirement to produce apportionment schedules remains, the Inland Revenue, Leeds (Underwriters Unit), does not now require them as a matter of routine. However, the Inland Revenue does reserve the right to request them in exceptional circumstances. Where a Managing Agent receives such a request it should be forwarded to the MSU (as detailed below) who will arrange for an apportionment schedule to be provided.

## 6.0 Timetable

6.1 The timetable for submission of the data to the MSU is shown below.

A	Syndicate tax computation information (Appendix 1)	Within 7 days of submission to City D and in any event no later than 1 September 2003.
B	Determination details (Appendix 2 or 3)	Within 7 days of the Inland Revenue determination
C	Exceptional requests for apportionment schedules	Within 7 days of receipt of the request from the Inland Revenue

6.2 All information in connection with the above should be addressed for the attention of Annette Stone, Tax Operations, Lloyd's Members' Services Unit, Gun Wharf, Dock Road, Chatham, Kent ME4 4TU or if sent internally Annette Stone, MSU Tax Operations, CH/L3. The data may also be sent to Annette Stone electronically via Market mail. If you require any of the forms or additional information detailed within the Bulletin, or have any queries regarding its content, please contact Annette Stone on Lloyd's extension 2376.

## 7.0 Adherence to deadlines

7.1 The consolidated taxation advice produced by the MSU provides Members with the majority of their taxation information relating to their underwriting activities at Lloyd's. In view of this it is important that the timetable in 6.1 is adhered to.

This bulletin is being sent to all managing agents, recognised auditors and other preparers of UK tax computations. In addition it is being sent to members' agents for information only.

Christine Allcott  
Manager, Tax Operations  
Members' Services Unit

I HEADER INFORMATION

Calendar Year :  Lloyd's agent code

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Managing Agent :

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Syndicate Number :  Year of account :

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Account status : (Enter "open" or "closed")

-->

Computation status : (Enter "Submitted", "Estimated" or "Agreed")

Prepared by :  Date :

--> Telephone

II SUMMARY OF UNDERWRITING ACCOUNT

All figures extracted from published accounts

Accrued income within investment return	NIL
Profit/(loss) before personal expenses	0
Total distributed result per ADEG code RX01	0

III TAXES DEDUCTED FROM INVESTMENT INCOME PER ACCOUNTS

Canadian withholding tax	0
Other foreign withholding tax	0
Notional UK tax on stock dividends	0

IV TAXES CLAIMED AS DEDUCTION FOR CASE I COMPUTATION

Canadian withholding tax	0
Other foreign withholding tax	0

V ANALYSIS OF SYNDICATE EXPENSES DISALLOWED FOR TAXATION

Entertaining	0
Donations	0
Capital expenditure	0
Depreciation	0
Salvage Association levy as advised	0
Non specific bad debt prov.	0
Foreign withholding taxes on SII	0
Other(overstrike)	0
	0

VI EXCHANGE RATE ADJUSTMENTS

Exchange rate adjustments - gains / (losses)	0
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VII CAPITAL ALLOWANCES CLAIMED IN TAX COMPUTATION

Writing down allowances	0
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VIII ANALYSIS OF PERSONAL EXPENSES DISALLOWED FOR TAXATION

Total personal expenses per ADEG distribution	0
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Disallowed Expenses :		
Lloyd's charities trust		0
PTF advance for 2000 Members' Agents fee - ADEG code RB09		0
Foreign withholding taxes on SII		0
Other (overstrike)		0
		0

IX ADJUSTMENTS TO ACCOUNTS FOR TAXATION PURPOSES

RITC/EFL disallowances :		
Previous year disallowance	- gross	0
	- net	0
Investment income		0

X MEMORANDUM ITEMS FOR REPORTING

(a) Income

Exempt to non-residents -

Non-UK Domiciled ("Exempt B")	0
Notional UK income tax on stock dividends	0
Income on 3½ % War Loan	0

(b) Other

	Total
Foreign taxes on premiums	0

XI REINSURANCE TO CLOSE

Destination details:	Syndicate:		%(if split):	YOA:	
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XII AMOUNTS EXCLUDED FROM DISTRIBUTION

eg interest on late paid cash calls - please specify	0
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**Appendix 1 (page 1)**

LLOYD'S MSU CONSOLIDATED TAXATION ADVICES - COMPUTATION PACKAGE

To be completed and returned within 7 days of submission of computation to HMIT

Managing Agent -	agent code -
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Syndicate -	Account -	Status:
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Schedules prepared by -

Contact telephone no. -

**1 FOREIGN WITHHOLDING TAXES**

These have been treated as follows :

- |  |            |
|--|------------|
| Investment income reported net in accounts | * Yes / No |
| Written off in syndicate expenses          | * Yes / No |
| Written off as a personal expense          | * Yes / No |
| Other (please explain any other treatment) | * Yes / No |

**2 BROUGHT FORWARD RITC/CLAIMS DISALLOWANCE**

Gross	£	0	Net of leavers	£	0
			(if account was closed)		

Data is held at name level by MSU from relevant syndicate/year of account at 31 December 2002

**3 SCHEDULES TO BE SUPPORTED BY :**

- Copy of published accounts

**4 SUBMISSION BY 3 1/2" DISKETTE**

Spreadsheet has been saved as.....  
 File name .....

**5 REINSURANCE TO CLOSE**

Destination details:	Syndicate: 0	Year of account: 0	Calendar year: 2003
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\* Delete/complete as appropriate

Appendix 1 (page 2)

LLOYD'S MSU - CONSOLIDATED UK TAXATION ADVICES

SYND :

ACCOUNT AT 31 DECEMBER 2002

MANAGING AGENT:

Status -

CASE I TAXATION COMPUTATION -

1	Net result for period (ADEG code RX01)		0
2	Exchange rate adjustments: gain / (loss)		0
3	Amounts excluded from distribution (eg interest on late paid cash calls) - see note 9		0
	Disallowed expenses		
4	Syndicate (including all taxes-see also lines 10/11)		0
5	Personal (including all taxes-see also lines 10/11)		0
	Taxes deducted from investment income		
6	Canadian withholding tax		0
7	Foreign withholding tax		0
8		sub-total	0
	Less:		
9	Capital allowances		0
	Canadian and other withholding taxes		
10	Canadian		0
11	Foreign		0
12	Notional UK tax on stock dividends reported gross		0
13		sub-total	0
	Less:		
14	RITC/EFL disallowance previous period		0
15		sub-total	0
	Adjustments		
16	Investment income		0
17	Accrued income		NIL
18	Case I result -	£	0
	MEMORANDUM ITEMS :		
19	Foreign tax on premiums		0
20	Canadian withholding tax		0
21	Other foreign withholding tax		0
22	Total foreign taxes	£	0
	Income exempt to non-residents (after adjustments) :		
23	Non-UK domiciled	£	0
24	Total accrued income (after adjustments)	£	0
25	Interest on 3½% War Loan	£	0
26	Notional UK tax on stock dividends	£	0

**Appendix 1 (page 3)**

LLOYD'S MSU - CONSOLIDATED UK TAXATION ADVICES

SYND : ACCOUNT AT 31 DECEMBER 2002 MANAGING AGENT:

Status -

Analysis of disallowed syndicate & personal expenses

<b>A. Syndicate expenses</b>		
Entertaining		0
Donations		0
Capital expenditure		0
Depreciation		0
Salvage Association levy as advised		0
Non-specific bad debt provisions		0
Foreign withholding taxes on investment income - see specific claim in Case I computation		0
Other(overstrike)		0
Total disallowed syndicate expenses - Case I computation, line 4	£	<u>0</u>

<b>B. Personal expenses</b>		
Lloyd's charities trust		0
PTF advance for 2000 Members' Agents fee ADEG code RB09		0
Foreign withholding taxes on investment income (see claim in Case I comp)		0
Other (overstrike)		0
Total disallowed personal expenses - Case I computation, line 5	£	<u>0</u>

**Reconciliation of computations with published accounts**

1 Total per distribution (ADEG code RX01)	(A) £	<input type="text" value="0"/>
2 Case I result - profit/(loss)		<input type="text" value="0"/>
Less:		
3 Exchange rate adjustments		<input type="text" value="0"/>
4 Amounts excluded from Distribution		<input type="text" value="0"/>
5 Disallowed syndicate expenses (incl withholding taxes)		<input type="text" value="0"/>
6 Disallowed personal expenses (incl taxes)		<input type="text" value="0"/>
7 Adjustment to investment income		<input type="text" value="0"/>
8	Sub-total	<input type="text" value="0"/>
Add:		
9 Capital allowances		<input type="text" value="0"/>
10 Previously disallowed reinsurances		<input type="text" value="0"/>
11 Foreign taxes on investment income		<input type="text" value="0"/>
12 Notional UK tax on stock dividends reported gross		<input type="text" value="0"/>
13	Sub-total	<input type="text" value="0"/>
14 Balance due to/(from) Names (lines 2-8+13)	(B) £	<input type="text" value="0"/>
	Difference from A*	<input type="text" value="0"/>

Reconciliations -		
15 Profit/(loss) per underwriting account		0
16 Less: Total personal expenses		0
17 Balance due to/(from) Names per accounts	(C) £	0

**(A), (B), (C) should agree - any differences must be explained.**



## Appendix 1 (page 4)

### Notes for the reporting of syndicate tax data

1. All amounts should be in whole £s.
2. Schedules / diskettes **do not** need to be supported by a copy of the syndicate published accounts as we now have access to this information.
3. Each syndicate submission, whether hardcopy / diskette, must be accompanied by the cover sheet (Appendix 1, page 1). In particular, the treatment of foreign withholding taxes must be specified in all cases.
4. The format of the forms to collect Case I information (Appendix 1, page 2) takes as its starting point the syndicate results per the ADEG DD file codes RX01 (NB this figure must agree to the totals provided to the MSU).
5. Where disallowances have been made for either syndicate or personal expenses, an analysis of the amounts disallowed must be given (Appendix 1, page 3). The PTF advance in respect of the 1999 account members agent fees are contained within the RX01 figure, so please ensure, that these PTF advances are reported as a disallowable personal expense.
6. Taxes withheld from investment income should only be entered at lines 6 & 7 of the Case I computation if the income is shown net in the published accounts. Amounts must be shown, as appropriate, at lines 10, 11, 20, 21 & 26 regardless of the treatment adopted in the accounts.
7. Any adjustments to be made to the investment return in the Case I computation should entered at line 16.
8. Any figures entered at line 26 should only relate to notional (ie on UK scrip dividends) tax.
9. Items not included in DD data but included in the accounts. In certain instances it has not been possible to include all Name level information in the DD data because it has needed to be allocated to certain MAPA Names.

**Appendix 2**

Dear Miss Stone,

INLAND REVENUE DETERMINATION  
SYNDICATE NUMBER(S) YEARS OF ACCOUNT

City D has determined the syndicate computations details above and these are in accordance with the computations submitted to the MSU on [DATE].

Yours sincerely

Managing Agent / Auditor etc

**LLOYD'S MSU CONSOLIDATED TAXATION ADVICES  
AGREEMENT CONFIRMATION FORM**

31 December 2002

**To be completed and returned within 7 days of the Inland Revenue determination**

Syndicate Number:	Year of account:	Closed / Open?
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Managing Agent:
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Contact and telephone number:
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RESULTS HAVE NOW BEEN DETERMINED BY THE INLAND REVENUE:

Case I:	Agreed / Provisional
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Date of determination:	_____
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Amount of determination	£ _____
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Exempt income for non-residents (non-domiciled) "B"	£ _____
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REINSURANCE TO CLOSE

Destination details:	<table> <tr> <td style="width: 50%;">Syndicate:</td> <td style="width: 10%; text-align: center;">0</td> <td style="width: 50%;">Year of account:</td> <td style="width: 10%; text-align: center;">0</td> </tr> </table>	Syndicate:	0	Year of account:	0	Calendar year: 2003
Syndicate:	0	Year of account:	0			

RESULTS:                   subject to the above, please delete / complete as appropriate

The results are in accordance with the data provided to MSU on .....

OR

Results have been amended and a revised computation package is attached  
(this is not required if the only adjustments are those indicated above)