

MARKET BULLETIN

REF: Y4901

Title	Consolidated Taxation Advices – 2012 Year of Account
Purpose	To set out the timetable and procedures for the submission of the syndicate tax computations
Type	Scheduled
From	Christine Allcott, Senior Manager, Tax Operations Direct Tel No: 01634 392433 E-mail: Christine.allcott@lloyds.com
Date	12 June 2015
Deadline	1 July 2015
Related links	Appendix A – Instructions on how to Register to use CMR as a Service Provider. Appendix B – Registration form to use CMR as a Service Provider. Appendix 1 – Syndicate Tax Computation Standard Template.

Please copy this Bulletin and its attachments to those within your organisation that are responsible for reviewing and completing the syndicate UK tax computations.

1.0 Background

In order to provide members with a UK tax advice for their 2012 year of account results, syndicates are required to submit certain information to Tax Operations. The purpose of this bulletin is to inform managing agents of the information that is required by Tax Operations for the 2012 underwriting year of account including run-off syndicates at 31 December 2014.

We apologise for the delay in issuing this Bulletin this year. We recently became aware of errors in the Australian data that we receive from Xchanging and have needed to spend time reviewing these processes before being in a position to send this Bulletin out.

Core Market returns will be available on the 15 June 2015. Please note that the DTR data has not been pre-populated this year and therefore a difference will be generated by the exception report. More details are provided in 5.0 but it is acceptable to submit the return with this difference.

DTR schedules are currently being produced and these will be posted to you by the 18 June 2015. If you require this electronically please e-mail Lloyds-Tax-Operations@lloyds.com stating the syndicate numbers that you require.

2.0 Instructions

Please note that in order for Tax Operations to be able to produce CTA1s for members, syndicates need to follow the instructions below when completing their tax returns. This is compulsory for spread syndicates. If an aligned syndicate wishes to adopt a different treatment for any item, including Rate of Exchange adjustments, they must notify HMRC and Lloyd's that they are not following the instructions. A copy of the notification to HMRC should be submitted to Lloyd's with the computation. When Tax Operations process the submitted returns, if any deviations from the treatment set out in this bulletin are identified Lloyd's will seek confirmation from HMRC that they have been notified of this fact.

3.0 Tax Computation Data

The UK tax computations must be returned to Lloyd's via the Core Market Returns (CMR) website as an online form. Functionality has also been provided to enable additional documents to be attached and the computation to be printed for submission to HMRC. This will enable Tax Operations to import the data directly into its systems. However, it should be noted that Lloyd's cannot make any amendments to the return however minor. The standard template for the return is attached as appendix 1.

The online tax computation should be completed for each syndicate and should be submitted via CMR within 7 working days of submitting the tax computation to HMRC Large Business Service Financial Sector (London) and in any event by no later than close of business 1 July 2015.

Unfortunately, Tax Operations will not be able to accept any paper returns.

3.1 Accessing the forms

3.2 Managing Agents

The software to return the forms will be available in production from 15 June 2015. The devolved administrator at the managing agent will need to grant access to the new form known as TUK.

3.3 Other preparers of Lloyd's Syndicate UK tax computation (Service Providers)

If you are preparing tax returns on behalf of a Lloyd's syndicate for the first time, you will need to register with Lloyd's as a Service Provider which will give you access to the CMR website, if you have not already done so. The registration instructions are attached as appendix A and can also be used by anyone who is preparing a Lloyd's

syndicate tax computation on behalf of a Managing Agent. Once you have registered we will provide further instructions regarding accessing the site, which in turn provides the information that you will need regarding using the systems and the completion of the return.

3.4 Submitting the returns to HMRC

When submitting your returns to HMRC, please ensure that you complete the section on the LL250 authorising HMRC to discuss the contents of your computation with Lloyd's.

HMRC have also asked that we remind managing agents that the following documents also need to be submitted to them along with the syndicate tax return:

- LL250
- Syndicate Annual Accounts for 2014
- Syndicate Underwriting Accounts for the 2012 Year of Account

If there is no requirement for the Syndicate Underwriting Accounts to be audited, the documents to be sent to HMRC are extracts from the QMA (QMA100, QMA 102, QMA 201, QMA 205 and the Auditor's Report).

Should HMRC enquire into the syndicate return please notify Tax Operations, contact details are shown in 8.3 of this bulletin.

To produce fully reconciled consolidated taxation advices, Tax Operations will utilise the syndicates' results data obtained through the centralised distribution systems.

4.0 Exchange Rate Adjustments Required to the Tax Computations

The exchange rate adjustments described below must be included within the tax computations and managing agents should provide full details of the calculations to both LBS Financial Sector (London) and to Tax Operations. The adjustments need to be shown on the face of the computation where indicated.

When preparing these calculations reference should be made to Market Bulletin Y4334 published by Lloyd's Tax Department on 20th November 2009, setting out HMRC's view of the tax treatment of various foreign exchange adjustments at member level. Spread syndicates must follow the instructions as set out in the Market Bulletin but should discuss with Lloyd's prior to submission if they believe that their accounting treatment of foreign exchange differs from that set out in the Bulletin. Single member syndicates may follow their own approach if they wish but should disclose this fact to HMRC and Lloyd's. Unfortunately, this does mean that Lloyd's may not be able to produce a CTA1 for the relevant member.

4.1 Distribution of US Dollar Profits

A currency exchange adjustment is needed to recognise any exchange gain or loss in relation to the distribution of US dollar profits, reflecting the foreign exchange profit or loss which arises from the date the year of account closes to the date on which US dollar profits are released to Market Services (MS). For syndicates releasing dollars on 10 April 2015 the rate of exchange is 1.46425

Members will be notified in the CTA2 of the rate of exchange at the date the dollars were released to the member, so that they can make any further necessary adjustment if required in their own tax return.

The following example illustrates how an exchange gain might be calculated on a US dollar surplus of \$1,000, based on a Lloyd's year end rate of 1.56 and a rate of 1.46425 applying on 10 April 2015 when the US dollars were released to MS:

\$1,000 converted to sterling at 1.46425	=	£682.94
\$1,000 converted to sterling at 1.56	=	<u>£641.02</u>
Exchange gain	=	£41.92

The assessable profit is therefore £682.94 i.e. the result of £641.02 shown in the accounts plus an exchange profit of £41.92. This adjustment needs to be made in respect of any dollars being released from the syndicate to the members, regardless of the net result of the syndicate.

An exchange rate adjustment is only required where a surplus was paid to MS. Please do not calculate an exchange gain/loss on syndicate cash calls that were paid to the syndicate as these adjustments will be calculated separately by Tax Operations and reported on members' CTA2 advices.

4.2 Excess US dollar cash calls

For accounting purposes, syndicates retranslate any surplus US dollar cash calls from the date of receipt to the date of closure of the year of account (or the 36 month point if earlier) and include this adjustment in the syndicate accounts. No adjustment should be made in the syndicate tax return in respect of this amount.

However, it is necessary to include in the syndicate tax computation an adjustment to take account of any movement in the exchange rate from the date of the closure of the year of account to the date that the surplus is released to MS as described at 4.1.

4.3 Early US Dollar Profit Releases

An adjustment must also be made in the syndicate tax computation in respect of any early release of US dollar profits, from the 2012 Underwriting year of account that took place during 2012, 2013 or 2014. The syndicate accounts will include the gain or loss on exchange arising on early profit releases from the date of release to the

date the year of account closes. The effect of the adjustment to the syndicate tax return shown below is to remove the exchange gain or loss described above from the syndicate result.

For example, if a syndicate made an early release of \$10,000 in respect of 2012 year of account profits in June 2013, when the exchange rate was 1.5463, the syndicate will have included a loss of £56.80 in its accounts. This is calculated as follows:

\$10,000 converted to sterling at 1.5463	=	£6467.05
\$10,000 converted to sterling at 1.56	=	<u>£6410.25</u>
Exchange loss	=	- £56.80

An adjustment should be made in the syndicate tax return to reverse out this loss, i.e. the syndicate should make an adjustment to include a corresponding loss of £56.80

A list of average month end exchange rates is provided at the end of this bulletin to assist with the calculation of these adjustments.

5.0 Foreign Taxes

Foreign taxes (including withholding taxes on investment income) that are potentially creditable in the members' tax returns should not be included as expenses in determining the syndicate's final trading result. The instructions given below are intended as a guide only and assume that these taxes are included as expenses in the syndicate accounts.

The total result for the period (ADEG code RX01) will include foreign taxes which have been treated as syndicate expenses in the syndicate accounts. Any such taxes which are either foreign taxes on profits or withholding taxes on investment income will need to be added back for the purposes of computing the syndicate's trading result. Please note that a full analysis by country of withholding tax is now required.

Lloyd's provides the syndicates with a schedule of foreign taxes on profits which have been computed by Lloyd's and charged as syndicate expenses. Please e-mail Lloyds-Tax-Operations@Lloyds.com if you require a duplicate copy. It is expected that the taxes shown on this schedule will have been included as expenses in the syndicate result (ADEG code RX01) and will therefore need to be added back for the purposes of computing the syndicate's trading result for tax purposes. This schedule includes income tax paid in Australia, Belgium, Dominica, France, French Polynesia, Hong Kong, Israel, Malta, New Zealand, St Lucia, St Vincent and the Grenadines.

Tax liabilities which have been or will be recovered from members (e.g. US Federal Income Tax, Canadian Income Tax, Singapore Income Tax and Japanese Income Tax), would not normally be included as expenses in the syndicate accounts and

therefore we would not normally expect to see any adjustment in the syndicate tax computation for these taxes.

Premium taxes, stamp duties, para fiscal charges and levies paid to any of the above countries (or any other country) do not require adjustment, since these are deductible expenses for the purposes of the syndicate's trading result.

6.0 Dividend Income

Following changes to the tax treatment of dividends from 1 July 2009, syndicates will need to provide additional analysis of their dividend income as part of their syndicate tax return.

For corporate members, most UK and foreign dividends are now exempt from tax. This applies to dividends received on or after 1 July 2009. The tax treatment for individual members remains the same, i.e. both UK and foreign dividends are taxable.

No adjustment needs to be made to the computation of the syndicate's trading result in respect of this change, as it has been agreed with HMRC that Tax Operations will make this adjustment on members' CTA1s. Therefore no adjustment is needed to the syndicate's trading result in respect of dividend income.

However, in order for Tax Operations to make the necessary adjustments on corporate members' CTA1s, syndicates will need to provide the amount of exempt UK and foreign dividends received on or after 1 July 2009 and allocated to the 2012 year of account. This should be included as a memorandum item on line 24 of the syndicate tax computation.

Syndicates will need to check whether their dividends meet the criteria for exemption under Part 9A Corporation Tax Act 2009 and managing agents are advised to seek independent professional advice if they are in any doubt about this. Any dividends which are not exempt should not be included in the amount reported on line 24.

7.0 Technical reserves and appropriate amount regulations

Finance Act 2007 Schedule 11 deals with the taxation of general insurers' reserves and requires insurers and Lloyd's syndicates to confirm that their reserves do not exceed the "appropriate amount".

Syndicates will need to provide the necessary written confirmation to HMRC along with their syndicate tax return but it is not necessary to provide this information to Lloyd's. Syndicates may choose to provide additional supporting evidence to HMRC but there is no requirement for this to be submitted to Lloyd's.

8.0 Timetable

8.1 The following documents must be submitted to Tax Operations within 7 days of submission to HMRC Large Business Service Financial Sector (London) and in any event no later than close of business 1 July 2015:

- A Syndicate tax computation information (Appendix 1)
- B Copy of LL250
- C Supporting Accounts
- D Detailed foreign exchange calculations

8.2 All information in connection with the above should be attached to the computation and should be submitted to Tax Operations via the CMR website.

8.3 Please contact Cheryl Masson on Lloyd's extension 2620 should you have any related queries that you wish to discuss.

9.0 Adherence to Deadlines

9.1 The consolidated taxation advice produced by Tax Operations 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 8.1 is adhered to.

Table of Exchange Rates to be used for Calculation of Adjustment as Detailed in Paragraph 4.0

January	2012	1.5503
February	2012	1.5797
March	2012	1.5821
April	2012	1.5998
May	2012	1.5951
June	2012	1.5541
July	2012	1.5599
August	2012	1.5705
September	2012	1.6091
October	2012	1.6077
November	2012	1.5965
December	2012	1.6125

January	2013	1.5986
February	2013	1.5526
March	2013	1.5086
April	2013	1.5301
May	2013	1.5307
June	2013	1.5463
July	2013	1.5174
August	2013	1.5483
September	2013	1.5835
October	2013	1.6092
November	2013	1.6088
December	2013	1.6368

January	2014	1.6468
February	2014	1.6545
March	2014	1.6629
April	2014	1.6728
May	2014	1.6844
June	2014	1.6900
July	2014	1.7082
August	2014	1.6709
September	2014	1.6315
October	2014	1.6076
November	2014	1.5787
December	2014	1.5628

APPENDIX 1

Syndicate
Tax computation

Period: Reporting Years of Account (dropdown)
(Year must be 36 months or older)

YYYY

Reporting Period Summary

CTA1 Year 1
As at 31 December 2

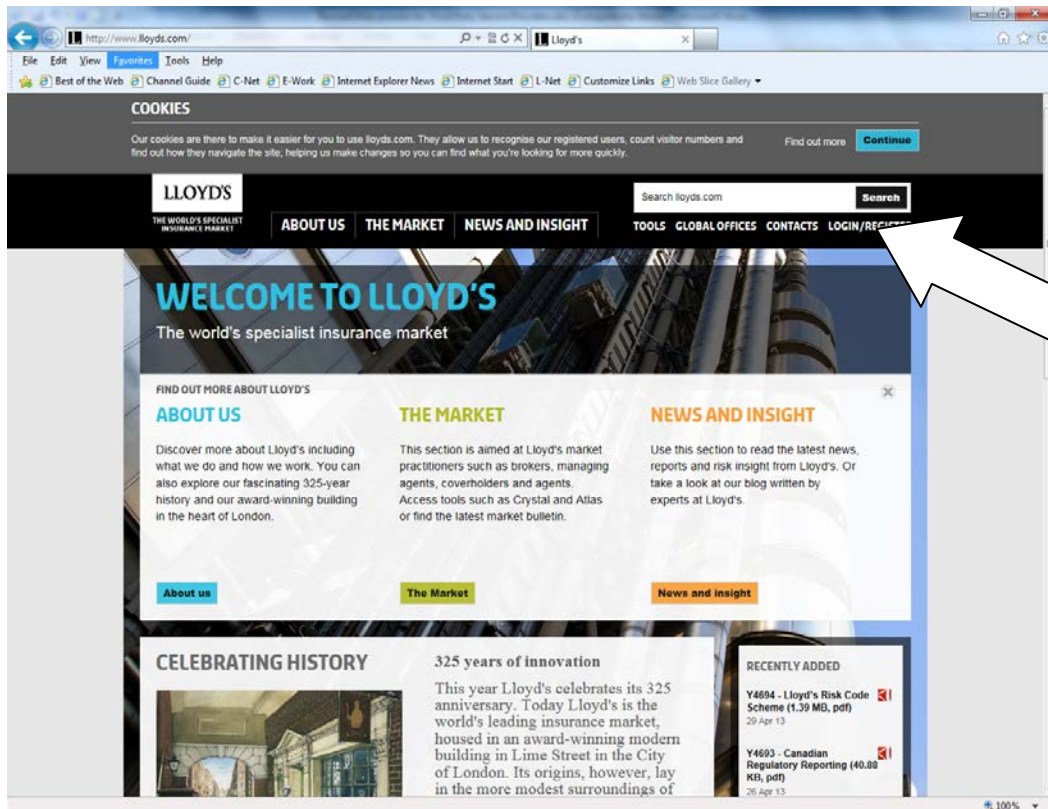
Computation

Total Result for period (ADEG code RX01)	3
Exchange rate adjustments gain/(loss) - refer to Market Bulletin section 4.0	4
Transfer pricing adjustments	5
Disallowed syndicate expenses	
Entertaining	6
Non Trade Subscriptions	7
Donations	8
Capital Expenditure	9
Depreciation	10
Non-specific bad debt provisions	11
Other (please specify)	12
Total disallowed syndicate expenses	13
Disallowed Personal expenses	
Lloyd's charities trust	14
Other (please specify)	15
Sub-total disallowed personal expenses	16
Members' Agent Fee (ADEG RB09)	17
Total disallowed personal expenses	18
Taxes	
Add Certain Foreign income taxes - refer to Market Bulletin section 5.0	19
Add Canadian withholding taxes	20
Add US withholding taxes	21
Add Foreign withholding taxes (excl Canada and US) country breakdown	22
Result	
Final trading result	23
MEMORANDUM ITEMS	
Dividends received after 1 July 2009 - refer to Market Bulletin section 6.0	24
Income exempt to non-residents	25

CNV
A
2012
2014
+/-
+/-
+/-
+/-
+/-
+/-
+/-
Analysis cell
A6+A7+A8+A9+A10+A11+A12
+/-
Analysis cell
A14+A15
+/-
A16+A17
+/-
+/-
+/-
Analysis cell
A3+A4+A5+A13+A18+A19+A20+A21+A22
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INSTRUCTIONS FOR SERVICE PROVIDERS TO GAIN ACCESS TO LLOYD'S CORE MARKET RETURNS (CMR)

1. Firstly it will be necessary to obtain a log on for LAF production.
Via the internet go to www.lloyds.com



2. On the top black bar click on REGISTER. This will take you to a page that will allow you to register as a new user. Select "Register now". The following screen should be displayed to set up a LAF account. Just follow the on screen instructions.

Appendix A

The screenshot shows a web browser window displaying the Lloyds registration page. The page title is "CREATE A LLOYD'S ACCOUNT". Below the title, there is a sub-header "Mandatory field" and a note: "Your Lloyd's account gives you access to enhanced content and services. If you already have a Lloyd's account, you can log in here." The form is divided into three main sections: "PERSONAL DETAILS", "COMPANY DETAILS", and "LOG IN DETAILS". Each section contains several input fields with asterisks indicating they are mandatory. The "PERSONAL DETAILS" section includes fields for Title, First name, Last name, Contact telephone number, and Country of residence (a dropdown menu). Below this is a radio button question: "Are you an insurance professional?" with "Yes" and "No" options. The "COMPANY DETAILS" section includes fields for Job title, Company name, and Organisation type (a dropdown menu). The "LOG IN DETAILS" section includes fields for Email address, Password, and Re-enter your password. At the bottom of the form, there is a checkbox for "I accept the terms and conditions" and two buttons: "Submit" and "Reset". The Lloyds logo and "LOG IN REGISTER" links are visible in the top navigation bar. The footer contains small text: "Lloyd's is a registered trade mark of the Society of Lloyd's. Lloyd's is authorised under the Financial Services and Markets Act 2000. Lloyd's Copyright 2013" and "Privacy & Cookies | Terms & Conditions".

Once this has been completed an e-mail will be sent to you instructing you to activate your account by following the link. This step must be completed within 24 hours of registration.

There is then a two stage process in order to be able to access the return. Lloyd's will need to link your e-mail address to the managing agents for whom you act and the managing agents CMR devolved administrator will need to then grant access to the specific return.

3. In order that Lloyd's is able to associate your e-mail address to the relevant managing agents please complete appendix 2 and return it to Cheryl Masson, Lloyd's, Fidentia House, Walter Burke Way, Chatham Maritime, Chatham, Kent ME4 4RN. Alternatively a signed scanned copy can be e-mailed to Lloyds-tax-operations@lloyds.com

4. On receipt of a completed appendix B by Lloyd's the individual named in the form will be set up with an account in CMR.

5. Once the CMR account has been established Lloyd's will notify the managing agent in order that their administrator can grant access to the relevant return. Additionally we will send further instructions for utilising the system.

Once you have been set up as a service provider the return can be accessed by typing the following into your internet browser

.

Production <https://cmr.lloyds.com>

You will then be asked to log in using the log on details that you used to register for the the service. If this is the first time that you have utilised the system you will also be requested to accept the terms and conditions.

Appendix B

CORE MARKET RETURNS

ADMINISTRATION OF EXTERNAL USERS

The responsibility of maintaining External Administrator Users within the Core Market Returns database lies with the Helpdesk.

Please complete the details below:-

Service Provider Name	
First Name	
Surname	
Telephone Number	
E-Mail Address	
Position	
Alternative contact Name	
Alternative contact Telephone Number	
Alternative contact e-mail address	

Please list overleaf the managing agents and Lloyd's syndicate numbers for who you act.

