

**FROM:** Manager Tax Operations  
**LOCATION:** 58/GY30  
**EXTENSION:** 5311  
**DATE:** 9 July 2001  
**REFERENCE:** Y2577  
**SUBJECT:** RETENTION OF ASSETS TO MEET UNITED STATES TAX LIABILITIES FOR MEMBERS WHO HAVE CEASED UNDERWRITING  
**SUBJECT AREA(S):**  
**ATTACHMENTS:**  
**ACTION POINTS:** **Members Agents to note**  
**DEADLINE:** **none**

A United States first level tax return is filed for all members of Lloyd's who underwrite US business. This may give rise to a US Federal Income tax liability at individual member level.

Members are eligible to be ceased, and their funds at Lloyd's released to them, following the closure of their final underwriting account subject to them having no outstanding liabilities. You are reminded that at that time the member will still need to be included on two further US tax returns, the first covering the result for the final year of underwriting and a final return covering residual items of income and expenses. The delay in filing such returns give rise to a potential liability that is not quantified at the time of cessation

Historically the retention of funds has always been made but in recent years this has not been necessary as generally the MSC refunds have been available to cover any potential US tax liability due. The large stop loss recoveries currently being received could give rise to a US tax liability that may not be covered by the MSC refunds and will be payable after the normal release of funds. Therefore in certain circumstances the MSU will require that cash and or assets be retained by Lloyd's, following cessation, to cover any potential US tax liability. As each member's tax position is unique each case will need to be looked at individually to establish if retention should be made. Provided that the retention is provided by way of cash the MSU will not levy any user pays charges for maintaining the funds.

This course of action has not been taken lightly but is necessary in order to protect the Premium Trust funds from which the tax is funded in the first instance.

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Member's Services Unit