

FROM: Manager, Tax Operations, MSU, EXTN: 2433
DATE: 28 July 2005 REF: Y3604
SUBJECT: **Consolidated Taxation Advices**
SUBJECT AREA(S):
ATTACHMENTS:

ACTION POINTS: **Tax Computations to be Returned to Lloyd's**
DEADLINE(S): **26 August 2005**

1.0 Background

The purpose of this Bulletin is to inform managing agents of the information that is required by MSU for the 2002 account including run-off syndicates at 31 December 2004. In order to provide members with a UK tax advice for their 2002 account results, certain information is required by MSU regarding the tax computations of the individual syndicates.

2.0 Exchange Rate Adjustments Required to the Tax Computations

2.1 A currency exchange adjustment is needed to recognise any exchange gain or loss between the closing rate of 1.92 used for the syndicate accounts and the rate of exchange applying on 15 April 2005 of 1.9035, when the US dollars were released to MSU. For example, if there is a US dollar surplus of \$1,000, an exchange gain of £4.52 calculated as follows should be included in the tax computation:

\$1,000 converted to sterling at 1.9035	=	£525.35
\$1,000 converted to sterling at 1.92	=	£520.83

Exchange gain		£ 4.52

The assessable profit is therefore £525.35 i.e. the result of £520.83 shown in the accounts plus an exchange gain of £4.52. 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.

2.2 An exchange rate adjustment is only required where a surplus was paid to MSU. **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 MSU and reported on members' CTA2 advices.

- 2.3 **An adjustment must also be made to the syndicate's profit/loss in respect of any CST released in US dollars to members during 2002 or 2003.** A currency exchange adjustment is needed to recognise any exchange gain or loss between the closing rate of 1.92 used for the syndicate accounts and the rate of exchange applying when the US dollars were released to MSU. A table of exchange rate adjustments are attached to assist with the calculation of these adjustments.

For example, if a syndicate made an early release of \$1,000 to members in June 2003 in respect of 2002 year of account profits, an exchange gain of £81.29 calculated as follows should be included in the tax computation:

\$1,000 converted to sterling at 1.6608	=	£602.12
\$1,000 converted to sterling at 1.92	=	£520.83

Exchange gain		£ 81.29

- 2.4 The exchange rate adjustments 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 MSU. The adjustments need 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 each syndicate and should be returned to MSU within 7 working days of submitting the tax computation to LBS Financial Sector (London), and in any event by no later than 26 August 2005. 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 website, please contact Anita Wallace on 0207 327 5899.

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

- 3.2 To produce fully reconciled consolidated taxation advices, 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, MSU should be advised by the managing agent that the computations have been determined by LBS Financial Sector (London). 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, HMRC does not now require them as a matter of routine. However, HMRC does reserve the right to request them in exceptional circumstances. Where a managing agent receives such a request it should be forwarded to MSU within seven days of receipt who will arrange for an apportionment schedule to be provided.

6.0 Timetable

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

A	Syndicate tax computation information (Appendix 1)	Within 7 days of submission to LBS Financial Sector (London) and in any event no later than 26 August 2005
B	Determination details (Appendix 2 or 3)	Within 7 days of HMRC determination
C	Exceptional requests for apportionment schedules	Within 7 days of receipt of the request from HMRC

- 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 by email to annette.m.stone@lloyds.com. Annette can be contacted on Lloyd's extension 2376 should you have any related queries that you wish to discuss.

7.0 Adherence to Deadlines

- 7.1 The consolidated taxation advice produced by 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

Christine Allcott
Manager, Tax Operations
Members' Services Unit

Table of Exchange Rates to be used for Calculation of Adjustment as Detailed in Paragraph 2.3

Month	Year	Average Exchange Rate
January	2002	1.4333
February	2002	1.4234
March	2002	1.4235
April	2002	1.4435
May	2002	1.4602
June	2002	1.4855
July	2002	1.5576
August	2002	1.5373
September	2002	1.5563
October	2002	1.5575
November	2002	1.5719
December	2002	1.5886
January	2003	1.6182
February	2003	1.6096
March	2003	1.5829
April	2003	1.5755
May	2003	1.622
June	2003	1.6608
July	2003	1.6254
August	2003	1.595
September	2003	1.6138
October	2003	1.6772
November	2003	1.6906
December	2003	1.7523

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 - **Please provide calculations**

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 2002 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

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 2004

3 SUBMISSION BY 3 1/2" DISKETTE OR CD-ROM

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

4 REINSURANCE TO CLOSE

Destination details:	Syndicate:	0	Year of account:	0	Calendar year: 2004
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* Delete/complete as appropriate

Appendix 1 (page 2)

LLOYD'S MSU - CONSOLIDATED UK TAXATION ADVICES

SYND :

ACCOUNT AT 31 DECEMBER 2004

MANAGING AGENT:

Status -

CASE I TAXATION COMPUTATION -

1	Net result for period (ADEG code RX01)		0
2	Exchange rate adjustments: gain / (loss) - <i>Refer to market Bulletin</i>		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

LLOYD'S MSU - CONSOLIDATED UK TAXATION ADVICES

SYND : MANAGING AGENT:

ACCOUNT AT 31 DECEMBER 2004

Status -

Analysis of disallowed syndicate & personal expenses

A. Syndicate expenses	
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	£ 0

B. Personal expenses	
Lloyd's charities trust	0
PTF advance for 2002 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	£ 0

Reconciliation of computations with published accounts

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

Notes for the reporting of syndicate tax data

1. All amounts should be in whole £s.
2. Schedules / CD-ROMs **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/ CD-ROM, 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 2002 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 2004

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:

Contact and telephone number:

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="padding: 2px;">Syndicate:</td> <td style="padding: 2px; text-align: center;">0</td> <td style="padding: 2px;">Year of account:</td> <td style="padding: 2px; text-align: center;">0</td> </tr> </table>	Syndicate:	0	Year of account:	0	Calendar year: 2004
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)