

CONTENTS

Filling in the Lloyd's Underwriters Pages	TLUN2
■ <i>Who should complete these Pages?</i>	TLUN2
■ <i>Structure of Pages</i>	TLUN2
Income from ancillary or personal funds at Lloyd's	TLUN2
■ UK Interest	TLUN2
● Interest from UK banks, building societies and deposit takers paid gross/net of tax	TLUN2
● National Savings	TLUN2
● Interest distributions from UK authorised unit trusts and open-ended investment companies	TLUN2
● Other income from UK savings and investments	TLUN2
● Relevant discounted securities	TLUN3
● Gilt strips	TLUN3
● Total UK interest before accrued income share	TLUN3
● Accrued income scheme and losses on relevant discounted securities	TLUN3
■ UK dividends and other distributions	TLUN4
● Total dividends/distributions plus credit	TLUN4
■ Stock dividends and foreign income dividends	TLUN4
● Stock (or scrip) dividends	TLUN4
● Foreign income dividends from UK companies	TLUN4
● Foreign income dividends/distributions from UK authorised unit trusts and OEICs	TLUN4
● Non-qualifying distributions and loans written off	TLUN5
● Total dividends plus notional income tax	TLUN5
■ Foreign source income from assets in personal funds at Lloyd's	TLUN5
● Non UK interest	TLUN5
● Dividends from overseas sources	TLUN5
● Other foreign source income	TLUN5
● Total UK and foreign tax deducted	TLUN5
● Total non-UK income before tax	TLUN5
● Total income from personal funds at Lloyd's	TLUN5
Other Lloyd's receipts	TLUN6
■ Receipts	TLUN6
● Receipts from Lloyd's Central Fund	TLUN6
● Compensation receipts	TLUN6
● Other Lloyd's non-syndicate income	TLUN6
● Aggregate tax adjusted syndicate results	TLUN6
● Syndicate foreign tax	TLUN6
● Stop loss recoveries	TLUN6
● Repayments of foreign tax previously allowed by deduction	TLUN6
● Total other Lloyd's receipts	TLUN7
● Total Lloyd's incomings	TLUN7

Outgoings and syndicate losses	TLUN7
■ Non syndicate expenditure and syndicate losses	TLUN7
● Bank guarantees/letter of credit fees	TLUN7
● Aggregate syndicate losses	TLUN7
● Lloyd's members association expenses	TLUN7
● Repayments to Central Fund	TLUN7
● Personal Quota Share premiums	TLUN7
● Interest on loans to fund underwriting	TLUN7
● Members' agent profit commission and salaries	TLUN7
● Accountancy fees	TLUN7
● Other Lloyd's expenses	TLUN8
● Total Lloyd's outgoings	TLUN8
Lloyd's foreign tax	TLUN8
● Foreign tax on personal fund income	TLUN8
● US federal income tax	TLUN8
● Canadian federal income tax	TLUN8
● Syndicate foreign tax	TLUN8
● Additional payments for foreign tax	TLUN8
● Refunds of foreign tax for which tax credit relief was given	TLUN8
Summary of net trading profits/allowable losses	TLUN9
■ 1997-98 Loss	TLUN9
■ 1997-98 Profit	TLUN9
Other information	TLUN9
■ Personal stop loss (PSL)	TLUN9
● Stop loss insurance	TLUN9
● Stop loss recoveries	TLUN9
● Late notified stop loss recoveries	TLUN9
● Stop loss repayments	TLUN10
● Failed stop loss insurers	TLUN10
■ Foreign tax	TLUN10
● Refunds of US tax	TLUN11
■ Cessation	TLUN11
■ New style Special Reserve Funds (NSRF)	TLUN11
● Withdrawals from NSRF on cessation	TLUN11
■ Losses	TLUN11
● Cessation	TLUN12
● Loss reliefs on cessation	TLUN12
● Post-cessation income and expenses	TLUN13
■ Death	TLUN13
● Cessation	TLUN13
● Deaths from 6 April 1993 to 5 April 1994 (FA 93 rules)	TLUN13
● Deaths on or after 6 April 1994 (FA 94 rules)	TLUN13
● Estate Protections Plans (EEP)	TLUN13

TRUST AND ESTATE LLOYD'S UNDERWRITERS

Completing the Trust and Estate Lloyd's Pages

To complete the Trust and Estate Lloyd's Pages of the 1997-98 Trust and Estate Tax Return, you will need form CTA 1(1994) (syndicate results for the 1994 account) and form CTA 2(1997) (the non-syndicate MSU Taxation Advice for 1997-98).

These Pages ask for details of the income, expenditure and losses connected with membership of Lloyd's that together make up the trading profits or losses of 1997-98.

Capital gains

Capital gains arising on disposal of syndicate capacity and sale of assets in personal funds do not form part of the Lloyd's trading profits so are not asked for in the Trust and Estate Lloyd's Pages. Gains arising from sales in the 1997 Capacity Auction should be included on the Trust and Estate Capital Gains Pages, following the general guidance notes that go with those Pages.

Who should complete these Pages?

You should fill in these pages if you are the personal representative of a deceased member of Lloyd's (or Name), if the member died on or after 6 April 1994. If the Name died before this date, you should complete Form 1(deceased)(1998) instead - contact Leeds Underwriters Unit (LUU) if you have not received a copy.

No deposit

If, for whatever reason, there is no deposit to repay, please contact LUU for advice on whether you need to complete the Trust and Estate Lloyd's Pages.

Structure of Pages

The Trust and Estate Lloyd's Pages are divided into a number of parts.

Income from ancillary or personal funds at Lloyd's

This asks for details of income from the various assets that are held in personal (or ancillary) funds at Lloyd's. These include the deposit at Lloyd's and any other fund required or authorised by the rules of Lloyd's, or required by the members' agent but do not include syndicate Premiums Trust Funds and New Style Special Reserve Funds.

Other Lloyd's receipts

This covers income, other than personal fund income, that arises to the estate from membership of Lloyd's, including aggregate syndicate profits.

Outgoings and syndicate losses

This asks for details of Lloyd's expenditure paid out personally, excluding any recharged through syndicates (such as annual contributions aggregate to the Central Fund) and syndicate losses.

Lloyd's foreign tax

This asks for details of all the foreign tax paid on Lloyd's income for which double taxation relief may be due.

Summary of net trading profits/allowable losses

This section brings together the elements that make up trading profits/losses from membership of Lloyd's to work out the taxable profit or allowable loss from this source for 1997-98.

Income from ancillary or personal funds at Lloyd's

As a result of changes in the 1993 Finance Act, income from personal funds at Lloyd's forms part of the trading profits from membership of Lloyd's. It should be entered on the Trust and Estate Lloyd's Pages and not included anywhere else in the Trust and Estate Tax Return.

In general, the income is included in Lloyd's profits of the tax year corresponding¹ with the calendar year it is received. So the income from funds at Lloyd's received in 1997 is included in the Lloyd's profits for 1997-98.

The information asked for in this part of the Trust and Estate Lloyd's Underwriters Pages relates only to income arising on assets held as part of personal funds at Lloyd's. Please note that income from the Lloyd's Deposit and Reserve income is **not** included on the MSU non-syndicate taxation advice. Income arising on estate assets that are not part of funds at Lloyd's should be shown on the pages of the Trust and Estate Tax Return that deal with the type of income concerned.

UK interest

boxes 1L.1 to 1L.5

- Interest from UK banks, building societies and deposit takers paid gross/net of tax

- National Savings

This can be paid before tax has been deducted, 'gross', or with tax deducted, 'net'. The bank, building society, deposit taker or members' agent can give you a detailed statement. If the interest was paid gross, you do not need to complete the 'net income' and 'UK tax credit/deduction' columns.

Include the totals for the year ended 31 December 1997 in boxes 1L.1 to 1L.5.

boxes 1L.6 to 1L.10

- Interest distributions from UK authorised unit trusts and open-ended investment companies

- Other income from UK savings and investments

This includes interest distributions from companies and UK authorised unit trusts and OEICs, interest on government stocks (gilts), interest on other loan stocks and loans to companies. The information needed to complete the boxes should be shown on the tax vouchers - ask the unit trust manager, company or your members' agent if you do not have any.

Enter the totals for the year ended 31 December 1997 in boxes 1L.6 to 1L.11.

Do not enter here any amount shown on your tax voucher as 'equalisation'. This amount, if shown, is not subject to tax. In calculating capital gains, the amount of equalisation is a repayment of capital paid to you and should be deducted from the cost of the units or shares purchased during the year.

Do not include dividend distributions, foreign income dividend distributions or annual payments from UK trusts in these boxes. Dividends and foreign income dividend distributions should be shown in boxes 1L.26 to 1L.37.

¹ A tax year corresponds with the calendar year which ends in it, that is, tax year 1997-98 corresponds with the calendar (or underwriting) year 1997.

TRUST AND ESTATE LLOYD'S UNDERWRITERS

Non residents and FOTRA securities

There is no exemption from tax on the interest arising on FOTRA (free of tax to residents abroad) gilts that are held as part of a non-resident Name's personal funds at Lloyd's. This is because the income arising on gilts is included in the trading results.

- Relevant discounted securities

box 1L.11 From 6 April 1996, relevant discounted securities replace those types of securities previously termed deep discount bonds and deep gain securities. Broadly these are securities where the investor's return is mainly made up of a discount or premium payable on redemption of the bond rather than by interest payable over the life of the bond. The discount or premium must be capable of being more than:

- 15% of the redemption price, or, if smaller
- 1/2% of the redemption price for each year of the bond's life (for example, in the case of a ten year bond any discount of 5% or more would mean that it is a relevant discounted bond).

A security with an uncertain yield (for example, linked to the Retail Prices Index) will normally be a relevant discounted security. A security linked to the value of assets which would be chargeable assets under the Capital Gains Tax rules (for example, a security whose yield is linked to the FTSE index) will not normally be a relevant discounted security. If you hold a relevant discounted security you will generally be chargeable to tax only when you dispose of the security in any way or it is redeemed. At that time, the difference between the amount you paid for the security and the amount you received when you sold or redeemed it will be included in the Lloyd's trading results. Income Tax is not deducted from the payment, so the gross amount received between 6 April and 31 December 1997 should be included in box 1L.11 with nothing included in box 1L.10.

Losses on disposal of relevant discounted securities

Should the actual disposal of any relevant discounted security result in a loss, that loss should be included in box 1L.15 along with any negative Accrued Income Scheme amounts.

Gilt strips

If any of the funds at Lloyd's have been invested in gilt strips, please consult your Tax Office or LUU for advice on how this may affect your Return.

Building society mergers and conversions

If any of the funds at Lloyd's are held in a building society that has been involved in a merger, conversion into a limited company or take-over by a limited company, you or Lloyd's as trustee may have received cash and/or shares, and there may be a liability to either Income Tax or Capital Gains Tax. The building society may be able to tell you whether there is any tax liability. If not, you should ask your Tax Office or tax adviser.

Cash payments

Payments which are liable to Capital Gains Tax² should be added to other chargeable gains for the year. If the total gains exceed £6,500, or the total proceeds exceed £13,000, fill in the Trust and Estate Capital Gains Pages available from the Orderline.

To the extent that cash payments relate to deposits held as part of funds at Lloyd's, those payments that are liable to Income Tax³ should be included in boxes 1L.2 to 1L.4.

² Cash payments liable to Capital Gains Tax are generally those received following take-over of a building society, or conversion to a limited company.

Shares

If you (or Lloyd's as trustee) have received shares following a building society take-over or conversion, you may need to supply details when you dispose of the shares. Ask your Tax Office for details.

- Total UK interest before accrued income share

boxes 1L.12 and 1L.13 Add the figures in boxes 1L.3, 1L.7 and 1L.10 and put the result in box 1L.12.

Add the figures in boxes 1L.1, 1L.4, 1L.5, 1L.8 and 1L.11 and put the result in box 1L.13.

- Accrued Income Scheme and losses on relevant discounted securities

boxes 1L.14 to 1L.16**Nominal value less than £5,000**

Under the Accrued Income Scheme, no charge arises and no allowance is due for 1997-98 if the total nominal value of all accrued income securities held at any time in 1997-98 or 1996-97 did not exceed £5,000. If the **aggregate** of the nominal values of all such securities held **both** as part of personal and premiums trust funds at Lloyd's and as part of non-Lloyd's investments, is less than £5,000 in the relevant periods, then no charge arises and no allowance is due and no entry is needed in box 1L.16 of the Trust and Estate Lloyd's Pages.

'Accrued income securities' includes all interest bearing securities, including shares in a building society, but does not include shares in a company, national savings certificates and war certificates.

For purchases and sales of such securities, held as part of personal funds at Lloyd's, include in the Trust and Estate Lloyd's Pages the amount that would be computed, either as an allowance or a charge, for those securities under the rules of the Accrued Income Scheme for the appropriate period. This period is the calendar year to 31 December 1997.

Non UK residents

Please note that although the *computational* rules of the Accrued Income Scheme are used to work out the amounts of income or expense that arise when you purchase or sell such securities, the resulting amount is included in trading results for resident and non-resident Names alike - the only exceptions for non-residents are for non-UK securities and FOTRAS.

Calculation of allowance or charge

If, following purchase or sale of such a security between 6 April and 31 December 1997, the next payment of interest following the date of transfer of that security would fall between 1 January and 31 December 1997 inclusive, a charge would arise if that security was purchased ex-dividend or sold cum-dividend. In these circumstances your entry should be in box 1L.14 (positive). If that security was purchased cum-dividend or sold ex-dividend, then an allowance would be due, and the entry should be in box 1L.15 (negative).

If such securities are held **both** as part of personal funds at Lloyd's **and** as part of non-Lloyd's investments, you need not take into account the amount entered in boxes 1L.14 and 1L.15 in returning the charge or allowance for 1997-98 on the main part of the Trust and Estate Tax Return.

³ Cash payments liable to Income Tax are generally those received following a building society merger.

TRUST AND ESTATE LLOYD'S UNDERWRITERS

■ UK dividends and other distributions

boxes 1L.18 to 1L.25 The Trust and Estate Lloyd's Pages ask only for the total figures. Add up all the dividends from UK companies whose shares are held as part of personal funds at Lloyd's. Remember to include dividends received in calendar year 1997. The figures can be found on the vouchers sent by companies and UK authorised unit trusts. Do not send the vouchers with the Tax Return but do keep them and other records of the dividends and distributions received in the year in case they are asked for later.

Dividends

The dividend voucher shows the amount of the dividend and the tax credit. Add these together to work out the 'dividend/distribution plus tax credit'.

If there is no tax due from the estate, we will pay you the tax credit.

If tax is due from the estate, the tax credit is regarded as tax already paid by the estate, and is set against the tax bill.

Do not include foreign income dividends or stock dividends here - enter these in boxes 1L.26 to 1L.34.

Other qualifying distributions

A company makes a distribution when it passes value to a shareholder, for example:

- by selling an asset to a shareholder at less than market value, or
- by paying interest at more than a commercial rate on a loan from a shareholder.

Non-qualifying distributions are defined on page TLUN5 and should be included in the totals in boxes 1L.35 to 1L.37. Other distributions are 'qualifying'.

Qualifying distributions carry a tax credit.

If there is no tax due from the estate, we will pay you the tax credit

If tax is due from the estate, the tax credit is regarded as tax already paid by the estate, and is set against the tax bill.

Include the amounts in the totals in boxes 1L.18 to 1L.20. Please give details in the 'Additional information' box on Page TLU3 explaining the circumstances in which the distribution arose.

Dividend distribution from UK authorised unit trusts and OEICs

Your dividend voucher shows the amount of the dividend and tax credit. Add these together to work out the 'dividend/distribution plus tax credit'.

If you do not have a dividend voucher, ask the unit trust manager or open-ended investment company manager or members agent for one.

If you have accumulation units or shares the dividend is automatically reinvested in the unit trust or open-ended investment company. You must still show the amount of the dividend, tax credit and dividend/distribution plus tax credit.

Do not enter here any amount shown on the dividend voucher as 'equalisation'. This amount, if shown, is not subject to tax. In calculating capital gains the amount of equalisation is a repayment to you of the capital paid and should be deducted from the cost of the units or shares purchased during the year.

● Total dividends/distributions plus credit

boxes 1L.24 and 1L.25 Add the figures in boxes 1L.19 and 1L.22 and enter the result in box 1L.24.

Add the figures in boxes 1L.20 and 1L.23 and enter the result in box 1L.25.

■ Stock dividends and foreign income dividends

Foreign income dividends and stock dividends

The details of stock dividends and foreign income dividends have to be shown separately because the notional Income Tax attached to them cannot be repaid to you, even if no tax is due from the estate. If the estate pays tax at either the lower rate or the basic rate, the notional tax is regarded as tax already paid and is set against the estate's tax bill.

Self calculation

You must not use the Tax Calculation Guide included with the Tax Return if there is any personal fund income with notional tax credits (that is, there is an entry at box 1L.39 of the Trust and Estate Lloyd's Pages). This is because that Guide applies only where income with notional tax credits is 'savings income' on which tax is due at the reduced rate of 20%. But income from personal funds at Lloyd's is included in trading profits, and the 20% rate does not apply: you should ask LUU for advice in such circumstances.

● Stock (or scrip) dividends

boxes 1L.26 to 1L.28 If you took up an offer of shares in place of a cash dividend in 1997, this is a 'stock' or 'scrip' dividend. Your dividend voucher should have 'the appropriate amount in cash' on it - this is the amount you should enter in the dividend box. If the company did not give you this information, please ask LUU for advice.

Stock dividends and foreign income dividend distributions should be included in boxes 1L.26 to 1L.31.

● Foreign income dividends from UK companies

boxes 1L.29 to 1L.31 Foreign income dividends are dividends paid by a company under the foreign income dividend scheme.

The dividend voucher should have the dividend and notional tax credit on it.

Remember to include dividends received in calendar year 1997.

● Foreign income dividends/distributions from UK authorised unit trusts and OEICs

boxes 1L.32 to 1L.34 The dividend voucher should have the dividend and the income tax treated as paid on it.

If you do not have a dividend voucher, ask your unit trust manager for one.

For accumulation units the dividend is automatically reinvested in the unit trust or open-ended investment company. You must still show the amount of the dividend and notional tax.

Do not enter here any amount shown on the dividend voucher as 'equalisation'. This amount if shown is not subject to tax. In calculating capital gains the amount of equalisation is a repayment to you of capital paid and should be deducted from the cost of the unit purchased during the year.

Remember to include dividends received in calendar year 1997.

TRUST AND ESTATE LLOYD'S UNDERWRITERS

● Non-qualifying distributions and loans written off

boxes 1L.35 to 1L.37

Non-qualifying distributions

A non-qualifying distribution is:

- a bonus issue by a company of securities or redeemable shares (except a bonus issue giving rise to a non-qualifying distribution), or
- the paying on of such a bonus issue by a company which has itself received it.

If such a bonus issue of securities or redeemable shares is received, the amount of the distribution is:

- for redeemable shares, their nominal value plus any premium paid
- for securities, the amount of the principal secured plus any premiums payable

minus any new consideration given for that issue.

If the estate pays tax, an amount of lower rate tax is treated as already paid by the estate and is set against the estate's tax bill.

Include the amount of the distribution received in calendar year 1997 in box 1L.37. Divide that amount by 5 to arrive at the lower rate tax which is treated as paid and enter that amount in box 1L.36. Do not include any amount for this type of distribution in box 1L.35.

● Total dividends plus notional income tax

boxes 1L.38 and 1L.39 Add the figures in boxes 1L.27, 1L.30, 1L.33, and 1L.36 and enter the result in box 1L.38.

Add the figures in boxes 1L.28, 1L.31, 1L.34 and 1L.37 and enter the result in box 1L.39.

Gains on life assurance policies, life annuities and capital redemption policies

These types of policies may be held as part of funds at Lloyd's but the tax treatment of any gain on these policies depends on how the policy is used to back underwriting. If the life company has provided a guarantee to Lloyd's secured on the life policy, the gains do not form part of your Lloyd's trading income. If, however, the Trust Deed governing your Lloyd's deposit includes the policy itself, the proceeds are part of trading profits from membership of Lloyd's. Enter the amount received in 1997 in box 1L.58 and do not include it in the chargeable event gains section of the Tax Return.

Note: where such gains are included in trading profits they are not treated as being paid under deduction of tax and Top Slicing Relief is not available.

■ Foreign source income from assets in personal funds at Lloyd's

boxes 1L.40 to 1L.54 Include here any interest or other income received in 1997 from non-UK assets in personal funds at Lloyd's. Depending on the nature of the income, it may be paid without foreign tax being withheld (gross), or after foreign tax has been withheld (net). Fill in all the relevant boxes if foreign and/or UK tax has been withheld or deducted from the income. If you are claiming relief for foreign tax by way of credit against UK tax on Lloyd's income, please read the section on 'Foreign tax' on page TLUN10 on how to complete the Trust and Estate Foreign Pages.

● Non UK interest

boxes 1L.40 to 1L.43 In these boxes enter the amount of interest received in 1997 from foreign bank accounts or loans to other organisations outside the UK. If the payer has deducted foreign withholding tax and accounted for that tax to the overseas authority on the estate's behalf, this will normally be shown on a certificate of tax paid.

Enter in box 1L.43 the total of the amounts shown at boxes 1L.40 to 1L.42.

● Dividends from overseas sources

boxes 1L.44 to 1L.47 Do not include, for example, distributions in the course of liquidation, return of capital, stock dividend or bonus shares on scrip issues. The information needed to complete these boxes will be shown either on the dividend voucher, or, if the dividends are paid through a paying agent in the UK, on the certificate of deduction of tax which the agent or banker provides.

Enter in box 1L.47 the total of the amounts shown at boxes 1L.44 to 1L.46.

● Other foreign source income

boxes 1L.48 to 1L.51 Enter in these boxes any income received in 1997 from other investments or other income from assets that form part of personal funds at Lloyd's.

● Total UK and foreign tax deducted

boxes 1L.52 and 1L.53 Add the figures in boxes 1L.41, 1L.45, and 1L.49 and put the total in box 1L.52. Copy this amount to box 1L.73 in the foreign tax section.

Add the figures in boxes 1L.42, 1L.46, and 1L.50 and put the total in box 1L.53.

● Total non-UK income before tax

box 1L.54 Add the figures in boxes 1L.43, 1L.47, and 1L.51 and put the total in box 1L.54.

● Total income from personal funds at Lloyd's

box 1L.55 Use the Working Sheet below to add up figures in boxes 1L.17, 1L.25, 1L.39 and 1L.54. Copy the total to box 1L.55.

Remember, for 1997-98, the income to return is that received in the calendar year to 31 December 1997.

Working Sheet

Total UK interest	1L.17 £
+	
total dividend/distribution plus tax credit	1L.25 £
+	
total dividends plus notional tax	1L.39 £
+	
total non-UK income before tax	1L.54 £
=	
total income from personal funds at Lloyd's	1L.55 £

TRUST AND ESTATE LLOYD'S UNDERWRITERS

Other Lloyd's receipts

Non syndicate income is, in general, included in Lloyd's profits or losses for the tax year that corresponds with the calendar year in which it is received. Thus the 1997-98 Lloyd's taxable profit includes non syndicate income received in calendar year 1997. In boxes 1L.56 to 1L.58 enter any other income received personally during 1997 as a result of membership of Lloyd's, irrespective of the Lloyd's account that gave rise to the income. Include here details of any compensation received as a result of any legal action arising out of membership of Lloyd's (other than recoveries under stop loss policies - see the section 'Personal Stop Loss' on page TLUN9).

Boxes 1L.58A to 1L.58D ask for details of income arising directly from participation in syndicates that declared results in 1997 and associated syndicate foreign tax. Under the declaration year basis, the syndicate results covered by these Pages are the syndicate results for Account 1994 and run offs to 31 December 1996.

Receipts

- Receipts from Lloyd's Central Fund

Lloyd's Central Fund has been treated like a trade protection association (TPA) for tax purposes. Members are taxed on drawdowns (payments to them from the Central Fund) and are allowed a deduction for repayments to the Central Fund.

box 1L.56 Enter here any sums received from Lloyd's Central Fund in the year to 31 December 1997. This information can be found on the CTA 2(1997) non-syndicate MSU taxation advices, described as 'Central Funds drawdowns'.

Should you choose not to be taxed under the TPA type arrangements outlined above, there will be no tax charge on the drawdowns, but there will be no deduction for the repayments to Central Fund (including Settlement credits used to repay Central Fund indebtedness), unless the drawdowns repaid have, under the TPA arrangement, been included in the Lloyd's trading profit or loss for any year up to and including 1996-97.

Refunds of Special Contributions

Include any refunds received in 1997 in box 1L.58 with details in the 'Additional information' box on Page TLU3.

Hardship agreements

The treatment of Central Fund payments described above applies in general to payments made under hardship agreements. All payments under hardship agreements that should be included in Lloyd's trading profits for 1997-98 are shown on the CTA 2(1997) non-syndicate MSU taxable advice, described as 'Central Fund drawdowns'.

- Compensation receipts

box 1L.57 Compensation arising from membership of Lloyd's is trading income of the tax year corresponding to the calendar year in which it was received: for example, compensation payments received in 1997 are taxable income of 1997-98. Compensation covers amounts awarded as damages as a result of Court action, recoveries of legal costs arising from litigation in connection with membership of Lloyd's and any sums paid in out of Court settlements.

Outhwaite and Warrilow compensation

Although compensation was actually paid over to Names after 5 April 1993, the award pre-dated FA93 and the pre-FA93 rules were applied to determine when the amounts were taxable. Please contact LUU if you need to confirm for which year such compensation is taxable.

- Other Lloyd's non-syndicate income

box 1L.58 Enter here the total of any other Lloyd's non-syndicate income not already shown in boxes 1L.56 and 1L.57. Describe the amounts shown in the 'Additional information' box on page TLU3.

Late notified stop loss recoveries

If you have received any stop loss recoveries for Account 1992 and run offs to 31 December 1994 or prior years and have not yet notified LUU that they are due, please include the amounts received in 'other income' (box 1L.58) and give details of the years, recoveries and losses involved in the 'Additional information' box on Page TLU3.

- Aggregate tax adjusted syndicate results

boxes 1L.58A and 1L.63 If the entry at line 14 of CTA 1(1994) (described as total Case I profit or loss) is:

- profit:** - enter the amount shown in box 1L.58A and '0' in box 1L.63
- loss:** - enter '0' in box 1L.58A and enter the amount shown on the CTA 1 in box 1L.63.

For years up to and including 1993-94, syndicate profits or losses were taxable by reference to the year in which the business was written, for example, Account 1993 results were taxable 1993-94 (arising basis). Changes in FA 1994 mean that as from the 1994 Account, syndicate results are taxable by reference to the year the results are declared, for example, Account 1994 results are taxable in 1997-98 (declaration year basis). As part of the move from the arising basis to the declaration year basis, no syndicate results were taxable in 1994-95 through to 1996-97, although non-syndicate income and expenses and Personal Fund income were assessable in those years.

- Syndicate foreign tax

box 1L.58B Enter the amount of syndicate foreign tax (shown at line 26 on CTA 1(1994)) in box 1L.58B. Copy this figure to box 1L.76.

- Stop loss recoveries

box 1L.58D Enter at box 1L.58D the total of all personal stop loss (PSL) recoveries due for losses of Account 1994 and run offs to 31 December 1996.

- Repayments of foreign tax previously allowed by deduction

box 1L.58E Include here the sterling value of any repayments of foreign tax received in 1997 for which relief has been allowed in an earlier year by deduction from Lloyd's profits or losses. For US and Canadian federal tax this is shown at lines 27 and 31 of CTA 1(1994). The exchange rate to use is the same rate that was used to calculate the amount of double taxation relief given for the foreign tax in the earlier year. This may result in a different sterling amount from that actually received in the later year.

For foreign tax repayments where relief was given as tax credit relief, see the notes for box 1L.79 on page TLUN 8.

TRUST AND ESTATE LLOYD'S UNDERWRITERS

- Total other Lloyd's receipts

box 1L.59 Add the figures in boxes 1L.56, 1L.57, 1L.58, 1L.58A, 1L.58B, 1L.58D and 1L.58E and put the total in box 1L.59.

- Total Lloyd's incomings

box 1L.60 Add the figures in boxes 1L.55 and 1L.59 and put the total in box 1L.60.

Outgoings and syndicate losses

■ Non-syndicate expenditure and syndicate losses

Non-syndicate expenditure is, in general, included in Lloyd's profits or losses for the tax year that corresponds with the calendar year in which it is paid. Thus the 1997-98 Lloyd's taxable profit includes non syndicate expenditure paid in calendar year 1997. Please note that personal expenses met on a Name's behalf by syndicate managing agents (such as annual contributions to the Central Fund) are treated as syndicate expenses for tax purposes. The tax adjusted syndicate results have already taken into account this type of expenditure and it should not be shown separately here.

- Bank guarantees/letter of credit fees

box 1L.62 Enter in box 1L.62 the amount of annual renewal fees paid in 1997.

The initial cost of setting up these arrangements is not allowed as a trading deduction, because it is a capital expense, regardless of the underwriting account to which the deposit relates.

- Aggregate syndicate losses

box 1L.63 If the amount shown as total Case I profit or loss at line 14 of CTA 1(1994) is a loss enter it at box 1L.63. If it is a profit, enter it at box 1L.58A and '0' in box 1L.63. Under the declaration year basis that applies for Account 1994 and later years, the results included in these Pages are those declared in 1997, syndicate results for Account 1994 and run off results to 31 December 1996.

- Lloyd's members association expenses

box 1L.64 Subscriptions to certain associations of Lloyd's members, such as the Association of Lloyd's Members, are allowed as deductions. LUU or the organiser of any association to which the estate belongs can tell you to what extent, if any, subscriptions and related expenses are allowable.

Enter in box 1L.64 amounts paid in 1997.

- Repayments to Central Fund

Please read the section on page TLUN6 about 'Receipts from Central Fund' (box 1L.56) in conjunction with this paragraph. To the extent that Central Fund drawdowns have been included in Lloyd's profit or loss for earlier years you may, under the TPA type arrangements described in the earlier paragraph, claim a deduction for any subsequent repayments made to the Central Fund.

box 1L.65 Enter repayments in box 1L.65 (amounts paid in 1997 as shown on your CTA 2(1997)).

Levies and subscriptions (annual and Special) paid to the Central Fund are met on behalf of a Name by syndicate managing agents and for tax purposes are allowed as an expense against syndicate profits. Do not enter them here.

- Personal Quota Share premiums

box 1L.66 Provided the quota share⁴ contract is in accordance with the rules and practices of Lloyd's, any sum paid in the relevant period is an allowable expense.

Enter in box 1L.66 amounts paid in 1997.

- Interest on loans to fund underwriting

box 1L.68 If loans have been taken out to fund underwriting losses, Lloyd's deposits and reserves, stop loss premiums or other Lloyd's personal expenses, any interest arising on the loans will in general be an allowable expense so long as the estate receives taxable income from membership of Lloyd's. The same is true for interest on loans used to meet Finality bills.

Enter at box 1L.68 the amounts paid in 1997.

If you have an interest certificate from the lender for interest paid on loans to fund underwriting losses etc., please retain it in case it is asked for at a later date.

Interest on **unfunded** losses that is recharged to the Name by syndicate managing agents is allowed as a deduction from syndicate results and should not be shown on these Pages.

- Members' agent profit commission and salaries

box 1L.69 Profit commissions are charged and paid at the distribution date following the close of an account. For instance any profit commission for the 1994 Account (as shown at line 8 of the CTA 2(1997)) will have been paid in June 1997 and should be entered at box 1L.69 as an allowable deduction against 1997-98 Lloyd's profits.

Managing agents' salaries relating to an account are dealt with as part of syndicate results so should not be entered separately in these Pages.

- Accountancy fees

box 1L.70 Any fee paid for work done in relation to working out taxable Lloyd's profits is an allowable deduction but any fee for other work, such as Inheritance Tax planning or in relation to other business interests, cannot be claimed as a deduction from Lloyd's profits.

Enter amounts paid in 1997 at box 1L.70, irrespective of the year of Account to which the fees relate.

Scale fee deduction

The last year for which deductions for accountancy fees were allowed by reference to a scale fee was 1993-94.

⁴ A quota share contract is where you make arrangements for another person to take over some or all of your rights or liabilities for any syndicate of which you are a member. This contract may be part of a scheme to convert from underwriting as an individual to participating by way of owning shares in corporate Name - in which case the Conversion Prospectus should show you any amounts that are payable under a quota share contract as part of the scheme.

TRUST AND ESTATE LLOYD'S UNDERWRITERS

● Other Lloyd's expenses

box 1L.71 Enter here the total of any additional items of non-syndicate expenses not claimed in boxes 1L.61 to 1L.70. Include any stop loss premiums paid by the deceased in the calendar year and which have not been refunded by the insurers. Describe the amounts claimed in the 'Additional information' box on Page TLU3.

'Exempt Amounts'

This applies **only** to not ordinarily resident, non domiciled Names. For these Names gains or losses on certain types of gilts (FOTRAs) held in syndicate premiums trust funds are not within the charge to UK tax. The gains or losses are shown on the CTA 1(1994) at line 20 as 'income exempt to non UK resident/non UK domicile'. Positive amounts are allowable deductions and should be entered in box 1L.71 as 'other expenses'. Negative amounts should be added to profits for the year by entering them in box 1L.58. Please also include details in the 'Additional information' box on Page TLU3.

Litigation expenses

Litigation expenses that relate to legal action connected with or arising from membership of Lloyd's are allowable deductions. For amounts paid in 1997, enter at box 1L.71 (other expenses).

Refunds of litigation expenses received in 1997 as part of the Reconstruction and Renewal Settlement should be included in box 1L.58 with a description of the amounts in the 'Additional information' box on Page TLU3.

● Total Lloyd's outgoings

box 1L.72 Enter the total of boxes 1L.61 to 1L.71 in box 1L.72.

Lloyd's foreign tax

This section brings together all the foreign tax details to work out the pool of Lloyd's foreign tax for 1997-98.

● Foreign tax on personal fund income

box 1L.73 Copy the total amount (if any) of foreign tax on personal fund income from box 1L.52.

● US federal income tax

box 1L.74 Enter the total amount of US federal tax shown in sterling at line 27 on the CTA 2(1997).

● Canadian federal income tax

box 1L.75 Enter the total amount of Canadian federal tax shown in sterling at line 31 on the CTA 2(1997).

● Syndicate foreign tax

box 1L.76 Copy the amount of syndicate foreign tax from box 1L.58B.

● Additional payments of foreign tax

box 1L.77 In some circumstances, there may have been additional payments of foreign tax that relate to an earlier tax year, for instance, tax arising from any audit adjustments to an earlier years overseas return of Lloyd's profits. Enter any such amounts paid in 1997 in box 1L.77.

● Refunds of foreign tax for which tax credit relief was given

box 1L.79 The estate may have received refunds of foreign tax in 1997: for instance, from the carry back in the US of losses against profits of earlier years (Net Operating Losses or NOLs) which are shown at lines 28, 29 and 30 on your CTA 1(1994). The treatment of these foreign tax refunds depends on how relief was originally given for the foreign tax now being refunded.

Tax credit relief

For refunds of foreign tax where relief was given against UK tax on earlier years Lloyd's profits, the refund is treated as additional tax chargeable on Lloyd's profits of the tax year corresponding to the calendar year of receipt. Enter any amounts received in 1997 in box 1L.79. The exchange rate to use is the same rate that was used to calculate the amount of tax credit relief given for the foreign tax in the earlier year, which may differ from the sterling amount actually received in the later year. Where the refunds are of US tax, the amount is shown in sterling at the correct exchange rate on the CTA 1(1994).

If you are calculating the tax for 1997-98, copy the figure in box 1L.79 to box T45 in the Working Sheet in the Trust and Estate Tax Calculation Guide, and include this amount in box 15.2 on page 6 of the Tax Return.

Relief by deduction

Where relief was originally given by deduction from Lloyd's profits or losses, any refunds are added to the Lloyd's income of the year of receipt. Enter at box 1L.58E any such refunds received in 1997. No entry is needed at box 1L.79.

Relief against UK tax on Lloyd's profits

For Lloyd's foreign tax, a pooling system operates whereby profits from membership of Lloyd's are regarded as a single item of foreign income and all foreign tax paid on that income is treated as foreign tax on that single item of foreign income.

UK resident underwriters: if your net result is a loss, foreign tax paid should be claimed as a deduction.

If the net result for a year is a profit and the amount of tax on your Lloyd's results for that year exceeds the amount of foreign tax you have paid, you may choose **either**:

- to claim relief by deduction for the foreign tax paid, **or**
- to claim tax credit relief for the foreign tax paid on Lloyd's income

(but not part by deduction and part by tax credit relief).

If the net result for a year is a profit **but** the amount of tax on Lloyd's results for that year is less than the amount of foreign tax paid, foreign tax paid may be deducted or you may claim tax credit relief but not part by deduction and part by relief. If you choose to claim tax credit relief, to the extent the foreign tax exceeds the UK tax on Lloyd's income, any relief for foreign tax will be lost.

Non-resident underwriters: you may claim relief for foreign tax only by deduction from Lloyd's trading result (as explained below) unless you are resident of the Isle of Man and Channel Islands (for whom there are special rules allowing tax credit relief to be claimed against UK tax in much the same way as for UK residents. Please contact FICO (International) at Bootle for assistance).

Relief by deduction

Where relief for foreign tax is claimed by deduction, the amount of foreign tax paid on Lloyd's income is claimed as a deduction either to reduce the profits from the same source, or to increase the Lloyd's losses. If foreign tax paid is to be deducted follow the instructions on page TLUN9.

TRUST AND ESTATE LLOYD'S UNDERWRITERS

Relief against UK tax on Lloyd's profits

UK resident underwriters: where you have a choice over claiming relief, you may find it helpful first of all to work out how much UK tax you would have available for tax credit relief. Use the figures of profits after losses brought forward (box 1L.88 *minus* box 1L.89); you do not need to apportion between foreign and UK profits. The amount of foreign tax to include is the total foreign tax box 1L.78, with no apportionment between syndicate foreign tax and foreign tax on personal fund income. Then follow the instructions for the Working Sheet in the Notes on Trust and Estate Foreign Pages available from the Orderline; LUU can help you complete them.

Where relief for foreign tax is claimed as tax credit relief, once you have entered the totals in boxes 1L.29 to 1L.31 and boxes 1L.40 to 1L.51, enter '0' in boxes 1L.83 and 1L.90 and complete the Trust and Estate Foreign Pages (available from the Orderline). But the instructions on page TFN9 of the Notes to the Trust and Estate Foreign Pages for completing Columns A, D and E at the top of Page TF3 do not apply to claiming tax credit relief for the foreign tax paid on your Lloyd's profits. See the paragraph on 'Foreign tax' on page TLUN10 in the 'Other information' section for instructions on completing the Trust and Estate Foreign Pages.

Summary of net trading profits/allowable losses

If the figure in box 1L.72 exceeds the figure in box 1L.60 enter the difference in box 1L.82 and '0' in box 1L.88 in the column headed 'Profit' and ignore the rest of the right column and all the section below about **profit**.

If the figure in box 1L.72 is less than the figure in box 1L.60 enter the difference in box 1L.88 in the column headed 'Profit' and '0' in box 1L.82 and ignore the rest of the left column and the section below about **loss**.

If you have made a loss for 1997-98, you may be able to claim tax relief for it. Please see 'Losses' in the section on 'Other Information' on page TLUN11. Do not use *Help Sheet IR227: Losses*.

Time limits Some claims for relief for 1997-98 losses have to be made by **31 January 2000**. You should ensure that your claim is made within the time limit prescribed. Late claims cannot normally be accepted.

■ 1997-98 Loss

boxes 1L.82 to 1L.87 If total Lloyd's outgoings exceed total incomings, subtract the figure in box 1L.60 from the figure in box 1L.72 and put the result in box 1L.82.

(If incomings exceed outgoings ignore boxes 1L.82 to 1L.87.)

Add the figures in boxes 1L.82 and 1L.83 and put the result in box 1L.84. This is the total loss relating to the 1997-98 tax year.

If you wish to claim relief by offsetting this loss against other income of this year, put the amount of the loss you want to claim in box 1L.85. This will be the whole or part of the figure in box 1L.84.

If you want to offset this loss against income of an earlier year enter the amount of the loss in box 1L.86. If you have already claimed to offset this loss you should still include it in box 1L.86, and provide details in the 'Additional information' box on Page TLU3.

If you wish to claim relief for your loss by carry forward against future profits fill in box 1L.87.

■ 1997-98 Profit

boxes 1L.88 to 1L.91 If the total Lloyd's incomings exceed total outgoings fill in boxes 1L.88 to 1L.91. Leave boxes 1L.82 to 1L.87 blank.

You may deduct from this amount of profit any losses sustained in the same business for 1996-97 or earlier years which you claimed to carry forward against later profits (**even though the losses may relate to years when the Name was alive**). The maximum amount you can enter in box 1L.89 is the figure in box 1L.88.

Subtract the figure in box 1L.72 from the figure in box 1L.60 and put the result in box 1L.88.

If foreign tax has been paid and you want to claim this as a deduction against profits (rather than claim tax credit relief) enter the total from box 1L.78 in box 1L.90.

Subtract the total of boxes 1L.89 and 1L.90 from box 1L.88. Put the result in box 1L.91.

Chargeable gains

Chargeable gains that arise on disposal of assets that were part of funds at Lloyd's are not included in Lloyd's trading results. For disposals in 1997-98, any capital gains arising on disposal of assets from personal funds at Lloyd's should be shown in the Trust and Estate Capital Gains Pages.

Syndicate capacity

Starting from 1995, Lloyd's have held capacity auctions at which it is possible to sell and purchase participation in Lloyd's syndicates. In general, gains on disposals of syndicate capacity are not included in Lloyd's trading results. Any gains in the 1997 auctions should be shown in the Trust and Estate Capital Gains Pages. Full details of how these gains are calculated can be found in the Lloyd's Market Bulletin 'Capacity Auctions' issued in March 1996. Please note that syndicate capacity is not regarded as goodwill so no rollover relief is available if the proceeds of sale are used to buy new trading assets.

Other information

■ Personal Stop Loss (PSL)

● Stop loss insurance

Stop Loss is a type of insurance which provides cover if the estate makes a loss of more than a specified amount in an underwriting year. If the estate makes a loss on syndicate results, a stop loss policy will pay over a certain portion of that loss, called a recovery. Recoveries are included in the Lloyd's taxable results in the year the loss arose for tax purposes.

Premiums paid for these policies are allowed as deductions by reference to the calendar year in which they are paid, regardless of the account or accounts covered by the policy for which the premium is paid.

● Stop loss recoveries

Unlike other non-syndicate income, personal stop loss recoveries are in general included as income of the tax year in which the loss that triggered the recovery arises for tax purposes: for instance, a stop loss recovery for an Account 1994 loss is taxable 1997-98 even though the estate may not receive it until 1998.

● Late notified stop loss recoveries

The exception to the general rule is where a recovery becomes payable for the loss of an earlier Account and for some reason (other than fraud or neglect), you have not told the Tax Office about it in time to include it an assessment for the year of loss. In these circumstances, the recovery is assessable in the tax year corresponding with the calendar year it was received. This will apply if the estate has received any stop loss recoveries for Account 1992 and run offs to 31 December 1994 or prior years and you have not yet notified LUU that the estate is due recoveries for them.

TRUST AND ESTATE LLOYD'S UNDERWRITERS

● Stop loss repayments

If, following the recovery, you are compensated in some other way for the loss (for instance, by an award of damages), a stop loss policy requires you to pay back some or all of the recovery. Any repayments made directly to a stop loss insurer are treated in the same way as premiums; a deduction is allowed for the year of payment. There is no adjustment made to the assessment for the year the recovery that is being repaid was assessed.

Other stop loss repayments

Some types of policy covered a number of years' losses and required the insured to repay the stop loss insurer any profits made in the two accounts after the term of the policy. Like repayments of recoveries, these payments are allowed as deductions of the tax years corresponding to the calendar year in which the payment is made, and not as deductions from the years' syndicate profits, for example, a Name has a policy covering Accounts 1992 and 1993 and receives recoveries for losses for both these years. Account 1994 is a profit, declared in June 1997 and the full amount of the profit is, under the terms of the policy, paid over to the stop loss insurer in January 1998. The recoveries under the policy are assessable in 1992-93 and 1993-94 (the years the losses arise for tax purposes), the Account 1994 profit is assessable in full in 1997-98 and the repayment to the stop loss insurer is allowed as a deduction in 1998-99.

● Failed stop loss insurers

Should a PSL insurer be unable to meet in full claims under policies, any sum not recoverable is treated for tax purposes as a bad or doubtful debt. Once you can establish that the recovery is unlikely to be paid in full, you need to make an estimate of the amount that is in doubt. For example, a PSL underwriter goes into liquidation. The liquidator issues a statement on 10 April 1997 which shows that only 40% of claims are likely to be paid. The amount you can claim as a deduction will be 60% of the amount still to be paid out under your PSL policy. The deduction is given for the year in which you can establish the debt will not be paid in full, in this case 1997-98. In common with bad debt relief for traders in general, the adjustment is made in the year the debt is established as doubtful, and not by adjusting the taxable profit or loss for the year the amount recoverable was taxed.

Doubtful recoveries from stop loss insurers NOT party to the Settlement

For PSL insurers that are not party to the Settlement, you can claim bad debt relief. For any amounts of stop loss recoveries that you establish as doubtful in 1997, please include any claims in 'Other Lloyd's expenses' at box 1L.71. In all cases, describe the amounts claimed, in the 'Additional information' box on Page TLU3.

Subsequent changes in value of expected recovery

If in a later year the amount you expect to recover from your PSL insurer decreases, you can make a further claim to bad debt relief for the reduction in the amount you expect to receive. Similarly, if the amount increases, or you receive more than the amount you expected to receive, the increase or the difference between the amount claimed as a bad debt relief and the amount received should be shown as an addition to profits in that year.

■ Foreign tax

Foreign tax is paid in connection with Lloyd's results in three ways.

1. If any personal funds are invested abroad, foreign tax may be withheld when the interest, distribution etc. is paid over - the sum asked for in box 1L.52.
2. In some dozen or so countries, tax is levied by the overseas tax authority by reference to the profits of syndicate business written by agents operating in those countries. Lloyd's meets these tax bills centrally and syndicate results are reported to Names net of this overseas tax. Because the syndicate results are reported to you net of overseas tax, it is necessary as a first step to add that overseas tax back to syndicate results to work out the full measure of profits. This is done at box 1L.58B for syndicate results for Account 1994 and run offs to 31 December 1996.
3. Returns are made to the US and Canadian tax authorities of each Name's Lloyd's business in those two countries and federal income tax is levied on the reported profits. Lloyd's deals with the returns and liabilities centrally and reports to Names annually the amount of US and Canadian taxes paid (or repaid) on their behalf. The amount to enter at boxes 1L.74 and 1L.75 is the US and Canadian federal tax paid shown on lines 27 and 31 of CTA 1(1994).

Where foreign tax has been suffered on income that is also liable to UK tax, relief for the foreign tax can be allowed either by giving credit for the amount of foreign tax paid against UK tax on the same income (for UK residents where there is sufficient UK tax due on the income) or where there is not enough UK tax due (or if the Name so chooses), relief can be given as a deduction in arriving at the net profit or loss.

Trust and Estate Foreign Pages: 1997-98

The instructions on page TFN9 of the Notes to Trust and Estate Foreign Pages for completing Columns A, D and E at the top of Page TF3 do not apply to claiming tax credit relief for the foreign tax paid on Lloyd's profits. This is because of the pooling basis that applies for Lloyd's foreign tax, which means that it is not necessary to identify separately the country in which the foreign tax is paid or branch profits in each country. Follow the instructions below instead.

Column A

Enter 'Lloyd's' instead of the name of the foreign country where the income arose.

Column D

Enter the total amount in sterling of foreign tax paid on Lloyd's income (box 1L.78). Use the exchange rate prevailing at the date the estate received the income to translate the foreign tax to sterling.

Column E

Enter the total profits from membership of Lloyd's (box 1L.91).

If you are calculating tax credit relief on the income, include the total foreign tax in box 4.9 then follow the instruction at Part B on page TFN10, bearing in mind that for tax credit relief purposes, the total profit from Lloyd's (box 1L.91) is regarded as one item of income and foreign tax paid on Lloyd's income is regarded as foreign tax on that item of income.

TRUST AND ESTATE LLOYD'S UNDERWRITERS

● Refunds of US tax

Under US tax rules, trading losses can be taken back and offset against the profits of the three preceding years. To the extent that US tax has been paid on these earlier years' profits, carrying the losses back will generate a repayment of US tax which Lloyd's reports to you on the relevant MSU Taxation Advice. For refunds shown at lines 28 to 30 on the CTA 2(1997), how you report them on this year's Trust and Estate Lloyd's Pages depends on how relief was given for the US tax when it was originally paid.

Tax credit relief

For refunds of foreign tax where relief was given against UK tax on earlier years Lloyd's profits, the refund is treated as additional tax chargeable on Lloyd's profits of the tax year corresponding to the calendar year of receipt. The exchange rate to use is the same rate that was used to calculate the amount of tax credit relief given for the foreign tax in the earlier year, which may differ from the sterling amount actually received in the later year.

Relief by deduction

Where relief was originally given by deduction from Lloyd's profits or losses, any refunds are added to the Lloyd's income of the year of receipt.

■ Cessation

Final year of assessment 1996-97: US and Canadian federal income tax

Because of the transition to the declaration year basis of assessing syndicate results and the way in which US and Canadian federal income taxes are levied on Lloyd's profits, some US and Canadian tax on Account 1993 (and run offs to 31 December 1995) results would generally be included in the Lloyd's foreign tax pool for 1997-98. For Names whose final year is 1996-97, any such amounts should instead have been included in the Lloyd's foreign tax pool of their final year, 1996-97.

Final year of assessment 1997-98: payments and refunds made after 31 December 1997

Payments of foreign tax are included in the Lloyd's foreign tax pool for 1997-98 (the final year), and relieved in the same way as the rest of that year's pool.

Refunds of foreign tax received after 31 December 1997 are treated as refunds received in the final year, 1997-98 and added to the taxable profits of the final year, or to the tax chargeable on those profits, depending on how relief was originally given for the tax now being refunded.

If the payments of foreign tax are made, or refunds of foreign tax received between 1 January 1998 and the date you send this Tax Return, please include the amounts of any payments made in box 1L.77 or of any refunds received in box 1L.79 and give details in the 'Additional information' box on Page TLU3. If the payments are made after you send this Return, you must send full details of the amounts to your Tax Office, and the self assessment can be amended accordingly.

■ New style Special Reserve Funds (NSRF)

These funds can be set up by Names under Section 175 FA 1993. Personal representatives of deceased members may not set up new style Special Reserve Funds (NSRF).

In certain circumstances, personal representatives may need to include details of NSRF transfers or withdrawals that are relevant to the 1997-98 Return. This will mainly be personal representatives of Names who died during 1997 after the 1994 Account results were declared where the Name had elected before he died to transfer part of these syndicate profits to an NSRF. As no special boxes have been provided for such transfers on these Pages, please include details of any transfers to NSRFs in box 1L.71 and of any withdrawals (other than on cessation) in box 1L.58, with an explanation of the entry in the 'Additional information' box on Page TLU3.

● Withdrawals from NSRF on cessation

For Names who have ceased, the balance of the fund is taxed as trading income of the final year that Lloyd's results are assessable on the Name personally. In general this is the tax year that ends in the calendar year the Name died, for example, the balance of an NSRF of a Name who died in September 1997 would be taxable in 1996-97, and for a Name who died in February 1998, it would be taxable in 1997-98.

You should inform the Name's Tax Office that the Name's self assessment will need to be amended to include this balance by no later than 31 January 1999 (for Names who died in 1997) or 31 January 2000 (for Names who died in 1998). For names who died in 1995 or 1996 you should inform LUU so that the Name's final assessment can be amended accordingly. Please contact LUU if you need help in estimating the value of the balance.

■ Losses

Please note that the rules for claiming relief for losses arising from membership of Lloyd's are in some ways different from loss relief for trades in general and the information given in *Help Sheet IR227*: Losses on claiming relief for trading losses to reduce the taxable profits in earlier years or following cessation does not apply to losses from membership of Lloyd's.

Time limits Remember to make claims within the time limits shown below for losses in early years of trade and terminal loss relief and in *Help Sheet: IR227* for other loss relief claims. For 1997-98 and onwards, there are NO extensions to time limits for members of Lloyd's. Late claims cannot normally be accepted.

Losses in early years of trade

There are special reliefs for losses that arise in the first four years of a business. The general rule is that the losses arising in the tax year in which the business commences and the three succeeding tax years are available for relief. Because of the corresponding year concept that applies to taxing income from membership of Lloyd's, the first year of assessment of Lloyd's trade is the tax year corresponding with the underwriting year in which the Name first participated on syndicates.

For instance, if you commenced underwriting 1 January 1994, your first year of assessment is 1994-95, and these early years of trade loss relief provisions can apply to losses for 1994-95 through to 1996-97 (non-syndicate income and expenditure of year ended 31 December 1994, 1995 and 1996 respectively) and 1997-98 (Account 94 results and non-syndicate income and expenses of the year to 31 December 1997). The loss for any of these years can be carried back for relief against other income of the three years of assessment running up to the year of loss, taking income of an earlier year before income of a later year.

TRUST AND ESTATE LLOYD'S UNDERWRITERS

Time limit The time limit for making claims for this relief for losses arising in 1994-95 and 1995-96 expired on 5 April 1998. You have until 31 January 1999 to claim relief for losses arising in 1996-97 and the time limit for losses of 1997-98 is 31 January 2000.

For losses arising in 1997-98, you can claim loss relief by filling in the appropriate boxes on the Trust and Estate Tax Return. For deductions from income of this year, use box 1L.85. If you are claiming any deduction from capital gains for 1997-98 complete box 5.5 on the Trust and Estate Capital Gains Pages.

If you are claiming a deduction from income or capital gains for earlier years, complete box 1L.86.

If you are carrying the loss forward against future profits from membership of Lloyd's, complete box 1L.87.

● Cessation

The rules for when trade as a member of Lloyd's ceases were changed substantially in the 1993 and 1994 Finance Acts. The basic rule now is that the final year of assessment for profits from membership of Lloyd's is the tax year corresponding with the calendar year in which the deposit is repaid, but please see the following section for further information on cessation for deceased Names.

If, for whatever reason, there is no deposit to be repaid, Regulations provide that the final year of assessment is the tax year corresponding with the final calendar year in which you had syndicate results declared.

The date of resignation is not relevant in determining cessation for tax purposes, for example, a Name resigns 31 December 1990 but some of his syndicates go into run off. These open syndicates are finally reinsured into Equitas as at 31 December 1995. Under the rules for taxing run off results these are assessable 1993-94. The final results of these open years are declared in July 1996. The Name's deposit is repaid to him in February 1997. The final year of assessment of the trade is therefore 1997-98, being the tax year corresponding with the calendar year in which the deposit was released.

If the Name did not have a deposit to repay - which may have happened if the deposit has been drawn down to meet previous years' losses - the final year of assessment would however be 1996-97, being the tax year corresponding to the calendar year in which the final year's results are declared.

For Names who finally sever their connections with Lloyd's as a result of Reconstruction and Renewal, other than for those who have died, the final year of assessment will either be 1996-97 (if there is no deposit to repay) or 1997-98 (where the balance of a deposit has been repaid as part of a Finality surplus paid in 1997).

● Loss reliefs on cessation

Terminal loss relief

Terminal loss relief is an alternative to the ordinary ways in which losses can be relieved but you must make sure that you do not claim the same loss twice. If you have already claimed some part of the terminal loss already, then you must reduce the terminal loss by the amount of relief you have already claimed.

For ceasing members of Lloyd's, the loss available for terminal loss relief is the loss of the last tax year for which there were syndicate results included in the computation. If your final syndicate results were declared in 1997 (Account 1994 and/or run offs to 31 December 1996), the loss of 1997-98 is used for terminal loss relief purposes.

Your terminal loss must be set against any profits (after deducting losses brought forward) from membership of Lloyd's taxed in the previous year of assessment - in the above example 1996-97. Once these have been reduced to nil, any balance of the terminal loss must be set against profits taxed in the preceding year, 1995-96. Finally, if there is still a balance, this must be set against the Lloyd's profits taxed in 1994-95.

Because of the special way in which this relief works for Names, the terminal loss in some circumstances may not be the loss of the final year of assessment. For example, the final syndicate results are declared in 1997 but the deposit is released in January 1998 - the loss for terminal loss relief purposes is that of 1997-98 but the final year of assessment will be 1998-99. This will particularly affect Names who cease as a result of R&R. For these Names, it is the loss (if any) of 1993-94 which is available for terminal loss relief. This is because their final syndicate results (Account 1993 and/or run offs to 31 December 1995) were assessable 1993-94. Please note that the time limit for making a claim to terminal losses that arose in 1993-94 is 5 April 2002.

You do not need to wait to claim terminal loss relief until you are ready to send your completed Tax Return. You can claim relief as soon as you know how big the loss is, normally once you have the tax adjusted results for 1997-98 sent to you by Lloyd's MSU on CTA 2(1997). You may use the form issued by Lloyd's in a Market Bulletin to claim relief or you may write a letter stating that you wish to claim terminal loss relief showing the date of cessation of trade (which for terminal loss relief purposes for members of Lloyd's is 5 April of the tax year in which the final open syndicate results are assessed - in the example quoted above, 5 April 1998) and details of how much the loss is.

Relief for members who have been underwriting since before 1972

For Names who have been underwriting members of Lloyd's for the 1971 Account or earlier and have underwritten continuously since then, special relief at cessation of underwriting is available to compensate for any double counting of profits that may have arisen from the change in basis of assessing profits from membership of Lloyd's brought in for 1972-73 and subsequent years. LUU have maintained records of the amount of relief that may be available under this provision so please contact LUU for advice should you be in this position.

● Post-cessation income and expenses

There are special rules for allowing relief for expenses and taxing income that a former Name may pay or receive after their Lloyd's trade has ceased for tax purposes. Post cessation Lloyd's income and expenditure is carried back and included in the profits or losses of the final year of the trade. If the final year is 1997-98, such Lloyd's related income and expenditure may have been received or paid in the period between 1 January 1998 and the date the Return is sent. Instead of entering it at box 8.35 on page 3 of your Tax Return enter the amounts in the 'Additional information' box on page 8 of the Return, so that the 1997-98 self assessment can be amended accordingly.

If you receive or pay any such sums after you have sent the Return but before the end of the enquiry period (normally 31 January 2000 but later if the Return is sent late), please notify the Tax Office by 31 January 2000 so the 1997-98 self assessment can be amended.

TRUST AND ESTATE LLOYD'S UNDERWRITERS

■ Death

To explain how the recent legislative changes affect the tax position of deceased Names and what personal representatives responsibility are in connection with tax returns, all known personal representatives of deceased Names were sent a leaflet LL262 (1995) in March 1995. Copies are available from LUU if you do not have one, and you may find it helpful to read this for the background information it contains on the changes and what Tax Returns are to be filled in and by whom.

● Cessation

The rules for determining the date of cessation of the Lloyd's trade and the final year of assessment depend on the date the Name died: personal representatives of deceased Names are advised to contact LUU to confirm the date of cessation in all cases.

Deaths up to and including 5 April 1993

Before the 1993 Finance Act (FA 93) the final year for tax purposes was linked to the final year for which syndicate underwriting profits or losses were received, but for deceased Names was generally the year of death. But if the Name had resigned from Lloyd's before they died, and all syndicates had closed and were assessable for a tax year before the year of death, then the final year is that tax year for which the final syndicates receipts were assessable (or syndicate losses allowable), even though the results may not have been declared until after the Name died.

For deaths between these dates, LUU will deal with finalising the Lloyd's aspects of the estate since in general⁵, all Lloyd's related income or expenditure that arises after the year of death is carried back for inclusion in the taxable profit or allowable loss of final year. You should show income and expenses for the year to 31 December 1997 on Form 1(Lloyd's)(deceased)(1998) which LUU will send out to you. Other than income from funds at Lloyd's in some special cases (see footnote below) please do **not** include it in the 1997-98 Trust and Estate Lloyd's Pages.

● Deaths from 6 April 1993 to 5 April 1994 (FA 93 Rules)

FA 93 changed the rules for determining cessation of underwriting business for tax purposes and apply to deceased Names in the following circumstances:

- their Lloyd's deposit is released on or after 1 January 1993, **and**
- where death occurred 6 April 1993 or after.

The FA 93 rules link the final tax year to the time when all connections with Lloyd's were severed, usually marked by release of the Lloyd's deposit. The final year is generally the tax year in which death occurs, but may be earlier if the Name's deposit at Lloyd's was released before the Name died. Please contact LUU if you need help in determining what is the final year. Under FA 93 rules, Lloyd's related income (including personal fund income) and expenses that arise after cessation are carried back to the final year and assessed or relieved accordingly.

⁵ The exception to this general rule is for income from assets in personal funds at Lloyd's for some Names who had Estate Protection Plans in force in the year of death. These Plans allow the deposit to be released before the final Lloyd's results are known. Where as a result of an EPP, the Name's deposit was released **before** 1 January 1993, this income is taxed on the estate in the year it is received and should be shown on Form 1 for 1993-94 through to 1995-96 and on the non-Lloyd's pages of the Trust and Estate Return for 1996-97.

You should enter income and expenses for the year to 31 December 1997 on Form 1(Lloyd's)(deceased)(1998) which LUU will send to you. Please do **not** include it in the Lloyd's Pages of the 1997-98 Trust and Estate Tax Return.

● Deaths on or after 6 April 1994 (FA 94 Rules)

FA 94 changed the year in which syndicate income is assessed and necessitated amendment to the FA 1993 rules for cessation and for taxation of Lloyd's related income and expenses arising after cessation or death. The significant change is that the trade of underwriting at Lloyd's no longer ceases at death and for tax purposes, the personal representatives of the deceased Name are treated as though they are carrying on the same Lloyd's trade as the Name did before death.

For deceased Names, in the same way as for surviving Names, the trade is treated as continuing for tax purposes until the Lloyd's deposit is released: note that the date of resignation is not relevant in determining cessation or the final year for tax purposes. Where there is no deposit left to release, the final tax year for the trade is generally the tax year that the final open syndicate results are taxable. If in doubt as to the final tax year for the trade, please contact LUU.

Lloyd's related income or expenditure that arises in the calendar year in which the Name died and in subsequent years, is assessable on the estate (at basic rate only), in the tax year corresponding with the calendar year it arises (for example, 1997-98 for income and expenses of 1997).

For Lloyd's related income and expenditure for the year to 31 December 1997, use the Lloyd's Pages of the 1997-98 Trust and Estate Tax Return.

● Estate Protection Plans (EPP)

Because the terms of EPPs have changed over the years, it is difficult to give any general guidance on the tax treatment of sums due to and from the estate of a deceased Name where an EPP was in place in the year of death. Please contact LUU for advice.

● Reconstruction and Renewal

For some Names final settlement was delayed until 1997. Any debt credits, refunds of litigation expenses and refunds of Special Contributions received in 1997 should be included in box 1L.58 with a description of the amounts involved in the 'Additional information' box on Page TLU3.