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Notes on TRUST AND ESTATE LLOYD'S UNDERWRITERS

Filling in the Trust and Estate Lloyd's Pages

To complete the Trust and Estate Lloyd's Pages of the 2008–09 Trust and Estate Tax Return, you will need form CTA 1 (2005) (syndicate results for the 2005 account) and form CTA 2 (2008) (the non-syndicate Market Services Taxation Advice for 2008–09). To help you to complete the Trust and Estate Lloyd's Pages, Lloyd's Market Services at Chatham have cross-referenced each entry in the Taxation Advices to the relevant box numbers on the Lloyd's Pages. 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 2008–09.

Investment income

The information asked for in the Trust and Estate Lloyd's Underwriters Pages relates only to income arising on assets held as part of personal funds at Lloyd's. Income arising on estate assets that are not part of Lloyd's should be shown on the pages of the Trust and Estate Tax Return that deals with the type of income concerned.

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. They should be included on the Trust and Estate Capital Gains Pages of the 2008–09 Return. Some guidance on points connected with these disposals can be found in the section headed 'Capital Gains Tax' beginning on page TLUN11.

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 before 31 December 2008.

If you are not sure whether you need to complete the Trust and Estate Lloyd's Pages, please contact W. Yorks Personal Tax Unit (PTU) for advice.

Structure of Pages

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

Income from 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 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 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 2008–09.

Income from ancillary or personal funds at Lloyd's

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 corresponding* with the calendar year it is received. So the income from funds at Lloyd's received in 2008 is included in the Lloyd's profits for 2008–09.

UK interest and alternative finance receipts**boxes 1L.1 to 1L.5**

- Interest on gilts and interest and alternative finance receipts from UK banks or building societies paid gross/net of tax
- National Savings & Investments

This may be paid before tax has been deducted, 'gross', or with tax deducted, 'net'. The bank, building society or members' agent can give you a detailed statement. If all the interest and alternative finance receipts were paid gross, you do not need to complete any of the 'Amount after tax deducted' and 'Tax deducted' columns.

Include the totals for the year ended 31 December 2008 in boxes 1L.1 to 1L.5.

boxes 1L.6 to 1L.11

- Interest distributions from UK-authorised unit trusts and Open-Ended Investment Companies (OEICs)
- 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 the Lloyd's Market Services at Chatham if you do not have any vouchers.

Enter the totals for the year ended 31 December 2008 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 or annual payments from UK trusts in these boxes. Dividends should be entered in boxes 1L.18 to 1L.39.

*A tax year corresponds to the calendar year which ends in it, that is, tax year 2008–09 corresponds with the calendar (or underwriting) year 2008.

Notes on 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.

- Deeply discounted securities

Deeply discounted securities have replaced 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 is the difference between the price at which the bond was issued and the amount payable on redemption. The discount or premium must be capable of being more than:

- 15% of the redemption price, **or**, if smaller
- 0.5% of the redemption price for each year of the bond's life (for example, in the case of a 10-year bond any discount of 5% or more would mean that it was a deeply discounted bond).

A security with an uncertain yield (for example, linked to the Retail Prices Index) will normally be a deeply discounted security. A security fully linked to the value of assets which would be chargeable assets under the Capital Gains Tax rules (for example, a security whose yield is fully linked to the FTSE index and gives no guaranteed minimum return on your investment) will not normally be a deeply discounted security. If you hold a deeply 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 in calendar year 2008 should be included in box 1L.11 with nothing included in box 1L.10.

Gilt strips and strips of non-UK government securities

If any of the funds at Lloyd's have been invested in gilt strips or strips of non-UK government securities, please consult W. Yorks PTU for advice on how this may affect your Return.

Losses on deeply discounted securities

- Strips

You cannot claim any relief for a loss on redemption or disposal of a strip (including a deemed 5 April disposal) to the extent that the proceeds (or the 5 April market value in the case of a deemed disposal) are less than your original acquisition cost of the strip. This applies generally to strips acquired on or after 15 January 2004.

- Other deeply discounted securities

For deeply discounted securities other than strips, you cannot claim any relief for a loss on redemption or disposal, unless the security has been held since 26 March 2003 and it was then, or had been, listed on a recognised stock exchange. If that applies include the qualifying loss in box 1L.15, along with any negative Accrued Income Scheme amounts.

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 adviser.

Cash payments

Add payments that are liable to Capital Gains Tax to your other chargeable gains for the year. Cash payments liable to Capital Gains Tax are generally those received following take over of a building society or conversion to a limited company. Use your total gains and your total proceeds when deciding whether you need to ask for and fill in the Trust and Estate Capital Gains Tax Pages. (See Question 5 on Page 3 of the Trust and Estate Tax Return.)

To the extent that cash payments relate to deposits held as part of funds at Lloyd's, those payments that are liable to Income Tax should be included in boxes 1L.2 to 1L.4. Cash payments liable to Income Tax are generally those received following a building society merger.

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 W. Yorks PTU for guidance.

- Total UK interest and other savings income before accrued income share

boxes 1L.12 and 1L.13 Add the figures in boxes 1L.3, 1L.5B, 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

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 2008–09 if the total nominal value of all accrued income securities held at any time in 2008–09 or 2007–08 did not exceed £5,000. If the aggregate value of the nominal values of all such securities that you hold 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, 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 accrued income 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 calendar year to 31 December 2008.

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 accrued income securities in the calendar year to 31 December 2008, the next payment of interest following the date of transfer of that security would fall in the calendar year to 31 December 2008 inclusive, a charge would arise if that security was purchased ex-dividend or sold cum-dividend.

Notes on TRUST AND ESTATE LLOYD'S UNDERWRITERS

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, do not take into account the amount entered in boxes 1L.14 and 1L.15 in returning the charge or allowance for 2008–09 on the main part of the Trust and Estate Tax Return.

Tax credits

You need to include on the Lloyd's Pages all dividends, other distributions and tax credits received in calendar year 2008.

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 2008. 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 other distributions received in the year in case they are asked for later.

Dividends and qualifying distributions carry a tax credit. Qualifying distributions are all distributions other than those described as non-qualifying distributions. Non-qualifying distributions are defined in the next column and should be returned in boxes 1L.36 and 1L.37.

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.

Do not include stock dividends here – enter these in boxes 1L.26 to 1L.28.

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.

Include the total amounts for dividends and other qualifying distributions in boxes 1L.18 to 1L.20. Explain the circumstances in which the distribution arose in the 'Additional information' box, box 1L.92 on page TLU4.

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 the Lloyd's Market Services at Chatham 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 tax credits

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 from UK companies

boxes 1L.26 to 1L.28

If you took up an offer of shares in place of a cash dividend in 2008, this is a stock dividend. The dividend voucher should have 'the appropriate amount in cash' on it – this is the amount you should enter in the dividend box. If you do not have the information, contact W. Yorks PTU for advice.

- Non-qualifying distributions

boxes 1L.36 and 1L.37

A non-qualifying distribution is:

- a bonus issue by a company of securities or redeemable shares (except a bonus issue giving rise to a 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 basic rate tax is treated as already paid by the estate and is set against the estate's tax bill.

Enter in box 1L.37 the amount of the distribution received in the period to 31 December 2008. Divide that amount by 10 to arrive at the tax treated as paid. Round up the tax treated as paid to the nearest pound and enter it in box 1L.36.

- Total dividends plus notional Income Tax

boxes 1L.38 and 1L.39

Add the figures in boxes 1L.27 and 1L.36 and enter the result in box 1L.38.

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

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

These types of policies and life annuities may be held as part of funds at Lloyd's but the tax treatment of any gain on them depends on how the policy or life annuity is used to back underwriting. If the insurance company has provided a guarantee to Lloyd's secured on the policy or life annuity, the gains do not form part of your Lloyd's trading income. They should be entered on the 'Gains on UK life insurance policies, life annuities and capital redemption policies' section of the Trust and Estate Tax Return at boxes 9.29 to 9.31. If, however, the Trust Deed governing the Lloyd's deposit includes the policy or life annuity itself, the gains are part of trading profits from membership of Lloyd's. Enter the gains arising in 2008 in box 1L.58 and **do not** include them in the main section of the Trust and Estate Tax Return.

Note: there is no tax treated as paid to offset against tax due on the gain. Where such gains are included in trading profits Top Slicing Relief is not available.

Notes on TRUST AND ESTATE LLOYD'S UNDERWRITERS

■ **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 2008 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' beginning on page TLUN9 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 2008 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 in boxes 1L.40 to 1L.42.

● Other foreign source income

boxes 1L.44 to 1L.47 Enter in these boxes any income that was received in 2008 from other investments or assets that form part of the personal funds at Lloyd's.

● Dividends from overseas sources

boxes 1L.48 to 1L.51 Do not include, for example, distributions in the course of liquidation, return of capital, stock dividend or bonus shares on stock dividend issues. The information needed to complete these boxes will be shown on your dividend voucher.

Enter in box 1L.51 the total of the amounts entered in boxes 1L.48 to 1L.50.

If you have received dividends from foreign companies you may be entitled to a dividend tax credit equal to one-ninth of the dividend if:

- the shareholding in the foreign company is less than 10%, and
- the foreign company was not an offshore fund (ask your financial adviser or broker if you are not sure whether the shares you hold are in an offshore fund).

If you have received foreign dividends that are entitled to a dividend tax credit, speak to your tax adviser or contact W. Yorks Personal Tax Unit for further advice.

● Total UK and foreign tax deducted

boxes 1L.52 to 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 aside to add up figures in boxes 1L.17, 1L.25, 1L.39 and 1L.54. Copy the total to box 1L.55.

For 2008–09, the income to return is that received in the calendar year to 31 December 2008.

Working Sheet

Total UK interest and other savings income	1L.17 £
+	
total dividends/distributions plus tax credits	1L.25 £
+	
total stock dividends etc.	1L.39 £
+	
total non-UK income before tax	1L.54 £
=	
total income from personal funds at Lloyd's	1L.55 £

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 2008–09 Lloyd's taxable profit includes non-syndicate income received in calendar year 2008.

In boxes 1L.57 and 1L.58 enter any other income received on a personal basis during 2008 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 2008 and associated syndicate foreign tax. Under the declaration year basis, the syndicate results covered by these Pages are the syndicate results for the 2005 account and run-offs to 31 December 2007.

● 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 2008 are taxable income of 2008–09. 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.

● 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 box 1L.57. Describe the amounts shown in the 'Additional information' box, box 1L.92 on page TLU4.

● Aggregate tax adjusted syndicate results

boxes 1L.58A and 1L.63 Reporting arrangements for foreign tax altered in 2008–09. This will affect the amount of syndicate profit or loss reported on the Return. If the entry at line 7 on the CTA 1 (2005) (described as profit or loss) is:

- **profit:** – deduct the foreign tax at line 13 from the amount shown and enter the result in box 1L.58A; enter '0' in box 1L.63
- **loss:** – enter '0' in box 1L.58A; add the amount shown at line 7 to the foreign tax figure at line 13 and enter the total in box 1L.63.

Notes on TRUST AND ESTATE LLOYD'S UNDERWRITERS

Syndicate results are taxable by reference to the year the results are declared, for example, the 2005 account results are taxable in 2008–09. This is known as the declaration year basis.

- Syndicate foreign tax

box 1L.58B Enter the amount of syndicate foreign tax shown at line 13 on the CTA 1 (2005) in box 1L.58B. Copy this figure to box 1L.76.

- Withdrawals and releases from Special Reserve Fund (SRF)

box 1L.58C Enter in box 1L.58C net withdrawals from a SRF as shown on the CTA 1 (2005). This box should be used to enter withdrawals made in respect of losses, cash calls, or annual valuations. If the funds in the SRF have been released during the year as a result of cessation of trade, this sum should be returned as a taxable sum for the last year in which the Name was assessed personally. Lloyd's Market Services at Chatham will issue a certificate valuing the release to be assessed.

Please enter the sum in box 23 of the Lloyd's Underwriters Pages (SA103L) for the appropriate year, and not in the 'Trust and Estate Lloyd's underwriters' Pages. To calculate the figure to enter, please see the *Lloyd's underwriters notes*, page LUN5. You may wish to contact W. Yorks PTU for further guidance.

- Stop loss recoveries

box 1L.58D Enter in box 1L.58D the total of all personal stop loss (PSL) recoveries that are payable in respect of 2005 account losses at 31 December 2007 and earlier account run-off losses for calendar year 2007. Recoveries for losses incurred during the same periods that will become payable only when they have been called, must also be included in addition to recoveries already received. If you do not have details of the exact amounts which will be received, enter an estimate to the best of your judgement, and make a note in the 'Additional information' box, box 1L.92, explaining that you have done so. Please then send the correct figures as soon as possible.

Certain Estate Protection Plan policies may give rise to taxable stop loss recoveries. If in doubt you should contact Centrewrite for details.

- Repayments of foreign tax previously allowed by deduction

box 1L.58E Include here the sterling value of any repayments of foreign tax received in 2008 for which relief has been allowed in an earlier year by deduction from Lloyd's profits or losses. This is described as US net operating loss refunds on the CTA 1 (2005). The exchange rate to be used is the 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 TLUN7.

- Total other Lloyd's receipts

box 1L.59 Add the figures in boxes 1L.57, 1L.58, 1L.58A, 1L.58B, 1L.58C, 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 2008–09 Lloyd's taxable profit or loss includes non-syndicate expenditure paid in calendar year 2008. 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.

- Fees for bank guarantees/letter of credit

box 1L.62 Enter in box 1L.62 the amount of annual renewal fees paid in 2008.

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 profit or loss at line 7 on the CTA 1 (2005) is a loss, add the amount to the foreign tax at line 13 and enter the total in box 1L.63. Under the declaration year basis the results included in these Pages are those declared in 2008, syndicate results for account 2005 and run-off results to 31 December 2007.

- 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. W. Yorks PTU 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 2008.

- Personal Quota Share and Exeat premiums

box 1L.66 A quota share contract is one in which 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.

Provided the quota share contract is in accordance with the rules and practice of Lloyd's, the premium paid is an allowable expense. Rules introduced in 2002 govern how much of the premium is allowable as a deduction and whether any further amounts can be claimed. They also govern the year in which the amounts are allowable. Subject to the rules in the following paragraphs, enter the amount of the premium paid in calendar year 2008 in box 1L.66.

- If you have paid a cash call in respect of a particular loss, and have subsequently reinsured your liabilities before that loss is declared, you may claim relief for the cash call in addition to the premium. You may claim this in the calendar year in which the contract took effect (for Estate Protection Plans (EPP) see page TLUN11).
- If your syndicate declared a loss and you reinsured that liability before the loss was called, the amount of the premium you can claim will be restricted by the amount of that declared loss.
- If, unusually, the amount of the premium was less than the declared losses reinsured under the contract, the difference should be included as income in box 1L.58.
- In the case of Exeat or EPP policies, any necessary adjustments will be shown on form CTA 2 (2008).

Notes on TRUST AND ESTATE LLOYD'S UNDERWRITERS

- Interest on loans and payments under alternative finance arrangements 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 paid on the loans will in general be an allowable expense so long as the estate receives taxable income from membership of Lloyd's.

If you have taken out an alternative finance arrangement to fund any of the items in the previous paragraph then the alternative finance return paid for the arrangement is treated the same way as interest on a bank loan.

Enter at box 1L.68 the amounts paid in 2008.

If you have a certificate from the finance provider for alternative finance payments or interest paid and the alternative finance arrangement or loan was used to fund underwriting losses etc., please retain it in case you are asked for it 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. **Do not** include it on these Pages.

- Net transfer to Special Reserve Fund

box 1L.68A Enter in box 1L.68A net transfers to a SRF, as shown on the CTA 1 (2005). See notes on box 1L.58C for details.

- Members' agent profit commission and salaries

box 1L.69 Profit commission is charged and paid at the distribution date following the close of an account. For instance, any profit commission for the 2005 Account (as shown on the CTA 2 (2008)) will have been paid in June 2008 and should be entered at box 1L.69 as an allowable deduction against 2008–09 Lloyd's profits.

Managing agents' salaries relating to an account are dealt with as part of syndicate results so you should not enter them separately on these Pages.

- Accountancy fees

box 1L.70 Any fee you pay for work done in relation to working out taxable Lloyd's profits is an allowable deduction but you may not claim as a deduction from your Lloyd's profits any fee for other work, such as Inheritance Tax planning or in relation to other business interests.

Enter amounts paid in 2008 at box 1L.70, irrespective of the year of account to which the fees relate.

- Other Lloyd's expenses

box 1L.71 Enter here the total of any additional items of non-syndicate expenses not claimed in boxes 1L.62 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, box 1L.92.

'Exempt Amounts'

This applies **only** to Names who are not ordinarily resident and not domiciled in the UK. 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 (2005) '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, box 1L.92.

- Total Lloyd's outgoings

box 1L.72 Enter the total of boxes 1L.62 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 2008–09.

- 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 income tax paid

box 1L.74 Enter the total amount of US tax paid shown in sterling on the CTA 1 (2005).

- Canadian income tax paid

box 1L.75 Enter the total amount of Canadian tax paid shown in sterling on the CTA 1 (2005). For Names with no syndicate results declared in 2007, details will be shown on form CTA 2 (2008).

- 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 year's overseas return of Lloyd's profits. Enter any such amounts paid in 2008 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 2008: for instance, from the carry back in the US of losses against profits of earlier years (Net Operating Losses or NOLs) which are shown on the CTA 1 (2005). The treatment of these foreign tax refunds depends on how relief was originally given for the foreign tax now being refunded. For Names with no syndicate results declared in 2007, details will be shown on form CTA 2 (2008).

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 2008 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 (2005).

Notes on TRUST AND ESTATE LLOYD'S UNDERWRITERS

If you are calculating the tax yourself, make sure you include box 1L.79 in box T7.3 of the Trust and Estate Tax Calculation Guide.

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 2008. 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.

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 that the foreign tax exceeds the UK tax on Lloyd's income, any relief for foreign tax will be lost.

Underwriters not resident in the UK: from 1999–2000 onwards, all Names may claim tax relief either by deducting the tax from profits, or as a tax credit, depending on which is beneficial. (But not partly by deduction, and partly as a tax credit.)

There is an exception for tax charged on Lloyd's profits by the Name's own country, the tax can only be claimed as a deduction – the tax credit relief method is not available. This would apply, for example, to French tax paid by a Name resident in France. Lloyd's will supply an analysis of overseas tax paid, so that this adjustment can be made if necessary.

Relief by deduction

Where relief for foreign tax is claimed by deduction, the amount of foreign tax paid on Lloyd's income may be 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 beginning on page TLUN9.

Relief against UK tax on Lloyd's profits

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; W. Yorks PTU 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.40 to 1L.51, complete the Trust and Estate Foreign Pages (available from the Orderline).

The instructions on pages TFN12 and TFN13 of the Notes to the Trust and Estate Foreign Pages for completing columns A, C 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 TLUN9 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 in the column headed 'Loss' and ignore the rest of the right column.

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 ignore the rest of the left column.

If you have made a loss for 2008–09, you may be able to claim tax relief for it. Please see the 'Losses' section on page TLUN10. **Do not** use Help Sheet 227 Losses.

Time limits Some claims for relief for 2008–09 losses have to be made by **31 January 2011**. You should ensure that your claim is made within the time limit prescribed. Late claims cannot normally be accepted.

2008–09 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. Leave boxes 1L.88 to 1L.91 blank.

(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 2008–09 tax year.

You can claim relief for the loss by reducing your income for 2008–09. The loss you claim in box 1L.85 will normally be the whole of the loss. But your total income *minus* deductions cannot be reduced below zero. So, the figure you put in box 1L.85 should be no higher than your total income *minus* deductions.

If you want to claim for relief for this loss to be calculated by reference to income of an earlier year, or years, enter the amount of the loss in box 1L.86. If you have already made a claim for the relief to be calculated in this way, you should still include the loss in box 1L.86 and provide details in the 'Additional information' box, box 1L.92.

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

You may find it useful to keep a record of unused underwriting losses that you can carry forward and set against future profits. Please complete the Working Sheet below and transfer the figure at D to the 'Additional information' box, box 1L.92, noted 'unrelieved losses to carry forward to 2009–10'.

Working Sheet for unrelieved losses

Unrelieved losses brought forward from earlier years

A £

Deduct losses brought forward and used against this year's profit

B £ from box 1L.89

Add this year's losses not claimed in any other way

C £ from box 1L.87

Losses carried forward to 2009–10

D £ box A *minus* box B + box C

Notes on TRUST AND ESTATE LLOYD'S UNDERWRITERS

Limited partnership (SLP or LLP) member of Lloyd's

If you converted to limited liability underwriting through a Nameco or limited partnership (SLP or LLP) after 6 April 2004, you may be able to carry forward unused trading losses. See page TLUN12 for more details.

■ **2008–09 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 2007–08 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 2008–09, 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

If, in the year ended 5 April 2009:

- syndicate capacity was sold in capacity auctions, **or**
 - an arrangement was entered into to sell or transfer capacity, **or**
 - capacity was transferred to a MAPA operator, corporate member or a limited partnership (SLP or LLP) member of Lloyd's,
- you will need to enter the details on the Trust and Estate Capital Gains Pages. For information about calculating gains on these disposals, please see the section headed 'Capital Gains Tax', beginning on page TLUN11.

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 2005 loss is taxable in 2008–09 even though the estate may not receive it until 2009.

● **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.

● **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 2008 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 2008–09. 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.

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 2005 and run-offs to 31 December 2007.
3. Returns are made to the US and Canadian tax authorities of each Name's Lloyd's business in those two countries and 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 tax paid shown on the CTA 1 (2005).

Where foreign tax has been suffered on income that is also liable to UK tax, relief for the foreign tax may be allowed either by giving credit for the amount of foreign tax paid against UK tax on the same income (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 may be given as a deduction in arriving at the net profit or loss. Foreign tax cannot however be claimed partly as a credit, and partly as a deduction. Where the Name was resident overseas, tax charged in their own country on Lloyd's profits can only be claimed as a deduction. For example, French tax levied on Lloyd's profits can only be claimed as a deduction by Names resident in France, and not as a tax credit.

Notes on TRUST AND ESTATE LLOYD'S UNDERWRITERS

Trust and Estate Foreign Pages: 2008–09

The instructions on page TFN12 of the Notes on Trust and Estate Foreign Pages for completing columns A, C 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 C

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 convert 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 TFN13, 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.

- 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 Lloyd's Market Services Taxation Advice. For refunds shown on the CTA 1 (2005), 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.

- Special Reserve Funds (SRF)**

These funds can be set up by Names under Section 175 Finance Act 1993. Personal representatives of deceased members may not set up Special Reserve Funds (SRF).

- Releases from SRF on cessation

For Names who have died, 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 a SRF of a Name who died in September 2008 would be taxable in 2007–08, and for a Name who died in February 2009, it would be taxable in 2008–09. Any interest arising from late paid tax due on

this release will however be chargeable from a later date, as though the release from the SRF was assessable in the final year of assessment.

You should inform the Name's HM Revenue & Customs office that the Name's self assessment will need to be amended to include this balance by no later than 31 December 2009 (for Names who died in 2008) or 31 December 2010 (for Names who died in 2009).

- 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 227 *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 You must make claims within the time limits shown below for losses in early years of trade and terminal loss relief and in Help Sheet 227 for other loss relief claims. For 1998–99 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 a Name began underwriting on 1 January 2006, the first year of assessment is 2006–07, and in these early years of trade loss relief provisions can apply for 2006–07, 2007–08 and 2008–09 (non-syndicate income and expenditure of year ended 31 December 2006, 2007 and 2008 respectively) and 2009–10 (results of the 2006 accounts and non-syndicate income and expenses of 2009). 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.

Time limit The time limit for making claims for this relief for losses arising in 2006–07 expired on 31 January 2009. You have until 31 January 2010 for losses arising in 2007–08, 31 January 2011 for losses arising in 2008–09 and 31 January 2012 for losses of 2009–10. For losses arising in 2008–09, 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 2008–09 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 normal rule 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. However, for deceased Names, as for surviving Names, there may be circumstances in which the last open syndicate year of account closes, or membership of Lloyd's continues, after the deposit is released. In such cases, the Name is treated as ceasing to trade as a Name in the later of:

- the underwriting year after the year in which the Name's last syndicate open year of account closes, **or**

Notes on TRUST AND ESTATE LLOYD'S UNDERWRITERS

- the underwriting year in which the Name's membership of Lloyd's terminates under the rules or practice of Lloyd's.

Please see the following sections for further information on cessation for deceased Names. If you are in doubt as to the final year of trading, please contact W. Yorks PTU.

- 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 2008 (account 2005 and/or run-offs to 31 December 2007), the loss of 2008–09 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 2007–08. Once these have been reduced to nil, any balance of the terminal loss must be set against profits taxed in the preceding year, 2006–07. Finally, if there is still a balance, this must be set against the Lloyd's profits taxed in 2005–06.

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 2008 but the deposit is released in January 2009 – the loss for terminal loss relief purposes is that of 2008–09 but the final year of assessment will be 2009–10.

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 2008–09 sent to you by Lloyd's MSU on CTA 1 (2005). 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 2009) 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. W. Yorks PTU have maintained records of the amount of relief that may be available under this provision, so please contact W. Yorks PTU for advice should you be in this position.

- 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 W. Yorks PTU for advice.

Capital Gains Tax

Gains arising on disposal of assets held as part of personal funds at Lloyd's should be included on the Trust and Estate Capital Gains Pages.

Syndicate Capacity

Gains arising on disposals of syndicate capacity should also be included on the Trust and Estate Capital Gains Pages.

Sale at auction and other arrangements

Syndicate capacity can be sold by auction, under a bilateral arrangement, or by capacity offer. Where you have sold syndicate capacity in the 2008 capacity auctions, or entered into other arrangements to sell capacity in the year ended 5 April 2009, the disposal proceeds are the amount received at auction or under the arrangement. Auction fees are allowable as incidental costs of disposal. Your members' agent will supply you with details of the sale proceeds and incidental costs. Note that capacity in each syndicate is a separate asset for Capital Gains Tax purposes except where capacity is held via a MAPA (see below).

Pre-1996 capacity

Where you have been underwriting with the same capacity since before the 1996 account, the cost of your capacity will be NIL, because until capacity auctions were introduced in 1995, there was no charge to begin underwriting on a syndicate.

Entrance or Admission Fee

This fee, which is payable on joining Lloyd's, is not allowed as a deduction from trading profits but can be deducted from gains on disposal of syndicate capacity, as an incidental cost of disposal, in the year the Name resigns his membership of Lloyd's. As with all incidental costs of disposal, indexation will not be due.

Syndicate mergers

Where syndicates merge and you exchange this year's capacity in one syndicate for capacity for the following year in a syndicate with a different number, provided no cash changes hands, this is not regarded as a chargeable occasion for Capital Gains Tax purposes. When you sell capacity in the new, merged syndicate, the cost of acquisition is the cost to you of capacity in your original, pre-merger syndicate.

MAPAs/Joining a MAPA/Cash distributions from MAPA operators/Leaving a MAPA

The Capital Gains Tax rules for MAPA members changed with effect from 6 April 1999. From that date, all syndicate capacity held by an individual member through a MAPA is treated as if it were a single asset. Any capacity held through one MAPA is treated separately from capacity held through another MAPA, or capacity held directly. The details of the new rules were set out in a Lloyd's Market Bulletin dated 6 September 1999. Copies are available from Lloyd's tax department or from W. Yorks PTU.

If you receive a cash distribution from your MAPA operator, that is a disposal or part-disposal of the capacity held through MAPA and should be reported in the Trust and Estate Capital Gains Pages.

If you transfer your syndicate capacity into or out of a MAPA, that is also a Capital Gains Tax disposal and should be reported in the Trust and Estate Capital Gains Pages.

Conversion schemes

Where you have transferred capacity to a corporate member of Lloyd's as part of a scheme to convert to limited liability underwriting, the transfer is a disposal for Capital Gains Tax purposes. In most cases this will be a transfer between connected parties and you will need to use the market value of the capacity at the date of transfer. If you converted to limited liability underwriting through a Nameco or limited partnership (SLP or LLP) after 6 April 2004, you may be able to defer charges to Capital Gains Tax. See below for more details.

Where the transfer is to a limited partnership (SLP or LLP) member of Lloyd's, the transfer is not generally regarded as a chargeable occasion – see Statement of Practice D12.

Notes on TRUST AND ESTATE LLOYD'S UNDERWRITERS

Reliefs

Roll-over relief allows gains on the disposal of qualifying business assets to be deferred if replacement assets are acquired. With effect from 6 April 1999, gains made on the disposal of syndicate capacity, whether held directly or through a MAPA, will be eligible for roll-over relief. Syndicate capacity also qualifies as a replacement asset if it is acquired on or after 6 April 1999.

The Lloyd's market bulletin dated 6 September 1999 explains roll-over relief on syndicate capacity. Copies are available from Lloyd's tax department or from W. Yorks PTU. If you want to claim this relief, please refer to page TCN18 of the Notes on Trust and Estate Capital Gains and Help Sheet 290 *Business asset roll-over relief*.

Entrepreneurs' relief**General**

Guidance notes on Entrepreneurs' relief are included with the Notes on Trust and Estate Capital Gains and in Help Sheet 275 *Entrepreneurs' relief*.

This charges certain gains at a tax rate lower than the flat rate introduced by Finance Act 2008. The conditions are similar in some respects to those which formerly applied to retirement relief, though with some simplifications. Gains arising on or associated with the disposal of the whole or part of a business may qualify. If they do, the gains are reduced by $\frac{4}{9}$ ths giving an effective rate of 10%. The amount of gains that may qualify is subject to a lifetime limit of £1,000,000. It is unlikely that merely reducing the amount of syndicate capacity available to a Name will constitute the disposal of part of the underwriting business.

■ Conversion to limited liability underwriting

New rules introduced in Finance Act 2004 permit converting Names to carry forward unused trading losses and to defer charges to Capital Gains Tax, subject to certain conditions. If an underwriter converted to a Nameco or a limited partnership (SLP or LLP) on or after 6 April 2004, or if you transferred syndicate capacity to an existing Nameco on or after this date, this legislation may apply to you. Please refer to the guidance in the **HM Revenue & Customs Lloyd's Manual**

HM Revenue & Customs Lloyd's Manual

Further guidance is available in **HM Revenue & Customs Lloyd's Manual** which can be found on our website at www.hmrc.gov.uk Go to the 'tax agents and advisers zone', then to 'Manuals', and then to 'Lloyd's Manual'.

W. Yorks Personal Tax Unit

If you need further guidance please write to:

W. Yorks Personal Tax Unit
Crown House
Victoria Street
Shipley
West Yorkshire
BD17 7TW

These notes are for guidance only and reflect the position at the time of writing. They do not affect any rights of appeal.