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Filling in the Trust and Estate Lloyd's pages

To complete the Trust and Estate Lloyd's pages of the 2011–12 Trust and Estate Tax Return, you will need form CTA 1 (2008) (syndicate results for the 2008 account) and form CTA 2 (2011) (the non-syndicate Market Services Taxation Advice for 2011–12). 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 2011–12.

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 2011–12 return.

■ 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 2011.

If you are not sure whether you need to complete the Trust and Estate Lloyd's pages, please contact the High Net Worth Unit Bradford for advice.

■ Structure of pages

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

Notes on TRUST AND ESTATE LLOYD'S UNDERWRITERS

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 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 2011–12.

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. A tax year corresponds to the calendar year which ends in it, that is the tax year ending 5 April 2012 corresponds to the calendar (or underwriting) year ending 31 December 2011. So the income from funds at Lloyd's received in 2011 is included in the Lloyd's profits for 2011–12.

■ 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 2011 in boxes 1L.1 to 1L.5.

boxes 1L.6 to 1L.11

- Interest distributions from UK authorised unit trusts, open-ended investment companies (OEICs), and investment trusts
- Other income from UK savings and investments

This includes interest distributions from companies, UK authorised unit trusts, OEICs and investment trusts, 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 (some authorised unit trusts, OEICs or investment trusts may provide this information to you electronically). 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 2011 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.

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 2011 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 the High Net Worth Unit Bradford 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.

Notes on TRUST AND ESTATE LLOYD'S UNDERWRITERS

- 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 takeover 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 takeover 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 takeover or conversion, you may need to supply details when you dispose of the shares. Ask the High Net Worth Unit Bradford 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 2011–12 if the total nominal value of all accrued income securities held at any time in 2011–12 or 2010–11 did not exceed £5,000. If the aggregate of the nominal values of all such securities that you hold both as part of personal and premiums trust funds at Lloyd's and also any held 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 2011.

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 2011, the next payment of interest following the date of transfer of that security would fall in that year, 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, do not take into account the amount entered in boxes 1L.14 and 1L.15 in returning the charge or allowance for 2011–12 on the main part of the Trust and Estate Tax Return.

Tax credit

You need to include on the Lloyd's pages all dividends, other distributions and tax credit received in calendar year 2011.

- 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 2011. The figures can be found on the vouchers sent by companies and UK authorised unit trusts. Do not send the vouchers with the Trust and Estate Tax Return but do keep them and other records of the dividends and other distributions received in the year in case you are asked for them 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 box 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.

Notes on TRUST AND ESTATE LLOYD'S UNDERWRITERS

Dividend distributions from UK authorised unit trusts, open-ended investment companies (OEICs) and investment trusts

Your dividend voucher shows the amount of the dividend and tax credit. Add these together to work out the dividend/distribution plus tax credit. Exclude any Property Income Distributions (PIDs) received from Property Authorised Investment Funds (PAIFs) or UK Real Estate Investment Trusts (REITs) – these should be entered in boxes 1L.9 to 1L.11.

If you do not have a dividend voucher (some authorised unit trusts, OEICs or investment trusts may provide this information to you electronically), 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 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 from UK companies

boxes 1L.26 to 1L.28 If you took up an offer of shares in place of a cash dividend in 2011, 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 the High Net Worth Unit Bradford for advice.

- Non-qualifying distributions

box 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 tax at the dividend ordinary rate (10%) 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 2011.

- Total dividends plus notional Income Tax

boxes 1L.38 and 1L.39 Copy the figure in box 1L.27 to 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 2011 in box 1L.58 and **do not** include them in the main section of the Trust and Estate Tax Return.

Please 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.

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 2011 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).

You should also enter any 'reported income' from offshore funds. This is income arising from investments in offshore funds that has not been paid to you but which has instead been accumulated on your behalf. **Reported income is taxable even though you have not received it, and must be included in your return.** If the offshore fund is a company then you should enter the reported income in the non-UK dividends box.

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' in Helpsheet 240 *Lloyd's underwriters*, 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 2011 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 2011 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 Fill in the working sheet on page TLUN5 to complete these boxes. 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.

Notes on TRUST AND ESTATE LLOYD'S UNDERWRITERS

Dividend tax credit

If you have received dividends from foreign companies you may be entitled to a dividend tax credit equal to $\frac{1}{9}$ of the dividend. From 22 April 2009, to qualify for the $\frac{1}{9}$ tax credit you must pass one of the following tests. These are that:

- 1 the company paying the dividend is not an offshore fund and you own less than 10% of the issued capital, or any class of share, **or**
- 2 the company that has paid the dividend to you is an equity based 'offshore fund' (but see Note 1 below on distributions from offshore funds) **or**
- 3 the company paying the dividend is not an offshore fund and is resident for tax purposes in a territory with which the UK has a Double Taxation Agreement (DTA) that includes a 'non-discrimination' article. Go to www.hmrc.gov.uk and look for *DT Digest* within the *Search* facility for a list of treaty territories.

Under this condition, the tax credit is **not** available if:

- the Double Taxation Agreement does not include a 'non-discrimination' article (see Note 2 below)
- the dividend is one of a series paid as part of a 'tax advantage' scheme, and any company paying a dividend which is one of that series is not resident in a qualifying territory. (A tax advantage scheme is a scheme whose sole purpose is to enable a person to obtain the tax credit or any other relief from tax.)
- the dividends are from certain 'excluded companies' (see Note 3 below).

You should consult your tax adviser if you are in doubt about this.

Note 1

There are specific rules relating to the way dividends from offshore funds, which are substantially invested in interest bearing assets, are treated for tax purposes. Where an offshore fund holds more than 60 per cent of assets in an interest bearing (or economically similar) form, any distribution you receive is treated as a payment of yearly interest (see 'Interest and other income from overseas savings' on page FN 6 of the *Foreign notes*). In this case you will not qualify for the dividend tax credit and the tax rates will be those applying to interest.

Note 2

The DTAs with the following territories do not include a 'non-discrimination' article:

Antigua and Barbuda	Kiribati
Belize	Malawi
Brunei	Montserrat
Grenada	St Kitts and Nevis
Guernsey	Sierra Leone
Isle of Man	Solomon Islands
Jersey	Tuvalu

Note 3

The excluded companies are:

- Barbados – companies established under the International Business Companies Act(s)
- Cyprus – companies entitled to any special tax benefits under various Cyprus enactments
- Jamaica – companies established under enactments relating to International Business Companies and International Finance Companies
- Luxembourg – holding companies established under the Luxembourg 1929 and 1937 Acts
- Malaysia – companies carrying on offshore business activity under the Labuan Offshore Business Activity Tax Act 1990
- Malta – companies entitled to special tax benefits under various enactments.

Working Sheet for boxes 1L.48 to 1L.51

Non-UK dividends	Qualifying for tax credit	Not qualifying for tax credit
Amount actually received	A £ <input type="text"/>	B £ <input type="text"/>
Foreign tax taken off before receipt	C £ <input type="text"/>	D £ <input type="text"/>
UK tax taken off before receipt	E £ <input type="text"/>	F £ <input type="text"/>
Total amount qualifying for tax credit		G £ <input type="text"/> <small>box A + box C + box E</small>
Tax credit (box G x $\frac{1}{9}$)		H £ <input type="text"/>
Net dividends plus tax credit		I £ <input type="text"/> <small>box A + box B + box H copy to box 1L.48</small>
Foreign tax deducted		J £ <input type="text"/> <small>box C + box D copy to box 1L.49</small>
UK tax deducted		K £ <input type="text"/> <small>box E + box F copy to box 1L.50</small>
Amount that does not qualify for tax credit		L £ <input type="text"/> <small>box B + box D + box F copy to box 1L.56</small>

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

For 2011–12, the income to return is that received in the calendar year to 31 December 2011.

Notes on TRUST AND ESTATE LLOYD'S UNDERWRITERS

Working Sheet

Total UK interest and other savings income	1L.17 £
+	
Total dividends/distributions plus tax credit	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. Therefore the 2011–12 Lloyd's taxable profit includes non-syndicate income received in calendar year 2011.

In boxes 1L.57 and 1L.58 enter any other income received on a personal basis during 2011 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' in Helpsheet 240 *Lloyd's underwriters*).

Boxes 1L.58A to 1L.58D ask for details of income arising directly from participation in syndicates that declared results in 2011 and associated syndicate foreign tax. Under the declaration year basis, the syndicate results covered by these pages are the syndicate results for the 2008 account and run-offs to 31 December 2010.

- 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 2011 are taxable income of 2011–12. 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 syndicate profit/losses

boxes 1L.58A and 1L.63 If the entry on the CTA 1 (2008) (described as 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.

Syndicate results are taxable by reference to the year the results are declared, for example, the 2008 account results are taxable in 2011–12. This is known as the declaration year basis.

- Net withdrawal from Special Reserve Fund

box 1L.58C Enter in box 1L.58C net withdrawals from an SRF as shown on the CTA 1 (2008). 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 21 of the individual *Lloyd's underwriters* pages 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 LUN8. You may wish to contact the High Net Worth Unit Bradford 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 2008 account losses at 31 December 2010 and earlier account run-off losses for calendar year 2010. 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 2011 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 (2008). 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 rather than by deduction, see the notes for box 1L.79 on page TLUN8.

- Total other Lloyd's receipts

box 1L.59 Add the figures in boxes 1L.57, 1L.58, 1L.58A, 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. Therefore the 2011–12 Lloyd's taxable profit or loss includes non-syndicate expenditure paid in calendar year 2011. 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.

Notes on TRUST AND ESTATE LLOYD'S UNDERWRITERS

- Fees for bank guarantees/letter of credit

box 1L.62 Enter in box 1L.62 the amount of annual renewal fees paid in 2011.

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 on the CTA 1 (2008) is a loss, enter it at box 1L.63. Under the declaration year basis the results included in these pages are those declared in 2011, reflecting syndicate results for account 2008 and run-off results to 31 December 2010.

- 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. High Net Worth Unit Bradford 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 2011.

- 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 2011 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.
- 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 (2011).

- 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 in box 1L.68 the amounts paid in 2011.

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 an SRF, as shown on the CTA 1 (2008). 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 2008 Account (as shown on the CTA 2 (2011)) will have been paid in June 2011 and should be entered at box 1L.69 as an allowable deduction against 2011–12 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 in box 1L.70 the amounts paid in 2011, 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 (2008) '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 2011–12.

Notes on TRUST AND ESTATE LLOYD'S UNDERWRITERS

- 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 (2008).

- Canadian Income Tax paid

box 1L.75 Enter the total amount of Canadian tax paid shown in sterling on the CTA 1 (2008). For Names with no syndicate results declared in 2010, details will be shown on form CTA 2 (2011).

- Syndicate foreign tax

box 1L.76 Enter the amount of syndicate foreign tax shown in sterling in the CTA 1 (2008).

- 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 2011 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 2011: for example, 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 (2008). 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 2010, details will be shown on form CTA 2 (2011).

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 2011 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 (2008).

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 2011. No entry is needed at box 1L.79.

Tax credit relief or relief by deduction

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, you may deduct foreign tax paid 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 part by deduction, and part 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 in Helpsheet 240 *Lloyd's underwriters*.

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 on pages TFN14 and TFN15 of the Notes to the Trust and Estate Foreign pages available from www.hmrc.gov.uk/sa or from the SA Orderline on **0845 9000 404**; High Net Worth Unit Bradford 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.73 to 1L.77, complete the Trust and Estate Foreign pages (available from www.hmrc.gov.uk/sa or from the SA Orderline on **0845 9000 404**).

The instructions for completing columns A, C and E at the top of page TF3 on page TFN8 do **not** apply to claiming tax credit relief for the foreign tax paid on your Lloyd's profits. For more information see the section on 'Foreign tax' starting on page 1 of the Helpsheet 240 *Lloyd's underwriters*.

Notes on TRUST AND ESTATE LLOYD'S UNDERWRITERS

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 2011–12, you may be able to claim tax relief for it. Please see the 'Losses' section in Helpsheet 240 *Lloyd's underwriters*. **Do not** use Helpsheet 227 *Losses*.

Time limits Some claims for relief for 2011–12 losses have to be made by **31 January 2014**. You should ensure that your claim is made within the time limit prescribed. Late claims cannot normally be accepted.

2011–12 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 2011–12 tax year.

You can claim relief for the loss by reducing your income for 2011–12. 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 2012–13'.

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 £

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

C £

Losses carried forward to 2012–13

D £

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 Helpsheet 240 *Lloyd's underwriters* for more details.

2011–12 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 2010–11 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 2011–12, 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 2012:

- 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.

Other information

Helpsheet 240 *Lloyd's underwriters* provides further information on:

- personal stop loss (PSL)
- foreign tax
- Special Reserve Funds
- losses
- Capital Gains Tax
- conversion to limited liability underwriting.

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'.

High Net Worth Unit Bradford

If you need further guidance please write to:

High Net Worth Unit Bradford
First Floor
1 The Interchange
5 Nelson Street
BRADFORD
WEST YORKSHIRE
BD1 5AX

*These notes are for guidance only and reflect the position at the time of writing. They do not affect any rights of appeal.
Any subsequent amendments to these notes can be found at www.hmrc.gov.uk*