

**EXPLANATORY MEMORANDUM TO**  
**THE LLOYD'S UNDERWRITERS (TAX) REGULATIONS 2005**

**2005 No. 3338**

1. This explanatory memorandum has been prepared by the Commissioners for Her Majesty's Revenue and Customs and is laid before the House of Commons by Command of Her Majesty.
2. **Description**
  - 2.1 This instrument contains regulations applying to the assessment and collection of tax from underwriting members of Lloyd's. The regulations set out the administrative procedures to be followed in determining the profit or loss of underwriters from their membership of Lloyd's syndicates. The regulations also set out rules for the repayment of tax deducted from syndicate investment income, and allow syndicates to make returns to Her Majesty's Revenue and Customs (HMRC) electronically.
  - 2.2 The regulations will have effect in relation to individual members of Lloyd's for the 2006-07 year of assessment onwards, and in relation to corporate members of Lloyd's, for accounting periods ending after 31 December 2005.
3. **Matters of Special interest to the Select Committee on Statutory Instruments**
  - 3.1 None.
4. **Legislative Background**
  - 4.1 The power to make the regulations is in sections 182(1)(a) and (6) and 184(1) of the Finance Act 1993, sections 229(1)(a) and (2) and 230(1) of the Finance Act 1994, sections 132 and 133(2) of the Finance Act 1999 and section 45(11) and (12) of the Finance (No. 2) Act 2005.
5. **Extent**
  - 5.1 The instrument applies to all of the United Kingdom.
6. **European Convention on Human Rights**
  - 6.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

## **7. Policy Background**

7.1 Members of Lloyd's are taxable on their profits or losses from underwriting insurance as members of syndicates. The insurance business of a Lloyd's syndicate is conducted by a managing agent. The managing agent is responsible for preparing the syndicate accounts and submitting tax computations of the syndicate's profit or loss to HMRC. Neither the managing agent nor the syndicate itself pays tax on the syndicate profits. Instead, the taxable profit or loss of the syndicate is apportioned among the syndicate members, who must include their share of the profit or loss in their own tax returns.

7.2 Rules have been in existence for many years setting out the administrative machinery under which managing agents make returns to HMRC, for 'determining' a syndicate's tax profit or loss, and for dealing with other aspects of a managing agent's obligations. The current rules are set out in Schedule 19 to Finance Act 1993.

7.3 These regulations replace and consolidate the existing rules in Schedule 19 FA 1993 and in other regulations which supplement Schedule 19. They modernise the administrative machinery by applying some of the principles of self-assessment to the procedures for making returns and conducting enquiries into them. For example, the return of a syndicate's profit or loss will now include a determination of that profit or loss without the need for HMRC to state its agreement to the figures. This is similar to the way in which an individual taxpayer or a company makes a self-assessment. Managing agents will also be able to submit returns by electronic means.

7.4 Schedule 19 to Finance Act 1993 is repealed by Commencement Order 2005/3337 (C.142), with effect from the dates that these regulations have effect.

## **8. Impact**

8.1 The effect of the regulations is to update existing procedures. There are no significant business or other impacts, and a Regulatory Impact Assessment has not been published for this instrument.

8.2 The regulations will have no Exchequer effect.

## **9. Contact**

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