

**EXPLANATORY MEMORANDUM TO  
THE FINANCE ACT 1994, SECTION 220 (AMENDMENT) REGULATIONS 2007**

**2007 No. 1616**

- 1.** This explanatory memorandum has been prepared by Her Majesty's Revenue and Customs and is laid before the House of Commons by Command of Her Majesty.

This memorandum contains information for the Select Committee on Statutory Instruments.

**2. Description**

These regulations modify the Finance Act 1994 as it applies to corporate members of Lloyd's.

**3. Matters of special interest to the Select Committee on Statutory Instruments**

None

**4. Legislative Background**

4.1 The power to make the Regulations is in section 229(1)(b) of the Finance Act ("FA") 1994.

4.2 The Regulations are made primarily so that Chapter 5 of Part 4 of FA 1994 works correctly following changes made to its practices by the Society of Lloyd's.

**5. Extent**

This instrument applies to all of the United Kingdom.

**6. European Convention on Human Rights**

The Economic Secretary to the Treasury (Ed Balls MP) has made the following statement regarding Human Rights:

In my view the provisions of the Finance Act 1994, Section 220 (Amendment) Regulations 2007 are compatible with the Convention rights.

**7. Policy background**

7.1 Section 220 of FA 1994 governs the accounting period in which certain profits or losses from underwriting and related activities at Lloyd's are deemed to arise.

7.2 Following a change of practice on behalf of the Society of Lloyd's, profits or losses arising to an aligned corporate member of Lloyd's on assets which would previously have been held within the member's ancillary trust fund, or "personal

reserve fund”, may now arise on assets held on the member’s behalf within the syndicate premium trust fund.

7.3 An aligned corporate member is one who belongs to a single-member syndicate whose managing agent is a member of the same commercial group of companies as the corporate member.

7.4 The amendment ensures that the same tax treatment applies to profits or losses arising on assets held for the member on a premium trust fund as would have applied to profits or losses arising on assets held on a corporate member’s ancillary trust fund.

7.5 It is not appropriate to amend tax law otherwise than through legislative change, so no alternative avenues of achieving the same objective have been explored.

7.6 The proposal included in the Regulations has been the subject of discussion with representatives of the Society of Lloyd’s.

## **8. Impact**

A Regulatory Impact Assessment has not been prepared for this instrument as it has no impact on business, charities or voluntary bodies.

## **9. Contact**

**Victor Baker** at HM Revenue and Customs Tel: 020 7147 2616 or e-mail: victor.j.baker@hmrc.gsi.gov.uk can answer any queries regarding the instrument.