

*Status: Point in time view as at 22/04/2011.*

*Changes to legislation: There are currently no known outstanding effects for the Finance Act 1993, SCHEDULE 20. (See end of Document for details)*

## SCHEDULES

### SCHEDULE 20

Section 175.

#### LLOYD’S UNDERWRITERS: SPECIAL RESERVE FUNDS

##### **Modifications etc. (not altering text)**

- C1** Sch. 20 excluded (1.12.1997 with effect with respect to accounting periods of Lloyd's Scottish limited partnerships ending on or after that date) by [S.I. 1997/2681](#), [reg. 7\(1\)](#)

### PART I

#### REQUIREMENTS FOR AND TAX CONSEQUENCES OF NEW-STYLE FUNDS

##### *Preliminary*

- 1 (1) In this Part of this Schedule—
- “the arrangements” means the arrangements mentioned in section 175(1) of this Act;
- “cash call” means a request for funds which, in pursuance of a contract made in accordance with the rules and practices of Lloyd’s, is made to a member by the agent of a syndicate of which he is a member;
- “overall premium limit”, in relation to a member and an underwriting year, means the maximum amount which, under the rules of Lloyd’s, the member may accept by way of premiums in that year;
- [<sup>F1</sup>“payment”, unless the contrary intention appears, means a payment in money;]
- “stop-loss payment” means a payment of insurance money under a stop-loss insurance or a payment out of the High Level Stop Loss Fund;
- “syndicate profit”, in relation to a member and an underwriting year, means the amount by which the aggregate of his profits exceeds the aggregate of his losses for the year, and “syndicate loss” shall be construed accordingly.
- (2) For the purposes of the definitions of “syndicate profit” and “syndicate loss” in subparagraph (1) above—
- (a) any reference to profits or losses of a member is a reference to profits or losses which, in the accounts of the syndicates of which he is a member, are shown as arising to him, <sup>F2</sup> . . .
- (b) any payments under paragraph 3(1), 4(1), (2), (3) or (6), 5(1), (4) or (7) or 6(2) below shall be disregarded.
- [<sup>F3</sup>(c) where the accounts of a syndicate remain open beyond the end of the underwriting year which is the closing year for that syndicate, profits or losses shown in the accounts of the syndicate as arising to a member in any

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subsequent underwriting year shall be profits or losses of the member for the last underwriting year but one preceding that subsequent underwriting year.]

**Textual Amendments**

- F1** Definition in Sch. 20 para. 1(1) inserted (3.5.1994 with effect for the underwriting year 1992 and subsequent years of assessment) by 1994 c. 9, s. 228, **Sch. 21 para. 12(1)(3)**
- F2** Word in Sch. 20 para. 1(2) omitted (9.3.1995 with effect for the year 1992-93 and subsequent years of assessment) by virtue of **S.I. 1995/353, regs. 1, 3(2)**
- F3** Sch. 20 para. 1(2)(c) added (9.3.1995 with effect for the year 1992-93 and subsequent years of assessment) by **S.I. 1995/353, regs. 1, 3(3)**

**Modifications etc. (not altering text)**

- C2** Sch. 20 paras. 1, 3-6, 8 modified (9.3.1995 with effect for the year 1994-95 and subsequent years of assessment) by **S.I. 1995/353, reg. 7(1)(3)(a)**

*General requirements*

- 2 (1) The arrangements must provide—
- (a) for the setting up, in relation to any member, of a special reserve fund vested in one or more trustees who have control over it, and
  - (b) for the appointment of an authorised fund manager (who may be the trustees or one of the trustees) to invest the capital of the fund and to vary the investments;

and in this sub-paragraph “authorised” means authorised under the rules of Lloyd’s.

- [<sup>F4</sup>(2) The arrangements must be such as to secure that—
- (a) any income arising to the trustee or trustees of the special reserve fund shall be added to the capital of the fund and held on the same trusts as the fund; and
  - (b) except as required or permitted by this Schedule, no payments shall be made into or out of the special reserve fund.]

**Textual Amendments**

- F4** Sch. 20 para. 2(2) substituted for Sch. 20 para. 2(2)(3) (retrospective to 27.7.1993) by 1995 c. 4, s. 143

*Payments into fund out of syndicate profits*

- 3 (1) The arrangements must be such as to secure that, if the member has made a syndicate profit for an underwriting year, he has the right to make, into his special reserve fund, payments the amount of which is not in the aggregate greater than whichever of the following is the less, namely—
- (a) 50 per cent. of that profit; and
  - (b) the amount (if any) by which 50 per cent. of the member’s overall premium limit for the closing year exceeds the value of the fund as at the end of that year.
- (2) Any payments which a member is entitled to make by virtue of sub-paragraph (1) above must be made before the end of such period as may be prescribed.

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- (3) Where the member did not accept premiums in the closing year, the reference in sub-paragraph (1)(b) above to the member’s overall premium limit for that year shall be construed as a reference to that limit for the latest underwriting year in which he did so.

**Modifications etc. (not altering text)**

- C3** Sch. 20 paras. 1, 3-6, 8 modified (9.3.1995 with effect for the year 1994-95 and subsequent years of assessment) by *S.I. 1995/353, reg. 7(1)(3)(a)*

*Payments out of fund to cover cash calls*

- 4 (1) The arrangements must be such as to secure that, if a cash call is made on the member in respect of an underwriting year, there shall be made into a [<sup>F5</sup>premium] trust fund of his, out of his special reserve fund, payments the amount of which is equal in the aggregate to the amount of the call, or the amount of his special reserve fund, whichever is the less.
- [<sup>F6</sup>(1A) References in sub-paragraph (1) above to a cash call include references to a cash call made in respect of an underwriting year determined by paragraph 1(2)(c) above (“the relevant cash call”) if and to the extent that the aggregate amount of the relevant cash call and any previous cash calls made on the member in respect of the syndicate concerned exceeds the net amount of losses arising to the member from that syndicate which have been declared before the date of the relevant cash call after deducting the amount of profits arising to him from that syndicate which have been so declared.]
- (2) Where the aggregate amount of any payments made under sub-paragraph (1) above in respect of any year is found to exceed the amount of the member’s syndicate loss for the year, there shall be made into his special reserve fund, out of a [<sup>F5</sup>premium] trust fund or ancillary trust fund of his, payments the amount of which is equal in the aggregate to the amount of the excess.
- (3) Where a stop-loss payment is made to the member in respect of his syndicate loss for any year, so much of the stop-loss payment as does not exceed the requisite amount shall be paid into his special reserve fund.
- (4) In sub-paragraph (3) above “the requisite amount” means so much of the amount (if any) given by sub-paragraph (5) below as does not exceed the aggregate amount mentioned in paragraph (b) of that sub-paragraph.
- (5) The amount given by this sub-paragraph is the amount by which—
- (a) the amount of the stop-loss payment, and
  - (b) the aggregate amount of the payments under sub-paragraph (1) above as reduced by the aggregate amount of any payments under sub-paragraph (2) above,
- exceeds in the aggregate the amount of the member’s syndicate loss.
- (6) Where the whole or any part of a stop-loss payment made to a member is repaid, there shall be made to the member or his personal representatives or assigns, out of his special reserve fund, payments the amount of which is equal in the aggregate to the amount (if any) to which sub-paragraph (7) below applies or the amount of his special reserve fund, whichever is the less.

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- (7) This sub-paragraph applies to any amount which—
- (a) has been paid into the member’s special reserve fund under sub-paragraph (2) or (3) above, but
  - (b) would not have been so paid but for the stop-loss payment or (as the case may be) the part repaid.
- (8) Any payments required by sub-paragraph (1), (2), (3) or (6) above shall be made before the end of such period as may be prescribed.

**Textual Amendments**

- F5** Word in Sch. 20 para. 4(1)(2) substituted (1.12.2001) by [S.I. 2001/3629](#), [arts. 1\(2\)](#), [82\(g\)\(i\)](#)
- F6** Sch. 20 para. 4(1A) inserted (9.3.1995 with effect for the year 1992-93 and subsequent years of assessment) by [S.I. 1995/353](#), [regs. 1](#), [4\(2\)](#)

**Modifications etc. (not altering text)**

- C4** Sch. 20 paras. 1, 3-6, 8 modified (9.3.1995 with effect for the year 1994-95 and subsequent years of assessment) by [S.I. 1995/353](#), [reg. 7\(1\)\(3\)\(a\)](#)

*Payments out of fund to cover syndicate losses*

- 5 (1) The arrangements must be such as to secure that, if the member has sustained a syndicate loss for an underwriting year, there shall be made into a [<sup>F7</sup>premium] trust fund of his, out of his special reserve fund, payments the amount of which is equal in the aggregate to the net amount of the loss or the amount of his special reserve fund, whichever is the less.
- (2) Sub-paragraphs (3) and (4) below apply where a stop-loss payment is made to the member in respect of his syndicate loss for any year.
- (3) If any payments are subsequently made for the year under sub-paragraph (1) above, the aggregate amount of those payments shall be determined as if the net amount of the syndicate loss were reduced by the amount of the stop-loss payment.
- (4) If any payments have previously been made for the year under sub-paragraph (1) above, so much of the stop-loss payment as does not exceed the requisite amount shall be paid into his special reserve fund.
- (5) In sub-paragraph (4) above “the requisite amount” means so much of the amount (if any) given by sub-paragraph (6) below as does not exceed the amount mentioned in paragraph (b) of that sub-paragraph.
- (6) The amount given by this sub-paragraph is the amount by which—
- (a) the amount of the stop-loss payment, and
  - (b) the aggregate amount of the payments made under sub-paragraph (1) above, exceeds in the aggregate the net amount of the member’s syndicate loss.
- (7) Where the whole or any part of a stop-loss payment made to a member is repaid, there shall be made to the member or his personal representatives or assigns, out of his special reserve fund, payments the amount of which is equal in the aggregate to the aggregate of the amounts (if any) to which sub-paragraphs (8) and (9) below apply or the amount of his special reserve fund, whichever is the less.

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- (8) This sub-paragraph applies to any amount which—
- (a) has not been paid out of the member’s special reserve fund under sub-paragraph (1) above, but
  - (b) would have been so paid but for the stop-loss payment or (as the case may be) the part repaid.
- (9) This sub-paragraph applies to any amount which—
- (a) has been paid into the member’s special reserve fund under sub-paragraph (4) above, but
  - (b) would not have been so paid but for the stop-loss payment or (as the case may be) the part repaid.
- (10) Any payments required by sub-paragraph (1), (4) or (7) above shall be made before the end of such period as may be prescribed.
- (11) In this paragraph “net amount”, in relation to a member’s syndicate loss for any year, means the amount of the loss as reduced by the amount of any payments made under paragraph 4(1) above for the year.

#### Textual Amendments

**F7** Word in Sch. 20 para. 5(1) substituted (1.12.2001) by [S.I. 2001/3629](#), [arts. 1\(2\)](#), [82\(g\)\(ii\)](#)

#### Modifications etc. (not altering text)

**C5** Sch. 20 paras. 1, 3-6, 8 modified (9.3.1995 with effect for the year 1994-95 and subsequent years of assessment) by [S.I. 1995/353](#), [reg. 7\(1\)\(3\)\(a\)](#)

#### *Valuation and payments out of fund of excess amounts*

- 6 (1) The arrangements must be such as to secure that the fund manager of a member’s special reserve fund—
- (a) shall determine in the prescribed manner the value of the fund as at the end of the year 1994 and each subsequent underwriting year; and
  - (b) shall report the value so determined to the member;
- and the report shall also state such other matters as may be prescribed.
- (2) If the value [<sup>F8</sup>(determined under sub-paragraph (1) above) of the fund as at the end] of any underwriting year exceeds 50 per cent. of—
- [<sup>F9</sup>(a) the higher of—
    - (i) the member’s overall premium limit for that year, and
    - (ii) his overall premium limit for the immediately preceding year; or]
    - (b) where he did not accept premiums in [<sup>F10</sup>either of those years], his overall premium limit for the last underwriting year in which he did so,there shall be made to the member or his personal representatives or assigns, out of his special reserve fund, payments the amount of which is equal in the aggregate to the excess.
- (3) The payments required by sub-paragraph (2) above shall be made before the end of such period as may be prescribed.

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#### Textual Amendments

- F8** Words in Sch. 20 para. 6(2) substituted (31.12.1999) by [S.I. 1999/3308, reg. 3\(a\)](#)  
**F9** Sch. 20 para. 6(2)(a) substituted (31.12.1999) by [S.I. 1999/3308, reg. 3\(b\)](#)  
**F10** Words in Sch. 20 para. 6(2)(b) substituted (31.12.1999) by [S.I. 1999/3308, reg. 3\(c\)](#)

#### Modifications etc. (not altering text)

- C6** Sch. 20 paras. 1, 3-6, 8 modified (9.3.1995 with effect for the year 1994-95 and subsequent years of assessment) by [S.I. 1995/353, reg. 7\(1\)\(3\)\(a\)](#)

#### *Payments out of fund on cessation*

- 7 (1) The arrangements must provide that, on the member ceasing to carry on his underwriting business, whether by reason of death or otherwise, the amount of his special reserve fund, so far as not required for giving effect to the requirements of paragraph 4 or 5 above, shall be paid over to the member or his personal representatives or assigns.
- (2) For the purposes of sub-paragraph (1) above, a payment of an amount shall be in money or [<sup>F11</sup>in assets forming part of the fund] or both, as the member or his personal representatives or assigns may direct.

#### Textual Amendments

- F11** Words in Sch. 20 para. 7(2) substituted (3.5.1994 with effect for the year 1992-93 and subsequent years of assessment) by [1994 c. 9, s. 228, Sch. 21 para. 12\(2\)\(3\)](#)

#### *Entitlement of member for tax purposes*

- [<sup>F128</sup> (1) Subject to sub-paragraph (2) [<sup>F13</sup>and paragraph 11(2)-(4)]below, a member shall be treated for the purposes of the Income Tax Acts and the Gains Tax Acts as absolutely entitled as against the trustees to the assets forming part of his special reserve fund.
- (2) Where an asset is disposed of by a member to the trustees of his special reserve fund, nothing in sub-paragraph (1) above shall affect the operation of the Gains Tax Acts in relation to that disposal.]

#### Textual Amendments

- F12** Sch. 20 para. 8 substituted (3.5.1994 with effect for the year 1994-95 and subsequent years of assessment) by [1994 c. 9, s. 228, Sch. 21 para. 13](#)  
**F13** Words in Sch. 20 para. 8 inserted (31.12.1999 with effect for the year 2000-01 and subsequent years of assessment and in relation to payments and transfers of assets made on or after 1.1.2000) by [S.I. 1999/3308, regs. 1, 4](#)

#### *Tax exemption for profits arising from assets of fund*

- 9 (1) Profits or losses arising from assets forming part of a special reserve fund shall be excluded for the purposes of income tax under the Income Tax Acts, and for the purposes of capital gains tax under the Gains Tax Acts.

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- (2) Where for any underwriting year income tax has been deducted from any profits arising from assets forming part of a special reserve fund, the fund manager may, at any time after the end of that year, claim repayment of that tax.

<sup>F14</sup>(3) . . . . .

**Textual Amendments**

**F14** Sch. 20 para. 9(3) repealed (31.7.1997 with effect in relation to distributions made on or after 6.5.1999) by 1997 c. 58, ss. 34, 52, Sch. 4 Pt. II para. 30(1)(a)(2), **Sch. 8 Pt. II(10)** Note

*Tax consequences of payments into and out of fund*

<sup>F15</sup>10 (1) In computing for the purposes of income tax the profits of a member’s underwriting business for any year of assessment, the aggregate amount of any payments which, in respect of the <sup>F16</sup>[relevant] underwriting year, are made into his special reserve fund under paragraph 3(1) above shall be deducted as an expense.

(2) In computing for the purposes of income tax the profits of a member’s underwriting business for any year of assessment—

- (a) the aggregate amount of any payments which, in respect of the <sup>F16</sup>[relevant] underwriting year, are made out of his special reserve fund under paragraph 4(1) or 5(1) above shall be treated as a trading receipt; and
- (b) the aggregate amount of any payments which, in respect of that year, are made into that fund under paragraph 4(2) or (3) or 5(4) above shall be deducted as an expense.

(3) In computing for the purposes of income tax the profits of a member’s underwriting business for any year of assessment, the aggregate amount of any payments which, as a result of the repayment of stop-loss payments in the <sup>F16</sup>[relevant] underwriting year, are made out of his special reserve fund under paragraph 4(6) or 5(7) above shall be treated as a trading receipt.

(4) In computing for the purposes of income tax the profits of a member’s underwriting business for any year of assessment, the aggregate amount of any payments which, in respect of the <sup>F16</sup>[relevant] underwriting year’s closing year, are made out of his special reserve fund under paragraph 6(2) above <sup>F17</sup>[including where they are also made under paragraph 7(1) above] shall be treated as a trading receipt.

[ In this paragraph “the relevant underwriting year”, in relation to a year of assessment, <sup>F18</sup>(5) means the underwriting year next but two before its corresponding underwriting year.]]

**Textual Amendments**

**F15** Sch. 20 para. 10 omitted (3.5.1994) (*temp.* for the years 1994-95, 1995-96 and 1996-97) by virtue of 1994 c. 9, s. 228, **Sch. 21 para. 14(3)**

**F16** Words in Sch. 20 para. 10(1)-(4) substituted (3.5.1994 but without effect for the years 1994-95, 1995-96 and 1996-97) by 1994 c. 9, s. 228, **Sch. 21 para. 14(1)(3)**

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**F17** Words in Sch. 20 para. 10(4) substituted (31.12.1999 with effect for the year 2000-01 and subsequent years of assessment and in relation to payments and transfers of assets made on or after 1.1.2000) by S.I. 1999/3308, reg. 5

**F18** Sch. 20 para. 10(5) inserted (3.5.1994 but without effect for the years 1994-95, 1995-96 and 1996-97) by 1994 c. 9, s. 228, Sch. 21 para. 14(2)(3)

**Modifications etc. (not altering text)**

**C7** Sch. 20 paras. 10 modified (9.3.1995 with effect for the year 1997-98 and subsequent years of assessment) by S.I. 1995/353, reg. 7(1)(3)(b)

*Tax consequences of cessation*

11 (1) This paragraph applies where a member ceases to carry on his underwriting business, whether by reason of death or otherwise.

<sup>F19</sup>(2) In computing for the purposes of income tax the profits of the member's underwriting business for [<sup>F20</sup>the relevant year of assessment], any payment under paragraph 7(1) above [<sup>F21</sup>(except where they are also made under paragraph 6(2) above)] which is made to him or his personal representatives or assigns out of his special reserve fund shall be treated—

- (a) [<sup>F22</sup>subject to sub-paragraph (2A) below,] as made immediately after the end of [<sup>F20</sup>the relevant underwriting year]; and
- (b) as being a [<sup>F23</sup>single] trading receipt of an amount equal to that mentioned in sub-paragraph (3) below.

[<sup>F24</sup>(2A) Where the member ceases to carry on his underwriting business by reason of his death, any payment falling within sub-paragraph (2) above shall be treated, for the purposes of sections 59C and 86 of the Management Act <sup>F25</sup>, as if made immediately after the commencement of his final year of assessment.]

(3) The amount referred to in sub-paragraph (2) above is the value of the fund, as determined under paragraph 6(1) above for [<sup>F26</sup>the penultimate underwriting year] and—

- (a) as reduced by the aggregate amount of any payments under paragraph 4(1) or (6) or 5(1) or (7) above made after the end of that year;
- (b) as increased by the aggregate amount of any payments under paragraph [<sup>F27</sup>3(1),]4(2) or (3) or 5(4) above so made; <sup>F28</sup> . . .
- (c) as increased by the amount of any tax repayment <sup>F29</sup> . . . under paragraph 9(2) <sup>F29</sup> . . . above after the end of that year.

[<sup>F30</sup>(d) as increased by an amount equal to any profits, and reduced by an amount equal to any losses, arising to the trustees from assets after the end of that year (excluding any gains or losses on assets whose transfer is treated as an acquisition by sub-paragraph (4)(a) or (b) below); and

- (e) as increased by the aggregate amount of any payments made—
  - (i) by the trustees to the member or his personal representatives or assigns,
  - (ii) out of his special reserve fund under paragraph 7(1) above (except where they are also made under paragraph 6(2) above), or otherwise than out of his special reserve fund, and
  - (iii) before the end of that year,



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and for this purpose the amount of any payment which is made by way of the transfer of an asset shall be taken to be the market value of the asset at the date of the transfer and “market value” shall be construed in accordance with section 272 of the Taxation of Chargeable Gains Act 1992<sup>F31</sup>.]

- (4) Where an asset is transferred to the member or his personal representatives or assigns under paragraph 7(1) above [<sup>F32</sup>or otherwise than out of his special reserve fund], the transfer shall be treated, for the purposes of the Gains Tax Acts [<sup>F33</sup>—
- (a) in a case where the asset was held by the trustees at the end of the penultimate underwriting year, as an acquisition of the asset by the member or his personal representatives or assigns at the end of that year for a consideration equal to its market value at that time;
  - (b) in a case where the asset was acquired by the trustees after the end of the penultimate underwriting year, as an acquisition of the asset by the member or his personal representatives or assigns, at the date on which, and for the consideration for which, the asset was acquired by the trustees; and
  - (c) in a case where the asset was both acquired by the trustees and transferred by them to the member or his personal representatives or assigns before the end of the penultimate underwriting year, as an acquisition of the asset by the member or his personal representatives or assigns at the date of the transfer and for a consideration equal to its market value at that time.]

[<sup>F34</sup>(5) In this paragraph, subject to the provisions of any regulations made by the Board—

“the penultimate underwriting year” means the underwriting year [<sup>F35</sup>corresponding to the year of assessment immediately preceding the member’s final year of assessment;]

[<sup>F36</sup>“the relevant underwriting year” means—

- (a) where a member dies before the occurrence of any of the events specified in sub-paragraph (6) below, the underwriting year immediately preceding that corresponding to the relevant year of assessment; and
- (b) in any other case, the underwriting year corresponding to the year of assessment immediately preceding the member’s final year of assessment.]

“the relevant year of assessment” means—

- (a) [<sup>F37</sup>where a member dies before the occurrence of any of the events specified in sub-paragraph (6) below, the year of assessment at the end of which he is treated, by virtue of section 179A(2) of this Act<sup>F38</sup>, as having died;]
- (b) in any other case, his final year of assessment.]

[<sup>F39</sup>(6) For the purposes of the definitions of “the relevant underwriting year” and “the relevant year of assessment” in sub-paragraph (5) above the events specified before the occurrence of which a member dies are the following—

- (a) the member’s deposit at Lloyd’s is paid over to him or his assigns, or to a person other than the member or his assigns;
- (b) the member or another person is released from any arrangement entered into by the member or that person in order to satisfy the requirement on the part of the member to provide a deposit at Lloyd’s;
- (c) the last open year of account of any syndicate of which he was a member is closed.

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- (7) For the purposes of sub-paragraph (6)(c) above, the last open year of account of any syndicate of which a person was a member shall be regarded as having closed either—
- (a) when the member is treated under the rules or practice of Lloyd’s as having been discharged of all his liabilities in relation to that syndicate, whether by the syndicate closing its accounts or by the member or his personal representatives or assigns entering into a quota share contract, or
  - (b) in a case where the member entered, or his personal representatives or assigns have entered, into a quota share contract before the end of the closing year of the syndicate, at the end of the underwriting year in which the contract was made.]

### Textual Amendments

- F19** By [S.I. 1999/3308](#), [reg. 6\(2\)\(a\)](#), it is provided that for the words “any payment which is” there shall be substituted (31.12.1999 with effect for the year 2000-01 and subsequent years of assessment and in relation to payments and transfers of assets made on or after 1.1.2000) the words “the aggregate of any payments which are”
- F20** Words in Sch. 20 para. 11(2) substituted (3.5.1994 with effect for the year 1994-95 and subsequent years of assessment) by [1994 c. 9, s. 228](#), [Sch. 21 para. 15\(1\)](#)
- F21** Words in Sch. 20 para. 11(2) inserted (31.12.1999 with effect for the year 2000-01 and subsequent years of assessment and in relation to payments and transfers of assets made on or after 1.1.2000) by [S.I. 1999/3308](#), [reg. 6\(2\)\(b\)](#)
- F22** Words in Sch. 20 para. 11(2)(a) inserted (31.12.1999 with effect for the year 2000-01 and subsequent years of assessment and in relation to payments and transfers of assets made on or after 1.1.2000) by [S.I. 1999/3308](#), [reg. 6\(2\)\(c\)](#)
- F23** Word in Sch. 20 para. 11(2)(b) inserted (31.12.1999 with effect for the year 2000-01 and subsequent years of assessment and in relation to payments and transfers of assets made on or after 1.1.2000) by [S.I. 1999/3308](#), [reg. 6\(2\)\(d\)](#)
- F24** Sch. 20 para. 11(2A) inserted (31.12.1999 with effect for the year 2000-01 and subsequent years of assessment and in relation to payments and transfers of assets made on or after 1.1.2000) by [S.I. 1999/3308](#), [reg. 6\(3\)](#)
- F25** [1970 c.9](#); section 59C was inserted by section 194 of the Finance Act 1994, and amended by section 109(1) of the Finance Act 1995. Section 86 was substituted by section 110(1) of the Finance Act 1995.
- F26** Words in Sch. 20 para. 11(3) substituted (3.5.1994 with effect for the year 1994-95 and subsequent years of assessment) by [1994 c. 9, s. 228](#), [Sch. 21 para. 15\(2\)](#)
- F27** Words in Sch. 20 para. 11(3)(b) inserted (31.12.1999 with effect for the year 2000-01 and subsequent years of assessment and in relation to payments and transfers of assets made on or after 1.1.2000) by [S.I. 1999/3308](#), [reg. 6\(4\)\(a\)](#)
- F28** Word in Sch. 20 para. 11(3) omitted (31.12.1999 with effect for the year 2000-01 and subsequent years of assessment and in relation to payments and transfers of assets made on or after 1.1.2000) by virtue of [S.I. 1999/3308](#), [reg. 6\(4\)\(b\)](#)
- F29** Words in Sch. 20 para. 11(3)(c) repealed (31.7.1997 with effect in relation to distributions made on or after 6.5.1999) by [1997 c. 58, ss. 34, 52](#), [Sch. 4 Pt. II para. 30\(1\)\(b\)\(2\)](#), [Sch. 8 Pt. II\(10\)](#) Note
- F30** Sch. 20 para. 11(3)(d)(e) added (31.12.1999 with effect for the year 2000-01 and subsequent years of assessment and in relation to payments and transfers of assets made on or after 1.1.2000) by [S.I. 1999/3308](#), [reg. 6\(4\)\(d\)\(e\)](#)
- F31** [1992 c.12](#); section 272 was amended by paragraph 12 of Schedule 38 to the [Finance Act 1996 \(c.8\)](#).
- F32** Words in Sch. 20 para. 11(4) inserted (31.12.1999 with effect for the year 2000-01 and subsequent years of assessment and in relation to payments and transfers of assets made on or after 1.1.2000) by [S.I. 1999/3308](#), [reg. 6\(5\)\(a\)](#)

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*Changes to legislation: There are currently no known outstanding effects for the Finance Act 1993, SCHEDULE 20. (See end of Document for details)*

- F33** Words in Sch. 20 para. 11(4) substituted (31.12.1999 with effect for the year 2000-01 and subsequent years of assessment and in relation to payments and transfers of assets made on or after 1.1.2000) by [S.I. 1999/3308, reg. 6\(5\)\(b\)](#)
- F34** Sch. 20 para. 11(5) substituted (3.5.1994 with effect for the year 1994-95 and subsequent years of assessment) by [1994 c. 9, s. 228, Sch. 21 para. 15\(3\)](#)
- F35** Words in Sch. 20 para. 11(5) substituted (9.3.1995 with effect for the year 1994-95 and subsequent years of assessment) by [S.I. 1995/353, reg. 8\(2\)\(6\)](#)
- F36** Definition in Sch. 20 para. 11(5) substituted (9.3.1995 with effect for the year 1994-95 and subsequent years of assessment) by [S.I. 1995/353, reg. 8\(3\)\(6\)](#)
- F37** Words in Sch. 20 para. 11(5) substituted (9.3.1995 with effect for the year 1994-95 and subsequent years of assessment) by [S.I. 1995/353, reg. 8\(4\)\(6\)](#)
- F38** Section 179A of the Finance Act 1993 was inserted by paragraph 6(2) of Schedule 21 to the Finance Act 1994.
- F39** Sch. 20 para. 11(6)-(7) added (9.3.1995 with effect for the year 1994-95 and subsequent years of assessment) by [S.I. 1995/353, reg. 8\(5\)\(6\)](#)

## PART II

### WINDING UP OF OLD-STYLE FUNDS

#### *Preliminary*

- 12 (1) In this Part of this Schedule—
- “new-style fund” means a special reserve fund set up under the arrangements mentioned in section 175(1) of this Act;
- “old-style fund” means a special reserve fund set up under the arrangements mentioned in section 452(1) of the Taxes Act 1988;
- “the relevant period”, in relation to an old-style fund, means the period of three months beginning with the closing date.
- (2) For the purposes of sub-paragraph (1) above, the closing date for an old-style fund shall be the earliest date on which each of the following has occurred as respects the year 1991-92 and earlier years of assessments, namely—
- (a) the time for making any payments into the fund under section 452(5) of the Taxes Act 1988 has expired, or the member has given notice to the inspector that he will not be making any (or any further) such payments; and
- (b) any payments required by section 453(1) of that Act to be made out of the fund have been so made.

#### *Winding up of old-style funds*

- 13 (1) A member may, at any time before the end of the relevant period, direct that so much of the capital of any old-style fund of his as represents sums paid into it under section 452(5) of the Taxes Act 1988 shall be transferred, at the end of that period, into his new-style fund; <sup>F40</sup> . . .
- (2) Where an amount of capital is transferred into a member’s new-style fund under sub-paragraph (1) above, there shall be paid into that fund by the Board an amount equal to the amount of tax which, if the amount transferred were a net amount corresponding to a gross amount from which income tax had been duly deducted at the basic rate for the year 1992-93, would have been so deducted.

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- (3) If a member does not give a direction under sub-paragraph (1) above in relation to any old-style fund of his, so much of the capital of that fund as represents sums paid into it under section 452(5) of the Taxes Act 1988 shall be paid over, at the end of the relevant period, to the member or his personal representatives or assigns.
- (4) In either event, the remaining capital of any old-style fund of a member shall be paid over, at the end of the relevant period, to the member or his personal representatives or assigns.
- (5) For the purposes of sub-paragraphs (1) and (3) above, any payments made out of an old-style fund under section 453(1) of the Taxes Act 1988 shall be treated as having been met, so far as possible, out of payments made into the fund under section 452(5) of that Act.
- [<sup>F41</sup>(6) A transfer or payment under this paragraph of an amount of capital shall be in money or in assets forming part of the fund or both, as the member may direct.]

#### Textual Amendments

- F40** Words in Sch. 20 para. 13(1) repealed (3.5.1994 with effect for the year 1992-93 and subsequent years of assessment) by 1994 c. 9, ss. 228, 258, Sch. 21 para. 16(1)(3), Sch. 26 Pt. V(25) Note 6
- F41** Sch. 20 para. 13(6) inserted (3.5.1994 with effect for the year 1992-93 and subsequent years of assessment) by 1994 c. 9, s. 228, Sch. 21 para. 16(2)(3)

#### *Tax consequences of winding up*

- 14 (1) Where an asset is transferred into a member’s new-style fund under paragraph 13(1) above, the transfer shall be treated, for the purposes of the Gains Tax Acts, to be a disposal of the asset by the member for a consideration equal to its market value.
- (2) Sub-paragraph (3) below applies where an amount is paid over to the member or his personal representatives or assigns under paragraph 13(3) above.
- (3) In computing for the purposes of income tax the profits of the member’s underwriting business for the year 1992-93, it shall be assumed—
- (a) that the amount paid were a net amount corresponding to a gross amount from which income tax had been duly deducted at the basic rate for that year; and
  - (b) that the corresponding gross amount were a trading receipt for that year.

**Status:**

Point in time view as at 22/04/2011.

**Changes to legislation:**

There are currently no known outstanding effects for the Finance Act 1993, SCHEDULE 20.