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STATUTORY INSTRUMENTS

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**1995 No. 1185**

**INCOME TAX**

**The Lloyd's Underwriters (Special Reserve Funds) (Amendment) Regulations 1995**

<i>Made</i>	- - - -	<i>2nd May 1995</i>
<i>Laid before the House of Commons</i>	- - - -	<i>2nd May 1995</i>
<i>Coming into force</i>	- -	<i>23rd May 1995</i>

The Commissioners of Inland Revenue, in exercise of the powers conferred on them by section 182(1)(c) and (4) of the Finance Act 1993(1), hereby make the following Regulations:

**Citation and commencement**

1. These Regulations may be cited as the Lloyd's Underwriters (Special Reserve Funds) (Amendment) Regulations 1995 and shall come into force on 23rd May 1995.

**Interpretation**

2. In these Regulations "the principal Regulations" means the Lloyd's Underwriters (Special Reserve Funds) Regulations 1995(2) and "regulation" means a regulation of those Regulations.

**Amendments to the principal Regulations**

3. In regulation 5(2)(a)(i) for the word "above" there shall be substituted the words "of Schedule 20".

4. For regulation 7 there shall be substituted the following regulations—

“7.—(1) For the purposes of the Income Tax Acts and these Regulations—

(a) references in paragraphs 1, 3 to 6, 8 and 10(3) of Schedule 20 to a member, other than references relating to a member's special reserve fund, shall be

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(1) 1993 c. 34.

(2) S.I. 1995/353.

(3) Paragraph 8 was substituted by paragraph 13 of Schedule 21 to the Finance Act 1994 (c. 9) with effect for the year 1994–95 and subsequent years of assessment. Paragraph 10 was amended by paragraph 14 of Schedule 21 to the Finance Act 1994 with effect for the year 1997–98 and subsequent years of assessment, and treated by that paragraph as omitted for the years 1994–95 to 1996–97.

construed, in the circumstances specified in paragraph (2) below and unless the context otherwise requires, as including references to the member's personal representatives;

- (b) references in those paragraphs to a member's special reserve fund shall be construed, in the circumstances specified in paragraph (2) below and unless the context otherwise requires, as including references to income arising after the death of the member from assets of the fund and retained by the trustees, and profits arising from the investment of that income.
- (2) The circumstances specified in this paragraph are where—
- (a) the member dies on or after 6th April 1994, and
  - (b) the member's personal representatives carry on his underwriting business after his death.
- (3) This regulation shall have effect—
- (a) in its application to paragraphs 1, 3 to 6 and 8 of Schedule 20, for the year 1994-95 and subsequent years of assessment;
  - (b) in its application to paragraph 10 of Schedule 20, for the year 1997-98 and subsequent years of assessment.

**7A.**—(1) Paragraph 9 of Schedule 20 (tax exemption for profits arising from assets of fund) shall apply with the modifications specified in paragraphs (2) and (3) below.

(2) In sub-paragraph (1) after the words "special reserve fund" there shall be inserted the words "or arising after the death of the member from the investment of income retained by the trustees".

(3) In sub-paragraphs (2) and (3) after the words "special reserve fund" in both places where they occur there shall be inserted the words "or arising after the death of the member as mentioned in sub-paragraph (1) above".

(4) This regulation shall have effect for the year 1994-95 and subsequent years of assessment."

**5.**—(1) In regulation 8—

- (a) in paragraph (1) for "(2)" there shall be substituted "(1A)";
- (b) after paragraph (1) there shall be inserted the following paragraph—

"(1A) In sub-paragraph (2)(4) for the words from "under paragraph 7(1) above" to "assigns" there shall be substituted the words "which is made by the trustees to him or his personal representatives or assigns out of his special reserve fund under paragraph 7(1) above, or otherwise than"."

(2) This regulation shall have effect for the year 1994-95 and subsequent years of assessment.

*S. C. T. Matheson  
C. W. Corlett*

2nd May 1995

Two of the Commissioners of Inland Revenue

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(4) Paragraph 11(2) of Schedule 20 was amended by paragraph 15(1) of Schedule 21 to the Finance Act 1994 with effect for the year 1994-95 and subsequent years of assessment.

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## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

These Regulations amend the Lloyd’s Underwriters (Special Reserve Funds) Regulations 1995 (S.I.1995/353) (“the principal Regulations”).

Regulation 1 provides for citation and commencement, and regulation 2 contains definitions.

Regulation 3 makes an amendment of a drafting nature to regulation 5 of the principal Regulations.

Regulation 4 substitutes new regulations (7 and 7A) for regulation 7 of the principal Regulations. The substituted regulation 7 extends the meaning of “special reserve fund” in certain provisions of Part I of Schedule 20 to the Finance Act 1993 (“Schedule 20”) so as to include income arising after the death of an underwriting member from assets of his special reserve fund where the income is retained by the trustees and invested (“retained income”), and profits arising from the investment of that income. Regulation 7A modifies paragraph 9 of Schedule 20 (tax exemption for profits arising from assets of special reserve fund) so as to extend the tax exemptions conferred by that paragraph to profits arising after the death of the member from retained income.

Regulation 5 amends regulation 8 of the principal Regulations by further modifying paragraph 11 of Schedule 20 (tax consequences of cessation) so as to extend the charge to tax under that paragraph on payments made to a member out of his special reserve fund to payments of retained income made after the member’s death to his personal representatives.

Regulation 4 (except in its application to paragraph 10 of Schedule 20) and regulation 5 have effect for the year 1994-95 and subsequent years of assessment. Authority for the retrospective effect of these Regulations is given by section 182(4) of the Finance Act 1993.