

**EXPLANATORY MEMORANDUM TO
THE LLOYD'S UNDERWRITERS (CONVERSION TO LIMITED LIABILITY
UNDERWRITING) (TAX) REGULATIONS 2006**

2006 No. 112

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 amends the definition of a "successor partnership" in Schedule 20A to the Finance Act 1993 (Lloyd's Underwriters: Conversion to Limited Liability Underwriting) ("Schedule 20A") to include a limited liability partnership ("LLP") formed under the law of any part of the United Kingdom. It comes into force on 14th February 2006.

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 section 182(1)(b) of the Finance Act 1993.

5. Extent

5.1 The instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

6.1 The Economic Secretary to the Treasury, Ivan Lewis M.P. has made the following statement regarding Human Rights:

"In my view, the provisions of the Lloyd's Underwriters (Conversion to Limited Liability Underwriting) (Tax) Regulations 2006 are compatible with the Convention rights."

7. Policy Background

7.1 Under Lloyd's rules, an individual member of Lloyd's may transfer his or her underwriting business to a company or a Scottish limited partnership (SLP) that is a member of Lloyd's. This is normally referred to as "conversion". Schedule

20A allows members who convert in this way to carry forward income tax losses, and to claim capital gains tax rollover relief on disposal of certain assets used in connection with their Lloyd's business. An SLP that takes over the underwriting business of an individual member of Lloyd's is defined in Schedule 20A as a "successor partnership".

7.2 On 7 December 2005 Lloyd's amended its byelaws to include LLPs within the definition of persons admitted to membership of Lloyd's. This instrument accordingly amends the definition of a successor partnership in Schedule 20A to include a LLP. Members of Lloyd's who convert to a LLP will therefore be entitled to claim the tax reliefs in Schedule 20A.

8. Impact

8.1 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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