SCHEDULES

SCHEDULE 17

PART 2: TRANSITIONAL PROVISION

PART 2

SPECIFIC TRANSITIONAL PROVISIONS

Insurance company with BLAGAB consisting wholly of protection business

21 (1) This paragraph applies if—

(a) in its first accounting period to which this Part applies an insurance company carries on business which, under the old law, would have been basic life assurance and general annuity business,

(b) the business in question consists wholly of the effecting or carrying out of contracts of long-term insurance in relation to which the condition in section 62(2)(a) is met, and

(c) some or all of the contracts are made before 1 January 2013.

(2) On or before the filing date for that accounting period, the company may make an election for the contracts made before that date to be treated for the purposes of section 62 as if they were made on or after that date.

(3) Accordingly, no relief is available for any amount that, but for the election, would have constituted excess BLAGAB expenses for that accounting period.

(4) The election has effect for the first accounting period of the company to which this Part applies and all subsequent accounting periods.

(5) The election is irrevocable.

(6) In this paragraph—

"the filing date", in relation to an accounting period of an insurance company, means the date which, for the purposes of paragraph 14 of Schedule 18 to FA 1998, is the filing date for the company's tax return for that period, and

"the old law" means the law as it had effect immediately before the day on which this Act is passed.

Disregard of amounts previously taken into account for tax purposes

22 (1) This paragraph applies if, for an accounting period ending before 1 January 2013, an amount is taken into account in calculating the profits of an insurance company arising from life assurance business in accordance with the provisions applicable for the purposes of the taxation of such profits under section 35 of CTA 2009 (charge on trade profits).

(2) For any accounting period beginning on or after 1 January 2013—

(a) the amount is not to be taken into account in calculating the BLAGAB trade profit or loss of any basic life assurance and general annuity business carried on by the company, and

(b) the amount is not to be taken into account in calculating for corporation tax purposes the profits of any non-BLAGAB long-term business carried on by the company.

23 For the purposes of section 76 an expense is to be treated as deductible under another relevant rule so far as it was brought into account at Step 1 in section 76(7) of ICTA as an expense referable to an accounting period ending before 1 January 2013.

Intangible fixed assets

24 (1) This paragraph applies to assets—

(a) which, under the old law, were assets excluded from Part 8 of CTA 2009 (intangible fixed assets), and

(b) which, as a result of provision made by this Part of this Act, become assets which are not excluded from Part 8 of that Act.

(2) Any expenditure incurred before 1 January 2013 on an asset to which this paragraph applies is to be left out of account in determining any amount to be brought into account under Part 8 of CTA 2009.

(3) Section 780 of CTA 2009 (company ceasing to be member of group: deemed realisation and re-acquisition at market value) is not to apply in relation to any asset to which this paragraph applies.

(4) For the purposes of this paragraph references to an asset's exclusion from Part 8 of CTA 2009 includes its exclusion from that Part except as respects royalties.

(5) In this paragraph "the old law" means the law as it had effect immediately before the day on which this Act is passed.

Assets held for purposes of long-term business

25 (1) The rules in sections 116 to 118 apply in relation to anything occurring on or after 1 January 2013 (and the rules in section 440 of ICTA, including as modified, apply in relation to anything occurring before that date).

(2) Accordingly, the replacement of the rules in section 440 of ICTA with the different rules in sections 116 to 118 is not by itself sufficient to give rise to a deemed disposal and re-acquisition for the purposes of corporation tax on chargeable gains.

26 (1) The rules in sections 119 to 121 apply in relation to securities held on or after 1 January 2013 (and the rules in section 440A of ICTA, including as modified, apply in relation to securities held before that date).

(2) The replacement of the separate holdings given by section 440A of ICTA (including as modified) with the separate holdings given by sections 119 to 121 is, for the purposes of corporation tax on chargeable gains, not to be treated as involving a disposal or acquisition that gives rise to a chargeable gain or allowable loss.

(3) But see paragraph 27 for provision for carrying forward the base cost of the old holdings into the base cost of the new holdings.

27 (1) This paragraph applies if—

(a) immediately before 1 January 2013 securities are treated, as a result of section 440A of ICTA (including as modified), as separate holdings of a company for the purposes of corporation tax, and

(b) the securities that are comprised in those separate holdings (the "old holdings") are, as at 1 January 2013, comprised in separate holdings of the company as determined by the rules in sections 119 to 121 (the "new holdings").

(2) Each new holding is treated for the purposes of corporation tax on chargeable gains as if it were a holding of the company with a base cost and an indexation allowance as at 1 January 2013 equal to the total of the base costs and indexation allowances of the old holdings that are carried into the new holding.

(3) In the case of securities ("new securities") comprised in a new holding, the amount of the base cost or indexation allowance of an old holding that is carried into the new holding is equal to the proportion which the new securities derived from the old holding bear to all of the securities comprised in the old holding.

(4) For the purpose of calculating the indexation allowance of a new holding in respect of any period falling on or after 1 January 2013, it is to be assumed that, on that date, there had been a disposal of the holding for a consideration of such amount as would secure that on the disposal neither a gain nor a loss would accrue to the company.

(5) For the purposes of this paragraph—

(a) references to a base cost are—

(i) in the case of a section 104 holding, references to the amount of qualifying expenditure within the meaning of section 110 of TCGA 1992, and

(ii) in the case of a 1982 holding, references to the amount of expenditure that would fall to be deducted if the holding were disposed of,

(b) references to an indexation allowance are—

(i) in the case of a section 104 holding, references to the indexation allowance as found in accordance with section 110 of TCGA 1992, and

(ii) in the case of a 1982 holding, references to the indexation allowance within the meaning of Chapter 4 of Part 2 of that Act,

(c) the base cost and the indexation allowance of an old holding are calculated on the assumption that the holding is disposed of immediately before 1 January 2013,

(d) "section 104 holding" has the same meaning as in section 104(3) of TCGA 1992, and

(e) "1982 holding" has the same meaning as in section 109 of that Act.

28 (1) This paragraph applies in a case where—

(a) section 210B(2) to (4) of TCGA 1992 would, but for this Part of this Act, have applied in relation to a disposal and acquisition of section 440A securities, and

(b) the identification in accordance with those subsections of the section 440A securities disposed of with the section 440A securities acquired would have involved—

(i) identifying securities disposed of before 1 January 2013 with securities acquired on or after that date, or

(ii) identifying securities acquired before 1 January 2013 with securities disposed of on or after that date.

(2) The securities disposed of are to be identified with the securities acquired (if necessary applying the rules in section 210B(3) and (4) of TCGA 1992 and subject to section 105(1) of that Act), and—

(a) in a case within sub-paragraph (1)(b)(i), the securities acquired are not therefore to be comprised in a separate holding of securities within any of sections 119 to 121 of this Act, and

(b) in a case within sub-paragraph (1)(b)(ii), the securities acquired are not therefore to be regarded as comprised in a separate holding of securities within section 440A of ICTA (including as applied).

(3) In this paragraph "section 440A securities" has the same meaning as in section 210B of TCGA 1992.

Carry-forward of trading losses and excess management expenses

29 (1) Any unused losses arising to an insurance company in an accounting period ending before 1 January 2013 from gross roll-up business may be relieved in subsequent accounting periods in accordance with section 45 of CTA 2010 (carry forward of trade loss against subsequent trade profits) as if they were losses that had arisen from non-BLAGAB long-term business.

(2) For this purpose a loss is "unused" so far as no relief has been given for it under—

(a) section 436A of ICTA (including as applied by any provision of Part 2 of Schedule 7 to FA 2007), or

(b) any other provision of the Corporation Tax Acts.

30 (1) Any unused losses arising to an insurance company in an accounting period ending before 1 January 2013 from PHI business may be relieved in subsequent accounting periods in accordance with section 45 of CTA 2010 as if they were losses that had arisen from non-BLAGAB long-term business.

(2) For this purpose a loss is "unused" so far as, but for this Part of this Act, it would have been available for carry forward under section 45 of CTA 2010 for use in relation to profits of the PHI business for subsequent accounting periods.

31 (1) The appropriate part of any unused life assurance trade losses arising to an insurance company in an accounting period ending before 1 January 2013 is to be treated for the purposes of section 124 as if it were the unrelieved loss available for relief in subsequent accounting periods in accordance with that section.

(2) A "life assurance trade loss" means a loss arising to an insurance company from life assurance business which is calculated in accordance with the life assurance trade profits provisions.

(3) A life assurance trade loss is "unused" so far as no relief is given for it under—

(a) section 85A or 89 of FA 1989, or

(b) any other provision of the Corporation Tax Acts.

(4) The "appropriate" part of any unused life assurance trade losses is the amount (if any) by which—

(a) the amount of the unused life assurance trade losses, exceeds

(b) the amount of unused losses arising to an insurance company in an accounting period ending before 1 January 2013 from gross roll-up business (with the definition of "unused" in paragraph 29(2) applying here).

32 (1) This paragraph applies if, but for this Part of this Act, an amount would have been carried forward to an accounting period of an insurance company under section 76(12) or (13) of ICTA (expenses of insurance companies).

(2) The amount is to be treated for the purposes of step 5 of section 76 as an expense from a previous accounting period carried forward as a result of section 73 to the accounting period of the company beginning on 1 January 2013.

33 (1) This paragraph applies if, but for this Part of this Act, any amount of expenses would, as a result of section 86(8) and (9) of FA 1989 (relief for fraction of acquisition expenses for earlier accounting periods), have been relieved in an accounting period of an insurance company beginning on or after 1 January 2013.

(2) Relief is to continue to be given for the expenses in question as follows—

(a) the amount of the relief for each accounting period is to be determined in accordance with section 86(8) and (9) of FA 1989 (despite their repeal by this Part of this Act), and

(b) the relief is to be given by treating the amount of the expenses as deemed BLAGAB management expenses for the accounting periods in question for the purposes of section 76.

(3) But relief is not to be given as a result of sub-paragraph (2) for any expenses for any accounting period ("the period concerned") if the expenses are reversed in the period concerned or any preceding accounting period.

Relief for BLAGAB trade losses for accounting period beginning on or after 1 January 2013

34 (1) This paragraph applies if—

(a) an insurance company carries on basic life assurance and general annuity business in an accounting period beginning on or after 1 January 2013, and

(b) the company has a BLAGAB trade loss for the accounting period.

(2) For the purposes of section 37(6) of CTA 2010 (as applied by section 123) the company is to be treated as carrying on that business in a previous accounting period if the company carried on life assurance business in that period.

Assets of the shareholder fund

35 (1) This paragraph applies in relation to assets of an insurance company carrying on life assurance business which were assets of the shareholder fund of the company for the period of account ending immediately before 1 January 2013.

(2) Those assets are, in relation to times on or after that date, to be regarded for the purposes of this Part as assets forming part of the long-term business fixed capital of the company (whether or not they would otherwise be so regarded).

(3) An asset is an "asset of the shareholder fund of an insurance company for the period of account ending immediately before 1 January 2013" if it is shown in any of lines 11 to 102 of Form 13 in the company's periodical return ending immediately before that date in respect of assets other than those of its long-term business.

(4) But an asset is not to be regarded as an asset of the shareholder fund for that period of account if for any accounting period ending before 1 January 2013—

(a) income arising from the asset was, or chargeable gains or allowable losses accruing on any part disposal of the asset for the purposes of TCGA 1992 were, taken into account for the purposes of the charge to corporation tax on the I minus E basis, or

(b) income arising from the asset was taken into account in calculating the profits of the company in respect of its life assurance business in accordance with the provisions applicable for the purposes of the taxation of such profits under section 35 of CTA 2009 (charge on trade profits).