



Corporation Tax Act 2010

2010 CHAPTER 4

[^{F1}PART 7ZA

RESTRICTIONS ON OBTAINING CERTAIN DEDUCTIONS

Exclusion for certain general insurance companies

[^{F1}269ZN] **Determination of shock loss threshold**

- (1) A company's shock loss threshold for a 12 month period is determined as follows.

Step 1

- (a) Calculate the company's solvency capital requirement at the beginning of that period.
- (b) But any adjustment for the loss-absorbing capacity of deferred taxes is to be calculated, and applied, on the assumption that that period is a solvency shock period in relation to the company.
- (c) The resulting amount is the company's "adjusted SCR".

Step 2 Calculate the deductible amount (see subsection (2)) for each relevant ring-fenced fund of the company.

Step 3 Deduct the total of the amounts found under step 2 from the company's adjusted SCR.

Step 4 Multiply the amount found under step 3 by 90%.

Step 5 The result is the company's shock loss threshold for the period.

- (2) The deductible amount for a relevant ring-fenced fund is the lesser of A and B, where—
- (a) A is the amount of basic own funds within that fund at the beginning of the period (or zero, if greater);
 - (b) B is the notional solvency capital requirement for that fund at the beginning of that period.
- (3) But in calculating amount A for the purposes of subsection (2)—

Changes to legislation: There are currently no known outstanding effects for the Corporation Tax Act 2010, Section 269ZN. (See end of Document for details)

- (a) no account is to be taken of the value of future transfers attributable to shareholders;
 - (b) a restricted own-fund item within the fund is to be disregarded if the company's with-profits actuary provides a written opinion confirming that the condition in subsection (4) is met.
- (4) The condition is that—
- (a) the item is available as a restricted own-fund item pursuant to conditional support arrangements, and
 - (b) if at the time mentioned in subsection (2)(a) or any subsequent time (when the conditional support arrangements are in place) the value of the company's interest in the item were to be (or is in fact) greater than zero, that value would be recognised for the purposes of a balance sheet drawn up at the time in question by the company in accordance with generally accepted accounting practice.
- (5) In this section “conditional support arrangements” means arrangements under which the relevant restrictions would cease to apply if specified conditions relating to the financial strength of the fund were met.
- (6) In subsection (5) “the relevant restrictions” means the restrictions on transferability as a result of which the item is a restricted own-fund item.
- (7) In this section “adjustment for the loss-absorbing capacity of deferred taxes” means—
- (a) an adjustment pursuant to Article 103(c) of the Solvency 2 Directive, or
 - (b) any corresponding adjustment made pursuant to Subsection 3 of Section 4 of Chapter 6 of Title 1 of the Solvency 2 Directive (solvency capital requirement full and partial internal models).
- (8) Where the company is a third-country insurance undertaking—
- (a) steps 1(b) and 2 to 5 of subsection (1), and
 - (b) subsections (2) to (7),
- have effect with any modifications that are appropriate as a result of the reference in step 1(a) of subsection (1) to the “solvency capital requirement” having effect in accordance with section 269ZP(1)(b).]

Textual Amendments

F1 Pt. 7ZA inserted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 4 para. 16](#)

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