



Finance Act 2012

2012 CHAPTER 14

PART 2

INSURANCE COMPANIES CARRYING ON LONG-TERM BUSINESS

CHAPTER 11

DEFINITIONS

136 Meaning of “BLAGAB trade profit” and “BLAGAB trade loss”

- (1) In relation to the carrying on by an insurance company of basic life assurance and general annuity business, this section explains for the purposes of this Part what is meant by—
 - (a) the “BLAGAB trade profit” of the company, and
 - (b) the “BLAGAB trade loss” of the company.
- (2) The company has a “BLAGAB trade profit” for an accounting period if, calculated in accordance with the ordinary trading rules, there are profits of that business for the accounting period that, but for sections 68 and 69, would be chargeable to corporation tax on income under section 35 of CTA 2009 (charge to tax on trade profits).
- (3) The amount of the BLAGAB trade profit is the amount of those profits that, but for those sections, would be so chargeable.
- (4) The company has a “BLAGAB trade loss” for an accounting period if, calculated in accordance with the ordinary trading rules, the company makes a loss in that business for the accounting period in a case where, had there been profits, they would, but for those sections, have been so chargeable.
- (5) The ordinary trading rules have effect for the purpose of calculating the company’s BLAGAB trade profit or loss subject to the provision made by—
 - (a) sections 106 to 108 (policyholder tax),
 - (b) Chapter 6 (trade calculation rules applying to long-term business),

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- (c) Chapter 7 (trading apportionment rules), and
- (d) sections 129 and 130 (transfers of BLAGAB).

(6) For the purposes of this section “the ordinary trading rules” means the rules for calculating the profits of a trade for the purposes of the charge to corporation tax on income under section 35 of CTA 2009.

137 Meaning of “the long-term business fixed capital”

- (1) This section explains for the purposes of this Part what is meant by an asset forming part of “the long-term business fixed capital” of an insurance company.
- (2) An asset forms part of “the long-term business fixed capital” of the company if—
 - (a) it is held for the purposes of its long-term business, and
 - (b) it is a structural asset of that business.
- (3) The reference to a structural asset of a company’s long-term business includes shares, debts and loans which—
 - (a) are held by the company in a fund that is not a with-profits fund, and
 - (b) are of a kind that, if they had been held on 31 December 2012, their value would have been required to be entered in lines 21 to 24 of Form 13 in the periodical return of the company for the period ending immediately before 1 January 2013 (UK insurance dependants and other insurance dependants).
- (4) For the purposes of subsection (3)(b) “periodical return” has the same meaning as it has in Chapter 1 of Part 12 of ICTA.
- (5) The Treasury may make regulations providing for assets of a company’s long-term business which are of a description specified in the regulations to be regarded for the purposes of this section as being, or as not being, structural assets of that business.

138 Meaning of assets that are “matched to” liabilities

- (1) This section—
 - (a) defines for the purposes of this Part what is meant by an asset that is matched to a BLAGAB liability or other long-term business liability and what is meant by the whole or a part of an asset being matched, and
 - (b) explains for those purposes how to work out the part of an asset that is matched to a BLAGAB liability or other long-term business liability.
- (2) An asset is matched to a BLAGAB liability if, in accordance with the applicable method, some or all of the income or other return arising from that particular asset is specifically referable to the company’s basic life assurance and general annuity business.
- (3) An asset is matched to another long-term business liability if, in accordance with the applicable method, some or all of the income or other return arising from that particular asset is specifically referable to the company’s non-BLAGAB long-term business.
- (4) The whole of an asset is matched to a BLAGAB liability if, in accordance with the applicable method, the whole of the income or other return arising from that particular asset is specifically referable to the company’s basic life assurance and general annuity business.

- (5) A part of an asset is matched to a BLAGAB liability or other long-term business liability if, in accordance with the applicable method, part of the income or other return arising from that particular asset is specifically referable to the company's basic life assurance and general annuity business or (as the case may be) its non-BLAGAB long-term business.
- (6) A part of an asset is matched to a BLAGAB liability or other long-term business liability in proportion to the income or other return arising from that particular asset that, in accordance with the applicable method, is specifically referable to the company's basic life assurance and general annuity business or (as the case may be) its non-BLAGAB long-term business.
- (7) For the purposes of this section “the applicable method”—
- (a) in relation to the company's basic life assurance and general annuity business, means the method adopted for the purposes of section 98 which has effect in relation to the period of account in which the income or other return arises, and
 - (b) in relation to the company's non-BLAGAB long-term business, means the method adopted for the purposes of section 115 which has effect in relation to the period of account in which the income or other return arises.
- (8) For the purposes of this section any income or other return arising from an asset is to be regarded as specifically referable to a category of business in accordance with the applicable method in so far as that method is adopted in relation to the income or other return in consequence of a contractual requirement imposed on the company relating to the category of business in question.

139 Minor definitions

- (1) In this Part—
- “closing”, in relation to a period of account, means the position at the end of the period of account,
 - “derivative contract” has the same meaning as in Part 7 of CTA 2009,
 - “fair value”—
 - (a) in relation to money, means its amount, and
 - (b) in relation to other assets, means the amount which an independent person selling the assets would get,
 - “HMRC Commissioners” means the Commissioners for Her Majesty's Revenue and Customs,
 - “insurance business transfer scheme” means—
 - (a) a scheme falling within section 105 of FISMA 2000, including an excluded scheme falling within Case 2, 3, 4 or 5 of subsection (3) of that section, or
 - (b) a scheme which would fall within that subsection but for subsection (1) (b) of that section,
 - “insurance special purpose vehicle” means an undertaking which—
 - (a) assumes risks from insurance or re-insurance undertakings, and
 - (b) fully funds its exposures to those risks through the proceeds of a debt issue or other financing mechanism where the repayment rights of the providers of the mechanism are subordinated to the re-insurance obligations of the undertaking,

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“liabilities”, in relation to an insurance company, means—

- (a) the mathematical reserves of the company as determined in accordance with section 1.2 of the Insurance Prudential Sourcebook, and
- (b) liabilities of the company (whose value falls to be determined in accordance with section 1.3 of the General Prudential Sourcebook) which arise from deposit back arrangements,

“overseas life insurance company” means an insurance company which is not resident in the United Kingdom but which carries on life assurance business in the United Kingdom through a permanent establishment there,

“re-insurance” includes retrocession,

“UK life insurance company” means an insurance company other than an overseas life insurance company,

“with-profits fund” has the meaning given by the Prudential Sourcebook (Insurers).

- (2) In this Part any reference to the debiting or crediting of an amount in accounts drawn up by an insurance company is a reference to bringing in the amount as a debit or credit in—

- (a) the company’s profit and loss account, income statement or statement of comprehensive income (or other comprehensive income),
- (b) a statement of total recognised gains and losses, or
- (c) any other statement of items used in calculating the company’s income or gains, or its losses or expenses, for accounting purposes,

irrespective of how any account or statement within any of paragraphs (a) to (c) is described or otherwise referred to.

- (3) For this purpose—

“credit” means an amount which for accounting purposes increases or creates a profit, or reduces a loss, for a period of account, and

“debit” means an amount which for accounting purposes reduces a profit, or increases or creates a loss, for a period of account.

- (4) In this section—

“deposit back arrangements” means arrangements by which an amount is deposited by the re-insurer under a contract of re-insurance with the cedant,

“the Insurance Prudential Sourcebook” means the Insurance Prudential Sourcebook made by the Financial Services Authority under FISMA 2000,

“the General Prudential Sourcebook” means the General Prudential Sourcebook made by the Financial Services Authority under FISMA 2000, and

“the Prudential Sourcebook (Insurers)” means the Interim Prudential Sourcebook for Insurers made by the Financial Services Authority under FISMA 2000.

140 Abbreviations

- (1) In this Part—

“FISMA 2000” means the Financial Services and Markets Act 2000, and

“FISMA (Regulated Activities) Order 2001” means the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001.

(2) For abbreviations of other Acts, see section 228.

141 Index of defined terms, etc

(1) In this Part the following expressions are defined or otherwise explained by the provisions indicated—

<i>Expression</i>	<i>Where explained</i>
basic life assurance and general annuity business (abbreviated to “BLAGAB”)	sections 57 and 67(5)
BLAGAB trade loss	section 136
BLAGAB trade profit	section 136
closing	section 139(1)
contract of insurance	section 64
contract of long-term insurance	section 64
debiting or crediting an amount in accounts drawn up by a company	section 139(2) and (3)
derivative contract	section 139(1)
excess BLAGAB expenses	section 73
fair value	section 139(1)
HMRC Commissioners	section 139(1)
I - E profit	section 73
the I - E rules	section 70(1) and (2)
insurance business transfer scheme	section 139(1)
insurance company	section 65
insurance special purpose vehicle	section 139(1)
liabilities	section 139(1)
life assurance business	section 56
long-term business	section 63(1)
long-term business fixed capital	section 137
matched (in case of assets matched to a BLAGAB liability or other long-term business liability)	section 138
non-BLAGAB long-term business	sections 66 and 67
non-taxable distributions	section 94(4) and (5)
overseas life insurance company	section 139(1)
PHI business	section 63(2)
re-insurance	section 139(1)
UK life insurance company	section 139(1)

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<i>Expression</i>	<i>Where explained</i>
with-profits fund	section 139(1)

- (2) The expressions in the above table have the same meaning in any other provision of the Corporation Tax Acts that makes special provision in relation to—
- (a) insurance companies,
 - (b) any category of life assurance business carried on by insurance companies, or
 - (c) long-term business carried on by insurance companies.