



Finance Act 2012

2012 CHAPTER 14

PART 2

INSURANCE COMPANIES CARRYING ON LONG-TERM BUSINESS

CHAPTER 5

I - E PROFIT: POLICYHOLDERS' RATE OF TAX

Tax rate on policyholders' share of I - E profit

102 Policyholders' rate of tax on policyholders' share of I - E profit

- (1) This section applies if an insurance company has an I - E profit for an accounting period.
- (2) The rate of corporation tax chargeable for a financial year on the policyholders' share (if any) of the I - E profit is the policyholders' rate of tax.
- (3) The policyholders' rate of tax is the rate at which income tax at the basic rate is charged for the tax year that begins on 6 April in the financial year.
- (4) The policyholders' share of the I - E profit is determined in accordance with section 103.

^{F1}(5)

[^{F2}(5) The policyholders' share of the I - E profit for an insurance company's accounting period is to be left out of account in determining for the purposes of Part 3A of CTA 2010 (companies with small profits)—

- (a) the augmented profits of the company for the accounting period, and
- (b) the taxable total profits of the company for the accounting period.]

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2012,
 Cross Heading: Tax rate on policyholders' share of I - E profit. (See end of Document for details)

Textual Amendments

- F1** S. 102(5) omitted (with effect in accordance with Sch. 1 para. 22 of the amending Act) by virtue of [Finance Act 2014 \(c. 26\)](#), [Sch. 1 para. 18](#)
- F2** S. 102(5) inserted (with effect in accordance with Sch. 1 para. 34 of the amending Act) by [Finance Act 2021 \(c. 26\)](#), [Sch. 1 para. 32](#)

103 Rules for determining policyholders' share of I - E profit

- (1) This section determines for the purposes of section 102 the policyholders' share of the I - E profit of an insurance company for an accounting period.
- (2) If the basic life assurance and general annuity business of the company carried on by the company in the accounting period is mutual business, the policyholders' share of the I - E profit is the whole of that profit.
- (3) In any other case, the policyholders' share of the I - E profit is determined as follows.
- (4) The first step is to calculate whether the company has a BLAGAB trade profit for the accounting period, and, if so, its amount.
- (5) If the company does not have a BLAGAB trade profit for that period, the policyholders' share of the I - E profit is the whole of that profit.
- (6) If—
 - (a) the company has a BLAGAB trade profit for that period, and
 - (b) the adjusted amount of the BLAGAB trade profit is less than the amount of the I - E profit for that period,
 the difference between those amounts represents the policyholders' share of the I - E profit.
- (7) If—
 - (a) the company has a BLAGAB trade profit for that period, and
 - (b) the adjusted amount of the BLAGAB trade profit is equal to or more than the amount of the I - E profit,
 there is no policyholders' share of the I - E profit.
- (8) References to the adjusted amount of the BLAGAB trade profit are to be read in accordance with section 104.

Modifications etc. (not altering text)

- C1** S. 103 applied by 2010 c. 4, s. 269ZE(10) (as 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](#))

104 Meaning of “the adjusted amount”

- (1) This section explains for the purposes of section 103 what is meant by the adjusted amount of the BLAGAB trade profit.
- (2) The following adjustments are to be made to the amount of the BLAGAB trade profit.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2012,
 Cross Heading: Tax rate on policyholders' share of I - E profit. (See end of Document for details)

- (3) If relief is available under section 124^{F3}, 124A or 124C] (carry forward of BLAGAB trade losses against subsequent profits), the BLAGAB trade profit is to be reduced as mentioned in that section.
- (4) If, as a result of relief given under [^{F4}any of those sections], the BLAGAB trade profit is reduced to nil, then the adjusted amount of the BLAGAB trade profit for the purposes of section 103 is nil.
- (5) If—
- the BLAGAB trade profit is not reduced to nil as a result of relief given under section 124^{F5}, 124A or 124C or no relief is available under those sections,] and
 - in the accounting period BLAGAB non-taxable distributions are receivable by the company,
- the BLAGAB trade profit is reduced or further reduced (but not below nil) by subtracting from it an amount equal to the shareholders' share of those distributions.
- (6) The BLAGAB trade profit as so reduced or further reduced is the adjusted BLAGAB trade profit for the purposes of section 103.

Textual Amendments

- F3** Words in s. 104(3) 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. 186\(a\)](#)
- F4** Words in s. 104(4) substituted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 4 para. 186\(b\)](#)
- F5** Words in s. 104(5)(a) substituted (with effect in accordance with Sch. 4 para. 190 of the amending Act) by [Finance \(No. 2\) Act 2017 \(c. 32\)](#), [Sch. 4 para. 186\(c\)](#)

105 Meaning of “BLAGAB non-taxable distributions” and “shareholders' share”

- (1) This section explains for the purposes of section 104 what is meant by—
 “BLAGAB non-taxable distributions”, and
 “the shareholders' share” of BLAGAB non-taxable distributions.
- (2) Non-taxable distributions are “BLAGAB” non-taxable distributions if they are referable, in accordance with Chapter 7, to the company's basic life assurance and general annuity business.
- (3) The “shareholders' share” of the BLAGAB non-taxable distributions receivable by the company in the accounting period is the relevant proportion of those distributions.
- (4) The relevant proportion is—

$$\frac{\text{BTP}}{\text{BNTD} + 1}$$

where—

BTP is the amount of the BLAGAB trade profit of the company for the accounting period,

Changes to legislation: *There are currently no known outstanding effects for the Finance Act 2012,*
Cross Heading: Tax rate on policyholders' share of I - E profit. (See end of Document for details)

BNTD is the amount of the BLAGAB non-taxable distributions receivable by the company in the accounting period, and

I is the total of the amounts given by the calculations required by steps 1 to 3 in section 73 (I - E basis: income referable to BLAGAB) in relation to the company's basic life assurance and general annuity business for the accounting period.

- (5) If BTP exceeds $BNTD + I$, the shareholders' share of the BLAGAB non-taxable distributions receivable by the company in the accounting period is the whole of those distributions.

Changes to legislation:

There are currently no known outstanding effects for the Finance Act 2012, Cross Heading: Tax rate on policyholders' share of I - E profit.