



Finance Act 2012

2012 CHAPTER 14

PART 2

INSURANCE COMPANIES CARRYING ON LONG-TERM BUSINESS

CHAPTER 9

RELIEF FOR BLAGAB TRADE LOSSES ETC

The reliefs

123 Relief for BLAGAB trade losses against total profits

- (1) Section 37 of CTA 2010 (relief for trade losses against total profits) is to apply in relation to a BLAGAB trade loss for an accounting period as it applies in relation to any other loss made in a trade for an accounting period.
- (2) Subsection (1) applies despite the fact that, had there been a BLAGAB trade profit for the accounting period, that profit would not have been charged to tax under section 35 of CTA 2009 and the I - E rules would have been applicable instead.

124 Carry forward of [^{F1}pre-1 April 2017] BLAGAB trade losses against subsequent profits

- (1) This section applies if an insurance company carrying on basic life assurance and general annuity business makes a BLAGAB trade loss for an accounting period [^{F2}beginning before 1 April 2017].
- (2) Relief is available under this section for that part of the BLAGAB trade loss (“the unrelieved loss”) for which no relief is given under section 37 of CTA 2010 (as applied by section 123).
- (3) The relief for the unrelieved loss is to be given as follows.

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- (4) The unrelieved loss is to be carried forward to subsequent accounting periods (so long as the company continues to carry on basic life assurance and general annuity business).
- (5) For the purposes of—
- (a) section 93 (minimum profits charge), and
 - (b) section 104 (policyholders' rate of tax),
- the BLAGAB trade profit of any such period is reduced by the unrelieved loss so far as that loss cannot be used under this subsection to reduce the BLAGAB trade profit of an earlier period ^{F3}....
- (6) Relief under this section is subject to restriction or modification in accordance with section 137(7) of CTA 2010 and other applicable provisions of the Corporation Tax Acts.

Textual Amendments

- F1** Words in s. 124 heading 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. 25\(2\)](#)
- F2** Words in s. 124(1) 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. 25\(3\)](#)
- F3** Words in s. 124(5) omitted (with effect in accordance with Sch. 10 para. 32 of the amending Act) by virtue of [Finance Act 2019 \(c. 1\)](#), [Sch. 10 para. 17](#)

[^{F4}124A Carry forward of post-1 April 2017 BLAGAB trade losses against subsequent profits

- (1) This section applies if—
- (a) an insurance company carrying on basic life assurance and general annuity business makes a BLAGAB trade loss for an accounting period beginning on or after 1 April 2017 (“the loss-making period”),
 - (b) relief under—
 - section 37 of CTA 2010 (as applied by section 123), or
 - Part 5 of CTA 2010 (group relief) (as applied by section 125),
 is not given for an amount of the loss (“the unrelieved amount”), and
 - (c) the company continues to carry on basic life assurance and general annuity business in the next accounting period (“the later period”).
- (2) The unrelieved amount is carried forward to the later period.
- (3) Relief for the unrelieved amount is given to the company in the later period if the company has a BLAGAB trade profit for the later period.
- (4) The relief is given as set out in subsection (5).
- (5) For the purposes of—
- (a) section 93 (minimum profits charge), and
 - (b) section 104 (policyholders' rate of tax),
- the BLAGAB trade profit of the later period is reduced by the unrelieved amount ^{F5}....

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- (6) Relief under this section is subject to restriction or modification in accordance with section 137(7) of CTA 2010 and other applicable provisions of the Corporation Tax Acts.

Textual Amendments

- F4** Ss. 124A-124E 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. 26**
- F5** Words in s. 124A(5) omitted (with effect in accordance with Sch. 10 para. 32 of the amending Act) by virtue of [Finance Act 2019 \(c. 1\)](#), **Sch. 10 para. 18**

Modifications etc. (not altering text)

- C1** Ss. 124A-124E: power to amend conferred by 2010 c. 4, s. 269ZQ (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**)

124B Excess carried forward post-1 April 2017 losses: relief against total profits

- (1) This section applies if—
- an amount of an insurance company's BLAGAB trade loss for an accounting period is carried forward to an accounting period of the company (“the later period”) under section 124A(2) or 124C(3), and
 - any of that amount (“the unrelieved amount”) is not deducted under section 124A(5) or 124C(6) (as the case may be) from the company's BLAGAB trade profit (if any) of the later period.
- (2) The company may make a claim for relief to be given for the unrelieved amount under this section.
- (3) If the company makes a claim, the relief is given by deducting the unrelieved amount, or any part of it specified in the claim, from the company's total profits of the later period.
- (4) But (if the company is a Solvency 2 insurance company)—
- the company may not make a claim under this section if the unrelieved amount is wholly a shock loss, and
 - the company may not make a claim specifying a part of the unrelieved amount if that part is (to any extent) a shock loss.
- (5) For the purposes of subsection (4) assume that in any use by the company of the BLAGAB trade loss for relief under—
- section 37 of CTA 2010 (as applied by section 123),
 - Part 5 of CTA 2010 (as applied by section 125), or
 - section 124A(5) or 124C(6),
- any part of it that is a shock loss is used before any part of it that is not a shock loss.
- (6) A claim under this section must be made—
- within the period of two years after the end of the later period, or
 - within such further period as an officer of Revenue and Customs may allow.

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- (7) Relief under this section is subject to restriction or modification in accordance with section 137(7) of CTA 2010 and other applicable provisions of the Corporation Tax Acts.
- (8) In this section—
- “Solvency 2 insurance company” means an insurance undertaking, a reinsurance undertaking or a third-country insurance undertaking;
 - “insurance undertaking” has the meaning given in Article 13(1) of the Solvency 2 Directive;
 - “reinsurance undertaking” has the meaning given in Article 13(4) of the Solvency 2 Directive;
 - “Solvency 2 Directive” means Directive [2009/138/EC](#) of the European Parliament and the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II);
 - “shock loss” has the meaning given by section 269ZK of CTA 2010;
 - “third-country insurance undertaking” means an undertaking that has received authorisation under Article 162 of the Solvency 2 Directive from the Prudential Regulation Authority or the Financial Conduct Authority.

Textual Amendments

- F4** Ss. 124A-124E 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. 26](#)

Modifications etc. (not altering text)

- C1** Ss. 124A-124E: power to amend conferred by 2010 c. 4, s. 269ZQ (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](#))
- C2** S. 124B restricted by 2010 c. 4, s. 676BC (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. 76](#))

124C Further carry forward against subsequent profits of post-1 April 2017 loss not fully used

- (1) This section applies if—
- (a) an amount of an insurance company's BLAGAB trade loss for an accounting period is carried forward to an accounting period (“the later period”) of the company under section 124A(2) or subsection (3) of this section,
 - (b) any of that amount is unrelieved in the later period, and
 - (c) the company continues to carry on basic life assurance and general annuity business in the accounting period (“the further period”) after the later period.
- (2) An amount carried forward as mentioned in subsection (1)(a) is “unrelieved in the later period” so far as it is not—
- (a) deducted under section 124A(5) or subsection (6) of this section from the company's BLAGAB trade profit (if any) of the later period,
 - (b) deducted from the company's total profits of the later period on a claim under 124B, or
 - (c) surrendered by way of group relief for carried-forward losses under Part 5A of CTA 2010.

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- (3) So much of the amount mentioned in subsection (1)(a) as is unrelieved in the later period is carried forward to the further period.
- (4) Relief for the amount carried forward under subsection (3) (“the remaining carried forward amount”) is given to the company in the further period if the company has a BLAGAB trade profit for that period.
- (5) The relief is given as set out in subsection (6).
- (6) For the purposes of—
 - (a) section 93 (minimum profits charge), and
 - (b) section 104 (policyholders' rate of tax),the BLAGAB trade profit of the further period is reduced by the remaining carried forward amount^{F6}....
- (7) Relief under this section is subject to restriction or modification in accordance with section 137(7) of CTA 2010 and other applicable provisions of the Corporation Tax Acts.]

Textual Amendments

- F4** Ss. 124A-124E 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. 26**
- F6** Words in s. 124C(6) omitted (with effect in accordance with Sch. 10 para. 32 of the amending Act) by virtue of [Finance Act 2019 \(c. 1\)](#), **Sch. 10 para. 19**
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Modifications etc. (not altering text)

- C1** Ss. 124A-124E: power to amend conferred by 2010 c. 4, s. 269ZQ (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**)

^{F7}124D Restriction on deductions from BLAGAB trade profits

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Textual Amendments

- F7** S. 124D omitted (with effect in accordance with Sch. 10 para. 32 of the amending Act) by virtue of [Finance Act 2019 \(c. 1\)](#), **Sch. 10 para. 20**

^{F8}124E Section 124D: shock losses excluded from the restriction

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Textual Amendments

- F8** S. 124E omitted (with effect in accordance with Sch. 10 para. 32 of the amending Act) by virtue of [Finance Act 2019 \(c. 1\)](#), **Sch. 10 para. 20**

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125 Group relief

- (1) Part 5 of CTA 2010 (group relief) is to apply in relation to a BLAGAB trade loss for an accounting period as it applies in relation to any other loss made in a trade for an accounting period.
- (2) Subsection (1) applies despite the fact that, had there been a BLAGAB trade profit for the accounting period, that profit would not have been charged to tax under section 35 of CTA 2009 and the I - E rules would have been applicable instead.
- (3) If for an accounting period an insurance company has—
 - (a) an I - E profit, and
 - (b) losses or other amounts within section 99(1)(d) to (g) of CTA 2010,
 the company's gross profits of the accounting period for the purposes of section 105 of that Act (restriction on surrender of those amounts) are not to include the policyholders' share of the I - E profit (as determined for the purposes of section 102).
- [^{F9}(4) For provision about the application of Part 5A of CTA 2010 (group relief for carried-forward losses) in relation to BLAGAB trade losses see subsections (3) to (5) of section 188BB of that Act.]

Textual Amendments

- F9** S. 125(4) 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. 187](#)

Restrictions

126 Restrictions in respect of non-trading deficit

- (1) The amount of a BLAGAB trade loss for an accounting period of an insurance company that is available for relief under—
 - (a) section 37 of CTA 2010 (as applied by section 123), or
 - (b) Part 5 of CTA 2010 (group relief) (as applied by section 125),
 is to be reduced by the amount of any relevant non-trading deficit which the company has for the accounting period.
- [^{F10}(1A) A loss falls within subsection (1B) so far as it—
 - (a) would (apart from that subsection) be available for relief under section 124B (excess carried forward post-1 April 2017 losses: relief against total profits), and
 - (b) arose in an accounting period for which the insurance company has a relevant non-trading deficit.
- (1B) A loss (or amount of a loss) falling within this subsection is available for relief under section 124B only so far as it exceeds the amount of that relevant non-trading deficit.
- (1C) A loss falls within subsection (1D) so far as it—
 - (a) is an amount which a company (“the surrendering company”) may surrender by virtue of section 188BB(4) (surrender of carried-forward BLAGAB trade losses), and

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- (b) arose in an accounting period for which the surrendering company has a relevant non-trading deficit.
- (1D) A loss (or amount of a loss) falling within this subsection is available for relief under Chapter 3 of Part 5A of CTA 2010 (claims for group relief) only so far as it exceeds the amount of that relevant non-trading deficit.
- (1E) For the purposes of subsections (1A) and (1C) it is to be assumed (where relevant) that in previous accounting periods losses which arose earlier have been utilised before losses which arose later.]
- (2) [^{F11}In this section references] to a relevant non-trading deficit for an accounting period [^{F12}are] to the non-trading deficit which the company [^{F13}has, calculated by reference only to credits and debits—
- (a) arising in respect of such of the company's loan relationships as are debtor relationships (see section 302(6) of CTA 2009), and
 - (b) referable, in accordance with Chapter 4, to the company's basic life assurance and general annuity business.]

Textual Amendments

- F10** S. 126(1A)-(1E) 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. 188\(2\)](#)
- F11** Words in s. 126(2) 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. 188\(3\)\(a\)](#)
- F12** Word in s. 126(2) 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. 188\(3\)\(b\)](#)
- F13** Words in s. 126(2) substituted (with effect in accordance with s. 67(5) of the amending Act) by [Finance Act 2016 \(c. 24\)](#), [s. 67\(4\)](#)

127 No relief against policyholders' share of I - E profit

- (1) This section applies in the case of an insurance company carrying on basic life assurance and general annuity business.
- (2) None of the following reliefs are to be given against the policyholders' share of any I - E profit of the company for any accounting period (as determined for the purposes of section 102).
- (3) The reliefs in question are—
- [^{F14}(za) relief under section 124B (relief of excess carried-forward BLAGAB trade losses against total profits),]
 - (a) relief under section 37 of CTA 2010 (including as applied by section 123),
 - (b) relief under Chapter 2 or 4 of Part 4 of CTA 2010 (loss relief),
 - (c) relief under Part 5 of CTA 2010 (group relief) (including as applied by section 125),
 - [^{F15}(ca) relief under Chapter 3 of Part 5A of CTA 2010 (group relief for carried-forward losses),]
 - (d) relief in respect of any qualifying charitable donation,
 - (e) relief in respect of any amount representing a non-trading deficit on the company's loan relationships calculated otherwise than by reference to debits

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and credits referable, in accordance with Chapter 4, to its basic life assurance and general annuity business.

- (4) If the company's basic life assurance and general annuity business is mutual business, subsection (3)(d) does not apply.

Textual Amendments

- F14** S. 127(3)(za) 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. 189(a)**
- F15** S. 127(3)(ca) 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. 189(b)**

Changes to legislation:

There are currently no known outstanding effects for the Finance Act 2012, CHAPTER 9.