
Changes to legislation: There are currently no known outstanding effects for the Finance (No. 2) Act 2017, Paragraph 26. (See end of Document for details)

SCHEDULES

SCHEDULE 4

RELIEF FOR CARRIED-FORWARD LOSSES

PART 4

INSURANCE COMPANIES: CARRYING FORWARD BLAGAB TRADE LOSSES

26 After section 124 insert—

“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 (but see also section 124D).
- (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.

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

- (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 of the company (“the later period”) under section 124A(2) or 124C(3), and
 - (b) 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)—
 - (a) the company may not make a claim under this section if the unrelieved amount is wholly a shock loss, and
 - (b) 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—
 - (a) section 37 of CTA 2010 (as applied by section 123),
 - (b) Part 5 of CTA 2010 (as applied by section 125), or
 - (c) 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—
 - (a) within the period of two years after the end of the later period, or
 - (b) within such further period as an officer of Revenue and Customs may allow.
- (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

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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.

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.
- (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 (but see also section 124D).
- (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.

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124D Restriction on deductions from BLAGAB trade profits

- (1) The sum of any deductions made by a company for an accounting period under sections 124(5), 124A(5) and 124C(6) may not exceed the relevant maximum.

But this is subject to subsection (6).

- (2) In this section the “relevant maximum” means the sum of—
- (a) 50% of the company's relevant BLAGAB trade profits for the accounting period, and
 - (b) the company's BLAGAB trade profits deductions allowance for the accounting period.
- (3) A company's “relevant BLAGAB trade profits” for an accounting period are—
- (a) the company's BLAGAB trade profit for the accounting period, less
 - (b) the company's BLAGAB trade profits deductions allowance for the accounting period.

But if the allowance mentioned in paragraph (b) exceeds the profit mentioned in paragraph (a), the company's “relevant BLAGAB trade profits” for the accounting period are nil.

- (4) A company's “BLAGAB trade profits deductions allowance” for an accounting period—
- (a) is so much of the company's deductions allowance for the period as is specified in the company's tax return as its BLAGAB trade profits deductions allowance for the period, and
 - (b) accordingly, is nil if no amount of the company's deductions allowance for the period is so specified.
- (5) An amount specified under subsection (4)(a) as a company's BLAGAB trade profits deductions allowance for an accounting period may not exceed the difference between—
- (a) the amount of the company's deductions allowance for the period, and
 - (b) the total of any amounts specified for the period under sections 269ZB(7)(a) of CTA 2010 (trading profits deduction allowance) and 269ZC(5)(a) of CTA 2010 (non-trading profits deduction allowance).
- (6) Subsection (1) does not apply to a company for an accounting period if the company's BLAGAB trade profit for the accounting period is not greater than nil.
- (7) Section 269ZB(9) of CTA 2010 gives the meaning of “deductions allowance” in relation to a company and an accounting period.

124E Section 124D: shock losses excluded from the restriction

- (1) Subsection (2) applies where the company making a deduction under section 124A(5) or 124C(6) is a Solvency 2 insurance company.

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- (2) The deduction is to be ignored for the purposes of section 124D(1) and section 269ZD(2)(b)(iii) of CTA 2010 so far as it is a deduction of a shock loss.
- (3) Where, by virtue of subsection (2), any deductions made by a Solvency 2 insurance company for an accounting period would be ignored for the purposes of section 124D(1), the references in section 124D(3)(a) and (6) to the company's BLAGAB trade profit have effect as references to that profit as reduced by those deductions.
- (4) In this section “Solvency 2 insurance company” and “shock loss” have the same meaning as in section 124B.”

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