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SCHEDULES

TENTH SCHEDULE

PROVISIONS AS TO ARRANGEMENTS FOR SPECIAL RESERVE FUNDS IN RELATION TO LLOYD'S AND OTHER UNDERWRITERS

Profits tax consequences

- 10 (1) Section thirty-one of the Finance Act, 1947 (which exempts individuals from the profits tax) shall not apply in relation to the business of the underwriter carried on in, or in any part of, an underwriting year which ends in any such year of assessment as is hereafter referred to in this sub-paragraph, and, accordingly, any accounting periods of that business which consist of or fall within any such underwriting year as aforesaid, (hereafter in this paragraph referred to as "chargeable accounting periods to which this paragraph applies") shall be chargeable accounting periods.

The years of assessment hereinbefore referred to are those which respectively correspond to an underwriting year as to which the following conditions are fulfilled, that is to say—

- (a) that the underwriter was carrying on his business therein ; and
- (b) that either—
 - (i) by reason of making a profit therefor, he had a right to make a payment or payments into his special reserve fund or funds; or
 - (ii) he would have had such a right if he had made such a profit,

- (2) In computing for profits tax purposes the profits of the business of the underwriter for a chargeable accounting period to which this paragraph applies, a deduction shall be made (as if for the remuneration of a person employed for the purposes of the business) of two thousand five hundred pounds or fifteen per cent. of the profits of the business computed apart from the deduction, whichever is the greater, so, however, that the deduction shall not exceed fifteen thousand pounds :

Provided that in relation to a chargeable accounting period of less than twelve months any reference in this sub-paragraph to two thousand five hundred pounds or fifteen thousand pounds shall be construed as a reference to a sum which bears the same proportion to two thousand five hundred pounds or fifteen thousand pounds, as the case may be, as the length of the period bears to twelve months.

- (3) The reference to income from investments or other property in the opening words of sub-paragraph (1) of paragraph 7 of the Fourth Schedule to the Finance Act, 1937 (as amended by section thirty-two of the Finance Act, 1947) shall, in relation to the business of the underwriter for a chargeable accounting period to which this paragraph applies, be construed as a reference to the income arising from investments in his premiums trust fund, his special reserve fund or funds and any other fund required or authorised by the rules of Lloyd's or the association in question, or required by the underwriting agent through whom the business or any part thereof is

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carried on, to be kept in connection with the business, and paragraph (c) of that sub-paragraph shall not apply to any such income.

- (4) Notwithstanding anything in paragraph (b) of sub-paragraph (3) of paragraph 2 of the said Fourth Schedule, the expression "relevant accounting period" in sub-paragraph (2) of that paragraph shall, in relation to the business of the underwriter for any chargeable accounting period to which this paragraph applies, mean any chargeable accounting period to which this paragraph applies.
- (5) Subject to the provisions of this sub-paragraph, the references in section thirty of the Finance Act, 1947, to the net relevant distributions to proprietors shall, in relation to the business of the underwriter for a chargeable accounting period to which this paragraph applies, be construed as if—
 - (a) the references in section thirty-four of that Act to any body corporate, unincorporated society or other body included references to the underwriter; but
 - (b) the reference in the said section thirty-four to the gross relevant distributions to proprietors (as defined by section thirty-five of that Act) were a reference to the amount of the profits for that chargeable accounting period, computed without abatement and including franked investment income, less the profits tax payable for that period, and less also the gross amount of any payment into a special reserve fund made by reason of a profit for that period:

Provided that where there has been a loss for any previous chargeable accounting period to which this paragraph applies, the reference in paragraph (b) of this sub-paragraph to the amount of the profits computed without abatement and including franked investment income shall be construed as a reference to what that amount would have been if sub-paragraph (2) of paragraph 2 of the Fourth Schedule to the Finance Act, 1937 (which authorises losses to be carried forward and deducted from profits for subsequent chargeable accounting periods) had applied only to losses if and in so far as they exceeded the aggregate of the gross amounts of the payments, if any, made out of special reserve funds into premiums trust funds as the result of losses sustained in the business for the years in question.

- (6) Nothing in paragraph 9 of this Schedule shall be construed as requiring or authorising any payment into or out of a special reserve fund to be taken into account in computing for profits tax purposes the profits for a chargeable accounting period to which this paragraph applies.