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STATUTORY INSTRUMENTS

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**2004 No. 3266**

**INCOME TAX**

**The Insurance Companies (Corporation Tax Acts) Order 2004**

*Made* - - - - *9th December 2004*  
*Laid before the House of*  
*Commons* - - - - *10th December 2004*  
*Coming into force* - - *1st January 2005*

In exercise of the powers conferred upon them by section 431A of the Income and Corporation Taxes Act 1988(1) the Treasury, being satisfied that it is expedient to amend Chapter 1 of Part 12 of that Act in consequence of the exercise of powers by the Financial Services Authority under the Financial Services and Markets Act 2000(2), and to amend other provisions of the Tax Acts in their application to insurance companies, make the following Order:

**Citation, commencement and effect**

1. This Order may be cited as the Insurance Companies (Corporation Tax Acts) Order 2004, shall come into force on 1st January 2005, and shall have effect in relation to periods of account beginning on or after 1st January 2005.

**Amendment of Chapter 1 of Part 12 of the Income and Corporation Taxes Act 1988**

2. Chapter 1 of Part 12 of the Income and Corporation Taxes Act 1988 is amended as follows.
- 3.—(1) Amend section 432E (section 432B: apportionment: participating funds) (3) as follows.  
(2) At the end of subsection (1) add “but subject to section 432G”.
4. After section 432F insert—

**“Section 432B: apportionment of business transfer-in**

**432G.**—(1) This section applies where an amount falls within section 83(2)(e) of the Finance Act 1989.

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(1) 1988 c. 1. Section 431A was inserted by paragraph 2 of Schedule 6 to the Finance Act 1990 (c. 29) and amended by article 27 of S.I.2001/3629.  
(2) 2000 c. 8.  
(3) Section 432E was inserted by paragraph 4 of Schedule 6 to the Finance Act 1990, and relevantly amended by paragraphs 16 and 17 of Schedule 8 to the Finance Act 1995 and paragraph 10 of Schedule 33 to the Finance Act 2003.

(2) Where—

- (a) this section applies, and
- (b) it is necessary in accordance with section 83 to determine what part of a business transfer-in is referable to life assurance business or any category of life assurance business,

a business transfer-in shall be apportioned to the categories of business of the transferee in the proportions which the amount of the liabilities transferred for each of those categories bear to the whole of the liabilities transferred.”.

**5.—(1)** Amend section 444AC(4) (transfers of business: modification of section 83(2) of the Finance Act 1989) as follows.

(2) In subsections (2) and (3)—

- (a) for “line 15 figure” substitute “line 31 figure”; and
- (b) for “as other income” substitute “as a business transfer-in”.

(3) In subsection (2) for “83(2)(d)” substitute “83(2)(e)”.

**6.—(1)** Amend section 444AD (transfers of business: modification of section 83(2B) of the Finance Act 1989) as follows.

(2) In subsection (4)(b) for “line 15 figure” substitute “line 31 figure”.

#### **Amendment of the Finance Act 1989**

**7.** The Finance Act 1989(5) is amended as follows.

**8.—(1)** Amend section 83(6) (receipts to be taken into account in computing profits of a life assurance company chargeable to Case I of Schedule D) as follows.

(2) In subsection (2)—

- (a) at the end of paragraph (c) omit “or”;
- (b) at the end of paragraph (d) add—

“; or

(e) business transfers-in.”.

(3) In subsection (2A) for “paragraphs (a) to (d)” substitute “paragraphs (a) to (e)”.

(4) In subsection (2B) after “total expenditure” insert “, or as a business transfer-out, ”.

**9.—(1)** Amend section 83ZA (7)(contingent loans) as follows.

(2) In subsections (10)(b) and (12) for “line 15 figure” substitute “line 31 figure”.

(3) In subsection (12) for “as other income” substitute “as business transfers-in”.

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(4) This section and section 444AD were inserted by paragraph 20(1) of Schedule 33 to the Finance Act 2003.

(5) 1989 c. 26.

(6) Section 83 was substituted by paragraph 16(1) of Schedule 8 to the Finance Act 1995 and subsequently amended. The relevant amendments are those made by paragraph 2 of Schedule 33 to the Finance Act 2003.

(7) Section 83ZA was inserted by paragraph 3 of Schedule 33 to the Finance Act 2003.

9th December 2004

*Derek Twigg*  
*Jim Murphy*  
Two of the Lords Commissioners of Her  
Majesty's Treasury

**Status:** This is the original version (as it was originally made). This item of legislation is currently only available in its original format.

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## EXPLANATORY NOTE

*(This note is not part of the Order)*

This Order amends Chapter 1 of Part 12 of the Income and Corporation Taxes Act 1988 (c. 1: “ICTA”) in consequence of the adoption by the Financial Services Authority, under the powers conferred upon the Authority by the Financial Services and Markets Act 2000 (c. 8), of an integrated prudential sourcebook for determining the solvency of insurance companies.

Article 1 of the Order provides for its citation, commencement and effect.

Article 2 introduces the amendments to Chapter 1 of Part 12 of ICTA.

Article 4 inserts a new section 432G of ICTA which specifies the manner of apportioning the amount of a business transfer-in for the purposes of section 432B where section 83(2)(e) of the Finance Act 1989 applies. Article 3 makes a consequential amendment to section 432E, which is subject to section 432G.

Articles 5 and 6 make amendments to sections 444AC and 444AD of ICTA in consequence of the restructuring of the Form 40 required to be delivered with the return deposited with the Financial Services Authority under section 9.6 of the Prudential Sourcebook (Insurers).

Article 7 introduces, and articles 8 and 9 make, amendments to sections 83 and 83ZA of the Finance Act 1989.

This Order does not impose new costs on business.