

**2005 No. 3289**

**INCOME TAX**

**CORPORATION TAX**

**The General Insurance Reserves (Tax) (Amendment)  
Regulations 2005**

<i>Made</i> - - - -	<i>29th November 2005</i>
<i>Laid before House of Commons</i>	<i>30th November 2005</i>
<i>Coming into force</i> - -	<i>21st December 2005</i>

The Treasury, in exercise of the powers conferred upon them by section 107 of the Finance Act 2000<sup>(a)</sup> make the following Regulations:

**Citation, commencement and effect**

1. These Regulations may be cited as the General Insurance Reserves (Tax) (Amendment) Regulations 2005 and shall come into force on 21st December 2005.

**Amendment of the General Insurance Reserves (Tax) Regulations 2001**

2. Amend the General Insurance Reserves (Tax) Regulations 2001<sup>(b)</sup> as follows.

3.—(1) Amend paragraph (3) of regulation 3 (recalculation of technical provisions for the purposes of section 107) as follows.

(2) In Rule 8A.3(b) after “account” insert “for which an election under section 107(4) was made in respect of the provision for the earlier period”.

(3) In Rule 9.3(c) for “sections 92 to 93A” substitute “sections 92 to 92C<sup>(d)</sup>”.

4.—(1) Subject to paragraphs (2) and (3), for regulation 5 (accounting in foreign currencies and relevant discount rate) substitute—

**“Currency accounting and relevant discount rate**

5.—(1) Subject to paragraph (3), in respect of a general insurer’s business to which section 92B of the Finance Act 1993 applies, any calculation required under these Regulations shall be made in the functional currency.

---

(a) 2000 c. 17. Section 107 was amended by articles 105 and 106 of S.I. 2001/3629.

(b) S.I. 2001/1757, amended by article 193 of S.I. 2001/3629, paragraph 78 of the Schedule to S.I. 2003/2096 and S.I. 2003/2862.

(c) Rule 9.3 was amended by regulations 3, 5(1) and 3(k) of S.I. 2003/2862.

(d) Sections 92 to 93A were substituted by sections 92 to 92E by section 52 of, and paragraph 77 of Schedule 10 to, the Finance Act 2004 (c. 12).

(2) Subject to paragraph (3), in respect of a general insurer's business to which section 92C of the Finance Act 1993 applies, any calculation required under these Regulations shall be made in the accounts currency.

(3) In respect of any foreign operation, so much of any calculation required under these Regulations as relates to that operation shall be made in the currency in which the activities of the foreign operation are conducted.

(4) Where paragraph (3) applies any amount of interest calculated in accordance with these Regulations to be treated as a receipt or expense under Rule 9.3 shall be translated into the currency in which profits or losses are required to be computed under sections 92 to 92C of the Finance Act 1993 by reference to the appropriate exchange rate.

(5) If the currency determined by paragraphs (1) to (3) to be used in calculations under these Regulations is one of the currencies mentioned in paragraph (b) of Rule 5.4, the discount rate to be applied to those calculations shall be found in accordance with the formula in that paragraph, and in any other case shall be found in accordance with the formula in paragraph (a) of Rule 5.4.

(6) In this regulation—

“accounts currency” has the meaning given in section 92C(1) and (2) of the Finance Act 1993;

“appropriate exchange rate” has the meaning given in section 92D(2) of the Finance Act 1993;

“foreign operation” means—

(a) in the case of a general insurer not resident in the United Kingdom, its permanent establishment in the United Kingdom, and

(b) in any other case, an entity that is a subsidiary, associate, joint venture or branch of a general insurer the activities of which are conducted in a currency other than the functional currency;

“functional currency” has the meaning given in section 92E(3) of the Finance Act 1993.

(2) If an election was made before 31 December 2003 under regulation 5(1) as it stood immediately before the substitution of regulation 5 made by the General Insurance Reserves (Tax) (Amendment) Regulations 2003(a), the currency chosen under regulation 5(5) as it stood before that substitution may continue to be used as it might have been had the substitution made by paragraph (1) not occurred.

(3) The currency determined by regulation 5 as it stood immediately before the substitution made by paragraph (1) to be used in calculations in respect of part of a general insurer's business may continue to be used in relation to that part of the general insurer's business as it might have been had the substitution not occurred.

*Vernon Coaker*  
*Tom Watson*

29th November 2005

Two of the Lords Commissioners of Her Majesty's Treasury

---

(a) S.I.2003/2862.

## **EXPLANATORY NOTE**

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

These Regulations amends the General Insurance Reserves (Tax) Regulations 2001 (S.I. 2001/1757: “the principal Regulations”).

Regulation 1 provides for the citation and commencement of the Regulations.

Regulation 2 introduces the amendments to the principal Regulations.

Regulation 3 amends regulation 3 of the principal Regulations which contain the main rules on computation of the amount of reserves under section 107 of the Finance Act 2000 (c. 17).

Regulation 4(1) substitutes a new regulation 5 of the principal Regulations specifying rules to determine which currencies are to be used in calculations required under those Regulations. Paragraphs (2) and (3) make saving and transitional provisions in respect of the substitution.

These Regulations do not impose any new costs on business.

**2005 No. 3289**

**INCOME TAX**

**CORPORATION TAX**

**The General Insurance Reserves (Tax) (Amendment)  
Regulations 2005**

**£3.00**

© Crown copyright 2005

Printed and published in the UK by The Stationery Office Limited  
under the authority and superintendence of Carol Tullo, Controller of Her Majesty's  
Stationery Office and Queen's Printer of Acts of Parliament.

E1686 12/2005 151686T 19585