SCHEDULES

SCHEDULE 22

REMEDIATION OF CONTAMINATED LAND

PART 4

SPECIAL PROVISION FOR LIFE ASSURANCE BUSINESS

Limitation on relief

20 Where for any accounting period the profits arising to an insurance company from its life assurance business, or from any category of its life assurance business, fall to be computed in accordance with the provisions of the Taxes Act 1988 applicable to Case I of Schedule D, no deduction for capital expenditure under paragraph 1 and no land remediation relief under paragraph 12 shall be allowable.

Provision in respect of "I minus E" basis

21 Paragraphs 22 to 28 apply where for any accounting period the profits arising to an insurance company from its life assurance business fall to be computed otherwise than in accordance with the provisions of the Taxes Act 1988 applicable to Case I of Schedule D.

Entitlement to relief: "I minus E" basis

22 (1) Sub-paragraph (2) applies if—

(a) land in the United Kingdom is a management asset of a company,

(b) at the time of acquisition by the company all or part of the land is or was in a contaminated state, and

(c) in any accounting period, the company incurs qualifying expenditure in respect of the land.

(2) Where this sub-paragraph applies, the company is entitled to relief for that accounting period in respect of its qualifying expenditure.

(3) For the purposes of this paragraph, the amount of a company's qualifying expenditure in an accounting period is the amount of its qualifying land remediation expenditure in that period reduced by the amount (if any) which by virtue of section 76(1)(d) of the Taxes Act 1988 is not to be treated as expenses of management.

(4) A company is not entitled to relief under this paragraph in respect of expenditure on land all or part of which is in a contaminated state, if the land is in that state wholly or partly as a result of any thing done or omitted to be done at any time by the company or a person with a relevant connection to the company.

(5) For the purposes of this paragraph, land is a management asset of a company if it is—

(a) an asset provided for use or used for the management of life assurance business carried on by the company, or

(b) an asset in respect of which expenditure is being incurred with a view to such use by the company.

Giving effect to relief: enhanced expenses of management

23 (1) If a company is entitled to relief under paragraph 22 for an accounting period in respect of its qualifying expenditure, sub-paragraph (2) shall apply for the purposes of section 76 of the Taxes Act 1988 (computing profits of company carrying on life assurance business: deduction of expenses of management etc).

(2) Where this sub-paragraph applies, the company may (on making a claim) treat an amount equal to 150% of the actual amount of the qualifying expenditure (as determined in accordance with paragraph 22(3)) as part of its expenses of management for that period.

Entitlement to life assurance company tax credit

24 (1) A company may claim a life assurance company tax credit under this paragraph if in an accounting period it has a "qualifying loss".

(2) A company has a "qualifying loss" for this purpose if in an accounting period—

(a) the company is entitled to relief under paragraph 22, and

(b) an amount falls to be carried forward to a succeeding accounting period under section 75(3) of the Taxes Act 1988 (carrying forward expenses of management and charges on income where such expenses and charges exceed amount of profits from which deductible).

(3) In determining for the purposes of sub-paragraph (2)(b) whether there is an amount which falls to be carried forward under section 75(3) of that Act, there shall be disregarded any amounts brought forward from an earlier accounting period and treated as expenses of management for the period in question by virtue of—

(a) a previous application of section 75(3) of that Act, or

(b) paragraph 4(4) of Schedule 11 to the Finance Act 1996 (c. 8) (loan relationships deficit carried forward and treated as expenses of management).

(4) The amount of the qualifying loss is equal to the lesser of—

(a) 150% of the related qualifying expenditure, and

(b) such amount as is determined in accordance with sub-paragraph (3) to be an amount which falls to be carried forward as described in sub-paragraph (2)(b).

Amount of life assurance company tax credit

25 (1) The amount of the life assurance company tax credit to which a company is entitled for an accounting period is equal to 16% of the amount of the qualifying loss for the period.

(2) The Treasury may by order substitute for the percentage for the time being specified in sub-paragraph (1) such other percentage as they think fit.

(3) An order under sub-paragraph (2) may make such incidental, supplemental, consequential or transitional provision as the Treasury think fit.

Payment in respect of life assurance company tax credit, etc

26 Paragraph 16 (payment) and paragraph 18 (tax credit not to be treated as income) shall have effect in relation to life assurance company tax credits with the substitution for each reference to a land remediation tax credit of a reference to a life assurance company tax credit.

Restriction on carrying forward expenses of management

27 (1) For the purposes of subsection (3) of section 75 of the Taxes Act 1988 (carrying forward expenses of management and charges on income where they exceed amount of profits from which deductible), the amount which may be carried forward under that subsection for a period in which the company claims a life assurance company tax credit is treated as reduced by the amount of the expenses of management surrendered.

(2) For the purposes of sub-paragraph (1) the amount of the expenses of management surrendered is—

(a) where the maximum amount of life assurance company tax credit was claimed, the whole of the qualifying loss for that period;

(b) where less than the maximum amount was claimed, a corresponding proportion of the qualifying loss for that period.

The "maximum amount" here means the amount specified in paragraph 25(1).

Certain qualifying expenditure excluded for purposes of capital gains

28 If in an accounting period—

(a) a company has a qualifying loss, and

(b) by virtue of that qualifying loss, a payment is made to the company in respect of a life assurance company tax credit,

the related qualifying expenditure shall be treated as if it were expenditure excluded for the purposes of capital gains tax under section 39 of the Taxation of Chargeable Gains Act 1992 (c. 12).