

*Status: Point in time view as at 19/07/2007.*

*Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Finance Act 2007. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details)*

## SCHEDULES

### SCHEDULE 7

#### INSURANCE BUSINESS: GROSS ROLL-UP BUSINESS ETC

##### PART 1

##### AMENDMENTS

###### *Income and Corporation Taxes Act 1988 (c. 1)*

- 2           ICTA is amended as follows.
- 3           (1) Section 76 (expenses of insurance companies) is amended as follows.
- (2) In subsection (1), omit the second sentence.
- (3) In subsection (7), in Step 5—
- (a) for “sum (“amount S”) of the amounts” substitute “ amount (“amount S”)  
              ”, and
- (b) for “436 or 439B” substitute “ 436A ”.
- (4) Omit subsection (14).
- (5) In subsection (15), omit the definition of “capital redemption business”.
- 4           Omit section 333B (involvement of insurance companies with plans and accounts).
- 5           In section 403E (relief for overseas losses of UK resident companies), omit  
          subsection (3).
- 6           (1) Section 431 (interpretative provisions relating to insurance companies) is amended  
          as follows.
- (2) In subsection (2), insert at the appropriate places—
- ““child trust fund business” has the meaning given by section 431BA;”,
- ““foreign currency assets”, in relation to an insurance company and any  
              time during a period of account, means assets, other than assets linked to  
              gross roll-up business, which—
- (a) are at that time managed under the control of a person whose  
                  normal place of work is at a permanent establishment outside  
                  the United Kingdom at or through which the company carries on  
                  gross roll-up business; or
- (b) are denominated in a foreign currency and specified in a  
                  certificate given by a director of the company no later than three  
                  months after the end of the period of account as being all of  
                  the assets of the company's long-term insurance fund which are

*Status: Point in time view as at 19/07/2007.*

*Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Finance Act 2007. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details)*

held at that time during the period of account to enable the company to meet liabilities of its gross roll-up business which are denominated in that currency;”,

““gross roll-up business” has the meaning given by section 431EA;”,

““immediate needs annuities business” means business which consists of the effecting or carrying out of immediate needs annuities (within the meaning of section 725 of ITTOIA 2005);”,

““individual savings account business” has the meaning given by section 431BB;”, and

““PHI business” means long-term business other than life assurance business (including the reinsurance of such long-term business);”.

(3) In subsection (2), omit the definitions of—

- (a) “annuity business”, and
- (b) “overseas life assurance fund”.

(4) In subsection (2), for the definition of “life assurance business” substitute—

““life assurance business” means business which—

- (a) consists of the effecting or carrying out of contracts of insurance which fall within paragraph I, II, III or VII(b) of Schedule 1 to the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, or
- (b) is capital redemption business,  
other than immediate needs annuities business;”.

(5) In subsection (2), for the definition of “reinsurance business” substitute—

““reinsurance” includes retrocession;”.

(6) After subsection (2ZE) insert—

“(2ZF) In this Chapter “capital redemption business” means any business of a company carrying on insurance business in so far as it consists of the effecting on the basis of actuarial calculations, and the carrying out, of contracts under which, in return for one or more fixed payments, a sum or series of sums of a specified amount become payable at a future time or over a period.”

7 In section 431A(3)(a) (power to amend), omit “and Schedule 19AA”.

8 After section 431B insert—

**“431BA Meaning of “child trust fund business”**

- (1) In this Chapter “child trust fund business” means so much of a company's life assurance business as is referable to child trust fund policies (but not including the reinsurance of such business).
- (2) In this section “child trust fund policy” means a policy of life insurance which is an investment under a child trust fund (within the meaning of the Child Trust Funds Act 2004).

*Status: Point in time view as at 19/07/2007.*

*Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Finance Act 2007. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details)*

### **431BB Meaning of “individual savings account business”**

- (1) In this Chapter “individual savings account business” means so much of a company's life assurance business as is referable to individual savings account policies (but not including the reinsurance of such business).
- (2) In this section “individual savings account policy” means a policy of life insurance which is an investment of a kind specified in regulations made by virtue of section 695(1) of ITTOIA 2005.”
- 9 (1) Section 431D (meaning of “overseas life assurance business”) is amended as follows.
- (2) For subsection (1) substitute—
- “(1) In this Chapter “overseas life assurance business” means so much of a company's relevant life assurance business as is with a policy holder or annuitant not residing in the United Kingdom (but not including the reinsurance of such business).
- (1A) In subsection (1) above “relevant life assurance business” means life assurance business other than—
- (a) pension business
  - (b) individual savings account business,
  - (c) child trust fund business, and
  - (d) business of any description prescribed by regulations made by the Commissioners for Her Majesty's Revenue and Customs.”
- (3) In subsections (2) and (4), for “(1)” substitute “ (1A) ”.
- (4) In subsection (4), insert at the end “ (including provision amending any enactment or any instrument made under an enactment) ”.
- 10 After section 431E insert—

### **“431EA Meaning of “gross roll-up business”**

- In this Chapter “gross roll-up business” means business of any of the following kinds—
- (a) pension business;
  - (b) child trust fund business;
  - (c) individual savings account business;
  - (d) life reinsurance business; and
  - (e) overseas life assurance business.”
- 11 In section 431F (meaning of “basic life assurance and general annuity business”), for the words from “(including” to the end substitute “ other than gross roll-up business ”.
- 12 In section 432ZA(7) (linked assets), for “long-term business other than life assurance” (in both places) substitute “ PHI ”.
- 13 (1) Section 432A (apportionment of income and gains) is amended as follows.
- (2) In subsection (1A), for “shall be” substitute “ is ”.

*Status: Point in time view as at 19/07/2007.*

*Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Finance Act 2007. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details)*

- (3) In subsection (2), for paragraphs (a) to (f) substitute—
- “(a) basic life assurance and general annuity business,
  - (b) gross roll-up business, and
  - (c) PHI business.”
- (4) In subsection (3), for “(apart from overseas life assurance business) shall be” substitute “is”.
- (5) Omit subsection (4).
- (6) Before subsection (5) insert—
- “(4A) Income arising from, and gains or losses accruing on the disposal of, foreign currency assets is referable to gross roll-up business.”
- (7) In subsection (5)—
- (a) for “shall be” substitute “is”, and
  - (b) omit “(apart from overseas life assurance business)”.
- (8) For subsections (6) to (6AA) substitute—
- “(6) For the purposes of subsection (5) above “the relevant fraction”, in relation to basic life assurance and general annuity business, is—

$$\frac{A}{A+B+C}$$

where—

A is the aggregate of—

- (a) the mean of the opening and closing liabilities of the basic life assurance and general annuity business (but taking that mean to be nil if it would otherwise be below nil), reduced (but not below nil) by the mean of the opening and closing net values of any assets directly referable to that category of business,
- (b) if there has been a relevant reattribution, the mean of the opening and closing amounts of the shareholders' excess assets, and
- (c) the mean of the appropriate parts (that is, the parts relating to that category) of the opening and closing amounts of the free assets amounts;

B is the aggregate of—

- (a) the mean of the opening and closing liabilities of the gross roll-up business (but taking that mean to be nil if it would otherwise be below nil), reduced (but not below nil) by the mean of the opening and closing net values of any assets directly referable to that category of business, and
- (b) the mean of the appropriate parts (that is, the parts relating to that category) of the opening and closing amounts of the free assets amounts; and

C is the aggregate of—

*Status: Point in time view as at 19/07/2007.*

*Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Finance Act 2007. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details)*

- (a) the mean of the opening and closing liabilities of the PHI business (but taking that mean to be nil if it would otherwise be below nil), reduced (but not below nil) by the mean of the opening and closing net values of any assets directly referable to that category of business, and
- (b) the mean of the appropriate parts (that is, the parts relating to that category) of the opening and closing amounts of the free assets amounts.

(6A) For the purposes of subsection (5) above “the relevant fraction”, in relation to gross roll-up business, is—

$$\frac{B}{A + B + C}$$

where A, B and C have the same meaning as in subsection (6) above.

(6B) For the purposes of subsection (5) above “the relevant fraction”, in relation to PHI business, is—

$$\frac{C}{A + B + C}$$

where A, B and C have the same meaning as in subsection (6) above.

(6C) But if the denominator found in accordance with subsection (6), (6A) or (6B) above is nil, the relevant fraction for the purposes of subsection (5) above in relation to the category of business in question is such fraction as is just and reasonable.”

(9) In subsection (7)—

- (a) for “and (6A)” substitute “, (6A) and (6B)”,
- (b) in paragraph (a), for “(4)” substitute “(4A)”,
- (c) in paragraph (b), after “(3)” insert “ or (4A)”, and
- (d) in paragraph (c), omit “438B.”.

(10) In subsection (8), for “subsections (6) and (6A)” substitute “ subsection (6) ”.

(11) In subsection (8ZA), for “subsections (6) and (6A)” substitute “ paragraph (c) of the definition of A and paragraph (b) of the definitions of B and C in subsection (6) ”.

(12) Omit subsection (9).

14 (1) Section 432AA (Schedule A business or overseas property business) is amended as follows.

(2) Omit subsection (3).

(3) In subsection (4), for paragraphs (a) to (d) substitute—

- “(a) basic life assurance and general annuity business;
- (b) gross roll-up business; and
- (c) PHI business.”

*Status: Point in time view as at 19/07/2007.*

*Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Finance Act 2007. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details)*

- (4) In subsection (5), omit “(3) or”.
- 15 In section 432AB (losses from Schedule A business or overseas property business), omit subsection (6).
- 16 (1) Section 432B (apportionment of receipts brought into account) is amended as follows.
- (2) In subsection (1)—
- (a) for “432F” substitute “ 432G ”, and
  - (b) for “any category of life assurance business” substitute “ gross roll-up business ”.
- (3) In subsection (2), for “432F” substitute “ 432G ”.
- (4) In subsection (3)—
- (a) for “Sections 432C and 432D apply” substitute “ Section 432C applies ”, and
  - (b) insert at the end “ (and section 432G applies in either case) ”.
- (5) In subsection (4)—
- (a) for “sections 432C and 432D” substitute “ section 432C ”,
  - (b) in paragraph (a), for “apply” substitute “ applies ”, and
  - (c) omit paragraph (b) and the word “and” before it.
- (6) In subsection (5)—
- (a) for the words from “any category” to the end of paragraph (b) substitute “ gross roll-up business ”, and
  - (b) omit “the relevant fraction of”.
- (7) In subsection (6), for the words from “432D” to “annuity business” substitute “ 432C to gross roll-up business ”.
- (8) In subsection (7), omit “the relevant fraction of” (in both places).
- (9) In subsection (8A), omit “the relevant fraction of”.
- (10) In subsection (8C), omit “the relevant fraction of”.
- (11) In subsection (9), omit the definitions of—
- (a) “the relevant fraction”, and
  - (b) “the section 83 net amount”.
- (12) In subsection (10)—
- (a) in paragraphs (a) and (b), for “paragraph (a)(ii)” substitute “ the definition of A, in paragraph (b) ”, and
  - (b) for paragraph (c) substitute—
    - “(c) the substitution for the definitions of B and C of— “ B is the amount that would be given by A if A applied in relation to gross roll-up business; and C is the amount that would be given by A if A applied in relation to PHI business. ”.”
- 17 For section 432C substitute—

*Status: Point in time view as at 19/07/2007.*

*Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Finance Act 2007. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details)*

### “432C Section 432B apportionment: non-participating funds

- (1) This section specifies the extent to which the net amount is referable to life assurance business or to gross roll-up business.
- (2) In this section “the net amount” means the aggregate of the amounts brought into account—
  - (a) as investment income,
  - (b) as an increase in the value of assets, or
  - (c) as other income,less the aggregate of the amounts brought into account as a decrease in the value of assets.
- (3) To the extent that the net amount is attributable to—
  - (a) assets linked to life assurance business, or
  - (b) foreign currency assets,it is referable to life assurance business.
- (4) There is also referable to life assurance business the appropriate fraction of so much of the net amount as is not attributable to linked assets or foreign currency assets.
- (5) For the purposes of subsection (4) above “the appropriate fraction” is—

$$\frac{A}{A + B}$$

where—

A is the mean of the opening and closing liabilities of the relevant business so far as referable to life assurance business (but taking that mean to be nil if it would otherwise be below nil), reduced (but not below nil) by the aggregate of the mean of the opening and closing net values of assets linked to the relevant business so far as so referable and foreign currency assets; and

B is the mean of the opening and closing liabilities of the relevant business so far as referable to PHI business, reduced (but not below nil) by the mean of the opening and closing net values of any assets linked to PHI business.

- (6) But if the denominator found in accordance with subsection (5) above is nil, the appropriate fraction for the purposes of subsection (4) above is such fraction as is just and reasonable.
- (7) To the extent that the net amount is attributable to—
  - (a) assets linked to gross roll-up business, or
  - (b) foreign currency assets,it is referable to gross roll-up business.
- (8) There is also referable to gross roll-up business the relevant fraction of so much of the net amount as is not attributable to linked assets or foreign currency assets.

*Status: Point in time view as at 19/07/2007.*

*Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Finance Act 2007. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details)*

(9) For the purposes of subsection (8) above “the relevant fraction” is—

$$\frac{C}{C+D}$$

where—

C is the mean of the opening and closing liabilities of the relevant business so far as referable to gross roll-up business (but taking that mean to be nil if it would otherwise be below nil), reduced (but not below nil) by the aggregate of the mean of the opening and closing net values of any assets linked to gross roll-up business and foreign currency assets; and

D is the mean of the opening and closing liabilities of the relevant business so far as referable to basic life assurance and general annuity business or PHI business (but taking that mean to be nil if it would otherwise be below nil), reduced (but not below nil) by the mean of the opening and closing net values of any assets linked to either of those categories of business.

(10) But if the denominator found in accordance with subsection (9) above is nil, the relevant fraction for the purposes of subsection (8) above is such fraction as is just and reasonable.

(11) For the purposes of this section, so much of the net amount—

- (a) as is brought into account as other income in an internal linked fund of the company, and
- (b) as is not attributable to assets of that fund,

is to be treated as linked to a category of business to the same extent as income attributable to an asset of the fund would, by virtue of section 432ZA, be referable to that category of business.”

18 Omit section 432D (section 432B apportionment: value of non-participating funds).

19 (1) Section 432E (section 432B apportionment: participating funds) is amended as follows.

(2) For subsection (1) substitute—

“(1) The part of the net amount which is referable to life assurance business or to gross roll-up business is—

- (a) the amount determined in accordance with subsections (2) and (2A) below, or
- (b) if greater, the amount determined in accordance with subsection (3) below.

(1A) In this section “the net amount” means the aggregate of the amounts brought into account—

- (a) as investment income,
- (b) as an increase in the value of assets, or
- (c) as other income,

less the aggregate of the amounts brought into account as a decrease in the value of assets.”



*Status: Point in time view as at 19/07/2007.*

*Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Finance Act 2007. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details)*

- (3) In subsection (2)—
- (a) in the definition of CAS, for “the category of business concerned” substitute “life assurance business or of gross roll-up business”, and
  - (b) in the definition of CS, for “business of the category concerned” substitute “life assurance business or to gross roll-up business”.
- (4) In subsection (3)—
- (a) in paragraph (a), after “that category of business” insert “and foreign currency assets”, and
  - (b) in paragraph (b)—
    - (i) omit “mentioned in subsection (1) above”, and
    - (ii) insert at the end “and foreign currency assets”.
- (5) In subsection (4), for the words following “case,” substitute “is—

$$\frac{A}{B} \times 100$$

where—

A is so much of the net amount as is brought into account in respect of the relevant business less such part of it as is attributable to linked assets and foreign currency assets; and

B is the mean of the opening and closing liabilities of the relevant business reduced by the mean of the opening and closing values of any assets of the relevant business which are linked assets and foreign currency assets.”

- (6) In subsection (4A), after “linked assets” insert “or foreign currency assets”.
- (7) Omit subsections (5) and (6).
- 20 In section 432F(2) (section 432B apportionment: supplementary provisions)—
- (a) omit “For each category of business in relation to which section 432E falls to be applied”, and
  - (b) omit “, after making any reduction required by section 432E(5),”.
- 21 For section 432G substitute—

**“432G Section 432B apportionment: business transfers-in**

- (1) There is referable to the life assurance business of the transferee the appropriate fraction of the amount brought into account as a business transfer-in and of any amount taken into account as profits under section 444ABD(1).
- (2) For the purposes of subsection (1) above “the appropriate fraction” is—

$$\frac{\text{LABL}}{\text{TL}}$$

*Status: Point in time view as at 19/07/2007.*

*Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Finance Act 2007. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details)*

where—

LABL is the amount of the liabilities transferred that are referable to the life assurance business (but is nil if it would otherwise be below nil); and

TL is the whole of the liabilities transferred.

- (3) But if the amount of the liabilities transferred is nil, the appropriate fraction for the purposes of subsection (1) above is such fraction as is just and reasonable.
- (4) There is referable to the gross roll-up business of the transferee the relevant fraction of the amount brought into account as a business transfer-in and of any amount taken into account as profits under section 444ABD(1).
- (5) For the purposes of subsection (4) above “the relevant fraction” is—

$$\frac{\text{GRBL}}{\text{TL}}$$

where—

GRBL is the amount of the liabilities transferred that are referable to the gross roll-up business (but is nil if it would otherwise be below nil); and

TL has the same meaning as in subsection (2) above.

- (6) But if the amount of the liabilities transferred is nil, the relevant fraction for the purposes of subsection (4) above is such fraction as is just and reasonable.”

22 (1) Section 434 (franked investment income etc) is amended as follows.

(2) For subsections (1) and (1B) substitute—

“(1) Where an insurance company makes a payment representative of a distribution made by a company resident in the United Kingdom in respect of an asset of its long-term insurance fund, the payment is to be taken into account in computing its profits in accordance with the provisions applicable to Case I of Schedule D unless the amount taken into account in accordance with section 83(2)(a) of the Finance Act 1989 includes the amount of the payment.”

(3) Omit subsection (6A)(b).

23 (1) Section 434A (computation of losses and limitation on relief) is amended as follows.

(2) In subsection (2)(a)—

- (a) omit “the aggregate of”, and  
(b) omit sub-paragraph (iii).

(3) In subsection (2)(b), for the words following sub-paragraph (ii) substitute— “ any loss for that period under section 436A shall be reduced (but not below nil) by the total of the amounts set off as mentioned in sub-paragraphs (i) and (ii) above. ”

24 Omit section 436 (pension business: separate charge on profits).

*Status: Point in time view as at 19/07/2007.*

*Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Finance Act 2007. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details)*

25 Before section 437 insert—

**Gross roll-up business: separate charge on profits**

- “436A) Profits arising to an insurance company from gross roll-up business—
- (a) are to be treated as income within Schedule D, and
  - (b) are chargeable under Case VI of that Schedule.
- (2) For that purpose—
- (a) the gross roll-up business is to be treated separately, and
  - (b) the profits from it are to be computed in accordance with the provisions of this Act applicable to Case I of Schedule D.
- (3) In making that computation, sections 82 and 82B to 83AB of the Finance Act 1989 apply with the necessary modifications.
- (4) If in any accounting period an insurance company incurs a loss, to be computed on the same basis as the profits, arising from its gross roll-up business—
- (a) the loss must be set off against the amount of any profits chargeable under this section for any subsequent accounting period, and
  - (b) accordingly, the amount of the company's profits so charged in any such accounting period is to be treated as reduced by the amount of the loss or so much of that amount as cannot be relieved under this section against profits of an earlier accounting period.
- (5) Section 396 does not apply to a loss incurred by an insurance company on its gross roll-up business.
- (6) No loss to which section 396 applies may be set off under subsection (4) above against the amount of any profits chargeable under this section.
- (7) This section does not apply in relation to an insurance company for an accounting period if the profits of its long-term business for the accounting period are charged to tax under Case I of Schedule D.

**Gains referable to gross roll-up business not to be chargeable gains**

- 436B) Gains referable to gross roll-up business are not chargeable gains.
- (2) For the purposes of this section “gains referable to gross roll-up business” means gains which—
- (a) accrue to an insurance company on the disposal by it of assets of its long-term insurance fund, and
  - (b) are referable (in accordance with section 432A) to gross roll-up business.”

- 26 (1) Section 438 (pension business: exemption from tax) is amended as follows.
- (2) In subsection (1), for the words after “income” substitute “ from assets solely linked to pension business. ”
- (3) Omit subsections (2) and (4).
- 27 Omit section 438B (income or gains arising from property investment LLP).

*Status: Point in time view as at 19/07/2007.*

*Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Finance Act 2007. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details)*

- 28 Omit section 438C (determination of policy holders' share for purposes of s.438B).
- 29 Omit section 439 (restricted government securities).
- 30 Omit section 439B (life reinsurance business: separate charge on profits).
- 31 (1) Section 440 (transfers of assets etc) is amended as follows.
- (2) In subsection (3), for “(a) to (e)” substitute “ (a), (d) and (e) ”.
- (3) In subsection (4), for paragraphs (a) to (c) substitute—
- “(a) assets which are linked solely to gross roll-up business or are foreign currency assets;”,
- and, in paragraph (e), for “any” substitute “ either ”.
- 32 In section 440A(2) (securities)—
- (a) in paragraph (a), for sub-paragraphs (i) to (iii) substitute—
- “(i) basic life assurance and general annuity business,  
or  
(ii) gross roll-up business,”,
- (b) omit paragraph (c), and
- (c) in paragraph (d)—
- (i) for “any of the preceding paragraphs” substitute “ paragraph (a) ”, and
- (ii) for “any of the descriptions mentioned in those paragraphs” substitute “ the description mentioned in that paragraph ”.
- 33 In section 440B(4) (modifications where tax charged under Case I of Schedule D)—
- (a) for “(a) to (e)” substitute “ (a), (d) and (e) ”, and
- (b) for the notionally substituted paragraph (a) substitute—
- “(a) so many of the securities as are included in the company's long-term insurance fund shall be treated for the purposes of corporation tax as a separate holding which is an asset of that fund, and”.
- 34 Omit section 441 (overseas life assurance business).
- 35 In section 444A(3) (transfers of business)—
- (a) for “436(3)(c) or 439B(3)(c)” substitute “ 436A(4) ”,
- (b) omit paragraph (b) and the word “or” before it, and
- (c) for “the same category of business as that in which it arose)” substitute “ gross roll-up business) ”.
- 36 (1) Section 444AC (transfers of business: excess of assets or liabilities) is amended as follows.
- (2) In subsection (2B)—
- (a) for “each category of its life assurance business” substitute “ its gross roll-up business ”,
- (b) for “a category of the transferee's life assurance business” substitute “ the transferee's gross roll-up business ”, and
- (c) for “that category” substitute “ gross roll-up business ”.
- (3) In subsection (2D), for “a category of its life assurance business” substitute “ its gross roll-up business ”.

*Status: Point in time view as at 19/07/2007.*

*Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Finance Act 2007. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details)*

- (4) In subsection (10), in the definition of “the transferor's business”, for paragraph (b) substitute—
- “(b) its gross roll-up business.”
- 37 (1) Section 444AF (demutualisation surplus: life assurance business) is amended as follows.
- (2) In subsection (4)(b), for “sections 432C and 432D apply” substitute “ section 432C applies ”.
- (3) In subsection (5)(b), for “the profits of any category of the company's life assurance business chargeable to tax under Case VI of Schedule D” substitute “ profits of the company chargeable under Case VI of Schedule D under section 436A (gross roll-up business) ”.
- 38 (1) Section 444AK (mutual surplus: Case VI categories of life assurance business) is amended as follows.
- (2) In subsection (1), for paragraph (b) substitute—
- “(b) the company carries on gross roll-up business.”
- (3) In subsection (3), for “any category of the company's life assurance business chargeable to tax under Case VI of Schedule D” substitute “ the company's gross roll-up business ”.
- (4) In subsection (5)(b), for “sections 432C and 432D apply” substitute “ section 432C applies ”.
- (5) The heading accordingly becomes “ Mutual surplus: gross roll-up business ”.
- 39 Omit sections 458 and 458A (capital redemption business).
- 40 In section 460(2) (registered friendly societies: exemption from tax in respect of life or endowment business)—
- (a) for “pension business” substitute “ gross roll-up business ”,
- (b) at the end of paragraph (ca), insert “ and ”, and
- (c) omit paragraph (cb).
- 41 In section 461 (registered friendly societies: other business), omit subsection (3A).
- 42 In section 461B (incorporated friendly societies), omit subsection (2A).
- 43 (1) Section 466 (interpretation of Chapter 2 of Part 12) is amended as follows.
- (2) For subsection (1) substitute—
- “(1) In this Chapter “life or endowment business” means, subject to subsections (1A) and (1B) below—
- (a) any life assurance business, and
- (b) any PHI business.”
- (3) In subsection (2)—
- (a) omit the definition of “life assurance business”, and
- (b) insert the following definition at the appropriate place—
- ““gross roll-up business” shall be construed in accordance with section 431;”.

*Status: Point in time view as at 19/07/2007.*

*Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Finance Act 2007. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details)*

- (4) Omit subsections (2ZA), (2A) and (2B).
- 44 In section 502H(2)(a)(ii) and (4)(b) (insurance company as lessor), for “long-term business which is not life assurance” substitute “ PHI ”.
- 45 In section 539(3) (life policies, life annuities and capital redemption policies), in the definition of “capital redemption policy”, for “as defined in section 458(3)” substitute “ , within the meaning of Chapter 1 of Part 12 ”.
- 46 (1) Section 553B (overseas life assurance business: capital redemption policies) is amended as follows.
- (2) In subsection (2), in the definition of “overseas policy”, for “431D(1)(a)” substitute “ 431D(1) ”.
- (3) In subsection (3), for the words from “after” to the end substitute “ on or after 23rd March 1999. ”
- 47 (1) Section 755A (treatment of chargeable profits and creditable tax apportioned to company carrying on life assurance business) is amended as follows.
- (2) In subsection (4), for the words after “referable to” substitute “ gross roll-up business carried on by the UK company. ”
- (3) In subsection (6)(c), for “a category of business specified in paragraphs (a) to (c) of subsection (4) above” substitute “ gross roll-up business ”.
- (4) In subsection (13), for paragraphs (a) to (d) substitute—
- “(a) basic life assurance and general annuity business, or  
 (ba) gross roll-up business.”
- 48 In section 804A(1) (life assurance companies with overseas branches etc: restriction of credit), for “any category of life assurance business” substitute “ gross roll-up business ”.
- 49 (1) Section 804B (insurance companies carrying on more than one category of business: restriction of credit) is amended as follows.
- (2) In subsection (1)(a), after “category of” insert “ long-term ”.
- (3) In subsection (2), omit “or section 438B”.
- (4) For subsection (3) substitute—
- “(3) Where the relevant income arises from an asset which is linked solely to a category of business, the whole of the foreign tax is attributable to that category of business, unless the case is one where subsection (7) below applies.
- (3A) Where the relevant income arises from foreign currency assets, the whole of the foreign tax is attributable to gross roll-up business, unless the case is one where subsection (7) below applies.”
- (5) In subsection (4)—
- (a) for “long-term business which is not life assurance” substitute “ PHI ”, and
- (b) omit “or 438B”.
- (6) In subsection (5), for the words following “is” substitute “ gross roll-up business. ”

*Status: Point in time view as at 19/07/2007.*

*Changes to legislation: There are outstanding changes not yet made by the legislation.gov.uk editorial team to Finance Act 2007. Any changes that have already been made by the team appear in the content and are referenced with annotations. (See end of Document for details)*

- (7) In subsection (6)—
- (a) omit “or 432D” (in both places), and
  - (b) for “the category of business in question” and “that category” substitute “gross roll-up business”.
- (8) In subsection (7), for—
- (a) “the category of business in question”, and
  - (b) “that category”,
- substitute “gross roll-up business”.
- (9) For subsection (9) substitute—
- “(9) Where for the purposes of this section an amount of foreign tax is attributable to gross roll-up business, credit in respect of the foreign tax so attributable shall be allowed only against corporation tax in respect of profits chargeable under section 436A.”
- 50 In section 804C(14) (insurance companies: allocation of expenses etc in computations under Case I of Schedule D), for—
- (a) “a category of life assurance business”, and
  - (b) “any category of life assurance business”,
- substitute “gross roll-up business”.
- 51 (1) Section 804D (interpretation of section 804C in relation to life assurance business etc) is amended as follows.
- (2) In subsection (1), for “a category of life assurance business” substitute “gross roll-up business”.
- (3) In subsection (3), for “432F” substitute “432G”.
- 52 In section 804E (interpretation of section 804C in relation to other insurance business), for “any category of life assurance business” substitute “gross roll-up business”.
- 53 In section 806L(5) (carry forward or carry back of unrelieved foreign tax), for paragraph (b) substitute—
- “(b) included in the profits of gross roll-up business chargeable under Case VI of Schedule D by virtue of section 436A.”
- 54 In section 808 (restriction on deduction of interest or dividends from trading income), for “436” substitute “436A”.
- 55 Omit Schedule 19AA (overseas life assurance fund).
- 56 In paragraph 2(1A)(a) of Schedule 25 (cases where section 747(3) does not apply), for “436, 439B or 441” substitute “436A”.

**Status:**

Point in time view as at 19/07/2007.

**Changes to legislation:**

There are outstanding changes not yet made by the legislation.gov.uk editorial team to Finance Act 2007. Any changes that have already been made by the team appear in the content and are referenced with annotations.