Finance Act 2012

2012 CHAPTER 14

PART 1

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER 3

CORPORATION TAX: GENERAL

Insurance

26 Abolition of relief for equalisation reserves: general insurers

(1) Sections 444BA to 444BD of ICTA (equalisation reserves) are repealed.

(2) In consequence of the repeal of those sections, omit—

- (a) in TMA 1970, in the second column of the table in section 98, the entry relating to regulations under section 444BB of ICTA and the entry relating to regulations under section 444BD of ICTA,
- (b) in FA 1996, section 166 and Schedule 32,
- (c) in FA 2003, in section 153(1)(a), the reference "444BB(3)(b),",
- (d) in CTA 2009, paragraphs 155 and 156 of Schedule 1, and
- (e) in TIOPA 2010, paragraph 9 of Schedule 8.

(3) The amendments made by this section have effect in relation to accounting periods ending on or after such day ("the specified day") as is specified in an order made by the Treasury (and different days may be specified for different cases).

(4) In the case of an insurance company's existing equalisation or equivalent reserve—

- (a) an amount equal to one-sixth of the amount of the reserve is to be treated as a receipt of the company's business in the calendar year in which the specified day falls, and

(b) an amount equal to one-sixth of the amount of the reserve is to be treated as a receipt of the company's business in each of the next five calendar years.

(5) If there are different accounting periods falling in a calendar year, a receipt arising as a result of subsection (4) is apportioned between those periods in proportion to the number of days of the calendar year falling in those periods.

(6) If—

(a) the company ceases to carry on the business in a calendar year, and

(b) an amount would otherwise have been treated as a result of subsection (4) as a receipt of the company's business in a later calendar year,

any amount within paragraph (b) is treated instead as a receipt of the company's business in the accounting period in which the company ceased to carry on the business.

(7) For the purposes of this section—

(a) "equalisation reserve", in relation to an insurance company, means the equalisation reserve in respect of a business which the company was required, by virtue of equalisation reserves rules (within the meaning of section 444BA of ICTA), to maintain,

(b) "equivalent reserve" means an equivalent reserve (within the meaning of section 444BD of ICTA) in relation to which section 444BA of ICTA applied,

(c) a company's "existing" equalisation or equivalent reserve means the equalisation or equivalent reserve as it stood immediately before the first accounting period of the company ("the relevant accounting period") in relation to which the amendments made by this section have effect (but see subsection (8)), and

(d) references in this section to the company's business are to the business in respect of which the equalisation or equivalent reserve was maintained.

(8) If—

(a) an insurance company has made an election under section 444BA(4) of ICTA in relation to an accounting period ending before the specified day, and

(b) an amount would, but for this section, have been carried forward to the relevant accounting period of the company as a deductible amount,

that amount is not to be carried forward to that period as a deductible amount but is instead to be deducted from the amount of the equalisation or equivalent reserve as it stood immediately before that period.

(9) References in this section to section 444BA of ICTA include that section as modified by regulations made under section 444BB or 444BC of that Act.

Modifications etc. (not altering text)

C1 S. 26(4)-(8) applied (with modifications) (1.1.2016) by The Lloyds Underwriters (Transitional Equalisation Reserves) (Tax) Regulations 2015 (S.I. 2015/1983), regs. 1, **3**, 4

Commencement Information

I1 S. 26 has effect as specified by The Finance Act 2012, Sections 26 and 30 (Abolition of Relief for Equalisation Reserves) (Specified Day) Order 2015 (S.I. 2015/1999), **art. 2**

Changes to legislation:
There are currently no known outstanding effects for the Finance Act 2012, Section 26.