
STATUTORY INSTRUMENTS

2006 No. 1358

**The Insurance Companies (Corporation
Tax Acts) (Amendment) Order 2006**

Amendment of section 432B of the Income and Corporation Taxes Act 1988

3.—(1) Section 432B of the Income and Corporation Taxes Act 1988 (apportionment of receipts brought into account)⁽¹⁾ is amended as follows.

(2) For subsection (8) substitute—

“(8) But if, in relation to the fund in question, an election in accordance with Rule 9.10(c) of the Prudential Sourcebook (Insurers) has effect for the period of account, the following rules apply.

(8A) In any case where there are adjusted shareholders' excess gains (“amount A”) and an adjusted increase in value of inherited estate assets (“amount B”), the part of the amount mentioned in subsection (6) (“the relevant amount”) is reduced by the relevant fraction of the lower of amounts A and B.

(8B) The difference between amounts A and B is carried forward to the next period of account—

- (a) as shareholders' excess gains (if amount A is the greater amount), or
- (b) as an increase in value of inherited estate assets (if amount B is the greater amount).

(8C) In any case where there are adjusted shareholders' excess losses (“amount C”) and an adjusted decrease in value of inherited estate assets (“amount D”), the relevant amount is increased by the relevant fraction of the lower of amounts C and D.

(8D) The difference between amounts C and D is carried forward to the next period of account—

- (a) as shareholders' excess losses (if amount C is the greater amount), or
- (b) as a decrease in value of inherited estate assets (if amount D is the greater amount).

(8E) In any other case—

- (a) the relevant amount is neither reduced nor increased, and
- (b) the adjusted shareholders' excess gains or losses, and the adjusted increase or decrease in value of inherited estate assets, are carried forward to the next period of account as shareholders' excess gains or losses and an increase or decrease in value of inherited estate assets (as the case may be).

(8F) For the purposes of subsections (8A) to (8E), in relation to any period of account (“the relevant period”), the adjusted shareholders' excess gains or losses, and the adjusted increase or decrease in value of inherited estate assets, are determined as follows.

Step 1

(1) Section 432B was inserted by paragraph 4 of Schedule 6 to the Finance Act 1990. The section has been amended. The relevant amendment is made by article 6 of S.I.2005/3465.

Find the amount of shareholders' excess gains or losses, and the amount of the increase or decrease in value of inherited estate assets, for the relevant period.

Step 2

Find the amount (if any) of shareholders' excess gains or losses, and the amount (if any) of the increase or decrease in value of inherited estate assets, carried forward to the relevant period (without being taken into account for the purposes of step 3 or 4 in any previous period of account).

Step 3

This step applies if, for the relevant period, there are shareholders' excess gains or an increase in value of inherited estate assets.

In such a case—

- (a) increase that amount by the amount of any such gains or (as the case may be) of any such increase in value so carried forward to the relevant period, or
- (b) reduce that amount (but not below nil) by the amount of any shareholders' excess losses or (as the case may be) of any decrease in value of inherited estate assets so carried forward to the relevant period.

The resulting amount is the adjusted shareholders' excess gains or (as the case may be) the adjusted increase in value of inherited estate assets for the relevant period.

Step 4

This step applies if, for the relevant period, there are shareholders' excess losses or a decrease in value of inherited estate assets.

In such a case—

- (a) increase that amount by the amount of any such losses or (as the case may be) of any such decrease in value so carried forward to the relevant period, or
- (b) reduce that amount (but not above nil) by the amount of any shareholders' excess gains or (as the case may be) of any increase in value of inherited estate assets so carried forward to the relevant period.

The resulting amount is the adjusted shareholders' excess losses or (as the case may be) the adjusted decrease in value of inherited estate assets for the relevant period.

(8G) For the purposes of subsections (8A) to (8F), in relation to any company and any period of account,—

“decrease in value of inherited estate assets” means so much of the amount of the decrease in value of assets brought into account in line 13 of Form 40 in the periodical return of the company for that period as relates to shareholders' excess assets;

“increase in value of inherited estate assets” means so much of the amount of the increase in value of assets brought into account in line 13 of Form 40 in the periodical return of the company for that period as relates to shareholders' excess assets.”

(3) In subsection (9)—

- (a) in the definition of “relevant fraction”, in paragraph (b) after “annuity business” insert “and overseas life assurance business”;
- (b) in the definition of “the section 83 net amount” for “(7)” substitute “(8B)”;
- (c) in the definition of “shareholders' excess gains”—
 - (i) for paragraph (a) substitute “the aggregate amount of investment gains and amounts chargeable under Case VI of Schedule D by virtue of section 85(2C)(c) of the

- Finance Act 1989(2) for the accounting periods comprised in the period of account exceeds”;
- (ii) in paragraph (b), for “those gains that would be so referable” substitute “the aggregate amount that would be found under paragraph (a)”;
- (d) in the definition of “shareholders' excess income”, in paragraph (a) after “for the” insert “accounting periods comprised in the”;
- (e) in the definition of “shareholders' excess losses”—
- (i) for paragraph (a) substitute “investment losses for the accounting periods comprised in the period of account exceeds”;
- (ii) in paragraph (b), for “so referable” substitute “found under paragraph (a)”.
- (4) In subsection (11)—
- (a) in paragraph (a)—
- (i) in the introductory words after “LG” insert “+ OIG”;
- (ii) for sub-paragraph (i) substitute—
- “(i) LG is the amount of BLAGAB chargeable gains accruing from disposals of assets of the company’s long-term insurance fund in each accounting period comprised in the period of account after deducting the aggregate of BLAGAB allowable losses so accruing in the accounting period and in any accounting period to which section 8(1)(b) of the Taxation of Chargeable Gains Act 1992 (company’s total profits to include chargeable gains) applies”;
- (iii) after sub-paragraph (i) insert—
- “(ia) OIG is the amount of offshore income gains accruing in each such accounting period and charged to corporation tax under Case VI of Schedule D by virtue of section 761(1)(b)(ii)(3);”;
- (iv) in sub-paragraph (ii) for the words “given by paragraph 2(1) of Schedule 11 to the Finance Act 1996” substitute “of account”; and
- (v) in sub-paragraph (iii) for the words “given by that paragraph” substitute “for the period of account”;
- (b) in paragraph (b)—
- (i) in sub-paragraph (i) for the words “given by paragraph 2(1) of Schedule 11 to the Finance Act 1996” substitute “of account”;
- (ii) after sub-paragraph (i) insert—
- “(ia) annuities or other annual payments in each accounting period comprised in the period of account that are chargeable under Case III of Schedule D by virtue of paragraph (b) of that Case;”;
- (iii) in sub-paragraph (ii) after “income” insert “for each such accounting period”; and
- (iv) in sub-paragraph (iii) after “income” insert “for each such accounting period”
- (c) in paragraph (c)—
- (i) in the introductory words for “of LA + NTD - NTC” substitute —

(2) 1989 c. 26. Subsection (2C) was inserted by sections 21 and 326 of, and paragraph 7 of Schedule 6 and Part 2(3) of Schedule 42 to, the Finance Act 2004 (c. 12).

(3) Section 761(1)(b)(ii) has been amended by paragraphs 1 and 11 of Schedule 14 to the Finance Act 1990 (c. 29), section 882 of, and paragraph 308 of Schedule 1 to the Income Tax (Trading and Other Income) Act 2005 (c. 5).

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

“of—

LA + NTD – OIG – NTC (where there is an amount LA in the period of account)

or

NTD – NTC – LG – OIG (where there is an amount LG in the period of account”);

(ii) for sub-paragraph (i) substitute—

“(i) LA is the amount of the company’s BLAGAB allowable losses accruing from disposals of assets of the company’s long-term insurance fund in each accounting period comprised in the period of account after deducting BLAGAB chargeable gains so accruing; and”;

(iii) in sub-paragraph (ii) at the beginning insert “LG, OIG,”.

(5) After subsection (11) insert—

“(12) In subsection (11)—

“BLAGAB allowable losses” means allowable losses referable in accordance with section 432A to the company’s basic life assurance and general annuity business;

“BLAGAB chargeable gains” means chargeable gains referable in accordance with section 432A to the company’s basic life assurance and general annuity business;

“related transaction” has the meaning given by section 84(5) of the Finance Act 1996.”.