
STATUTORY INSTRUMENTS

2006 No. 3387

**The Insurance Companies (Corporation
Tax Acts) (Amendment No. 2) Order 2006**

Amendment of the Finance Act 1989

5. After section 82C (relevant financial reinsurance contracts) insert—

**“Treatment of profits: life assurance — adjustment consequent on change in
Insurance Prudential Sourcebook**

82D.—(1) This section applies in the case of—

- (a) a company which is a non-profit company, or
- (b) the non-profit fund of a company which is not a non-profit company,

if an amount (other than nil) is shown in paragraph 4(12) of Appendix 9.4 to the periodical return for the company for the first period of account which ends on or after 31st December 2006.

(2) In computing profits for the purposes of the Taxes Act 1988 in accordance with the provisions applicable to Case I of Schedule D an amount (“the relevant amount”) shall be added—

- (a) to the closing liabilities of the company for the first period of account which ends on or after 31st December 2006, and
- (b) to the opening liabilities of the company for the next period of account.

(3) The relevant amount is, subject to subsection (4), the amount by which B exceeds A.

Here—

A is the company’s liabilities to its policy holders and annuitants for the first period of account ending on or after 31st December 2006, calculated after taking into account the company’s ability to—

- (a) make provision for non-attributable expenses by reference to a homogeneous risk group instead of by reference to individual policies or contracts;
- (b) make provision for the voluntary discontinuance of policies or contracts using a prudent lapse rate assumption; and
- (c) set negative liabilities against positive liabilities (subject to overall liabilities not being less than nil);

in accordance with the Insurance Prudential Sourcebook; and

B is the company’s liabilities to its policy holders and annuitants for that period of account calculated without taking into account the matters referred to in paragraphs (a) to (c) of the definition of A.

(4) In a case falling within subsection (1)(b)—

- (a) the relevant amount shall be reduced (but not below nil) by so much (if any) of the amount shown in paragraph 4(12) of Appendix 9.4 to the periodical return

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as is reflected in column 1 of line 51 of the Form 14 for that period of account relating to the non-profit fund in question; and

(b) the references in subsection (3) to liabilities are references to liabilities relating to the non-profit fund in question.

(5) In this section—

“non-profit company” has the meaning given in section 83YA(8); and

“non-profit fund” has the same meaning as in the Insurance Prudential Sourcebook.”.