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STATUTORY INSTRUMENTS

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**2007 No. 3430**

**The Insurance Companies (Taxation of Reinsurance Business) (Corporation Tax Acts) (Amendment) Order 2007**

**BLAGAB group reinsurers**

3.—(1) The Income and Corporation Taxes Act 1988 is amended as follows.

(2) After section 440C (modifications for change of tax basis)(1) insert—

**“Modifications in relation to BLAGAB group reinsurers**

**440D.** Schedule 19ABA (which makes modifications of this Act in relation to BLAGAB group reinsurers) shall have effect.”.

(3) After Schedule 19AB (pension business: payments on account of tax credits and deducted tax)(2) insert—

“SCHEDULE 19ABA

Section 440D

**MODIFICATION OF LIFE ASSURANCE PROVISIONS OF THE  
CORPORATION TAX ACTS IN RELATION TO BLAGAB GROUP REINSURERS**

**PART 1**

**INTRODUCTORY**

1.—(1) In their application to a BLAGAB group reinsurer the life assurance provisions of the Corporation Tax Acts shall have effect with the following modifications.

(2) In this paragraph “BLAGAB group reinsurer” means an insurance special purpose vehicle which—

- (a) would fall within the definition of “insurance company” in section 431(3) if the words after paragraph (b) of the definition were disregarded, and
- (b) meets the BLAGAB group reinsurer conditions.

(3) For the purposes of sub-paragraph (2), an insurance special purpose vehicle meets the BLAGAB group reinsurance conditions if—

- (a) it carries on basic life assurance and general annuity business,
- (b) all of its life assurance business is reinsurance business and that business is of a type excluded from section 431G(3)(4) by regulations made by the Board(5), and

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(1) Section 440C was inserted by paragraph 9 of Schedule 8 to the Finance Act 2007.

(2) Schedule 19AB was inserted by Schedule 8 to the Finance Act 1991 (c. 31) and repealed by section 87 and Part II(12) of Schedule 33 to the Finance Act 2001 (c. 9).

(3) The definition of “insurance company” was substituted by article 26(3) of S.I. 2001/3629 and amended by article 4 of S.I. 2006/3270.

(4) Section 431G was inserted by section 39 of, and paragraph 4 of Schedule 8 to, the Finance Act 2007.

- (c) section 431G(3)(b) does not apply.

## PART 2

### MODIFICATIONS OF THIS ACT

2. This Act shall have effect with the following modifications.

*Modification of section 76 (expenses of insurance companies)*

- 3.—(1) Modify section 76 (expenses of insurance companies)(6) as follows.

- (2) In subsection (3) for the words from “means” to the end substitute—  
“means—
- (a) in the case of a company preparing IAD accounts, expenses included in item II.8 or 9(a) of the long-term business technical account, and
  - (b) in the case of a company preparing IAS accounts, such of the expenses included in the income statement in the IAS accounts as are equivalent to expenses that would be included in item II.8 or 9(a) of the long-term business technical account in IAD accounts,
- but does not include any of the amounts falling within subsection (4), (5) or (6) below.”.

- (4) In subsection (7)—

- (a) omit Step 6;
- (b) in Step 7—
  - (i) in paragraph (a) for “Subtotal 3” substitute “Subtotal 2”;
  - (ii) for “Subtotal 4” substitute “the expenses deduction”;
- (c) omit Step 8.

- (5) In subsection (8) omit paragraphs (b) and (c).

- (6) In subsection (12)(a) for “Step 8” insert “Step 7”.

- (7) In subsection (15) after the definition of “expenses payable” insert—

““long-term business technical account” means the technical account for life-assurance business included in the IAD accounts, or where the technical account included in the IAD accounts for non-life-insurance business of the company is used for all business, such part of that account as relates to the long-term business of the company;”.

*Modification of section 431 (interpretative provisions relating to insurance companies)*

- 4.—(1) Modify section 431(2) (interpretative provisions relating to insurance companies) as follows.

- (2) Insert the following definitions in the appropriate places—

““IAD accounts” means accounts drawn up in accordance with the Council Directive of 19th December 1991 on the annual accounts of insurance undertakings (No.91/674/EEC)(7);”.

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- (5) Relevant regulations are regulation 12 of [S.I. 1995/1730](#) as amended by regulation 8 of [S.I. 2007/2087](#).
- (6) Section 76 was substituted by section 40(1) of the Finance Act 2004 ([c. 12](#)) and amended by paragraph 1 of Schedule 9 and Part 2(10) of Schedule 11 to the Finance (No. 2) Act 2005, paragraph 3 of Schedule 7, paragraph 2 of Schedule 8, paragraphs 14(1), (2), 16(1) and (3) and 17(2) of Schedule 10 and Part 2(7), (8) and (10) of Schedule 27 to the Finance Act 2007 and article 3 of [S.I. 2006/3270](#).
- (7) O.J. L374, 31.12.1991, p7.

““IAS accounts” means accounts prepared in accordance with international accounting standards;”.

(3) In the definition of “insurance company”(8) at the end insert “unless it meets the BLAGAB group reinsurer conditions (within the meaning of paragraph 1 of Schedule 19ABA”.

(4) For the definition of “liabilities”(9) substitute—

““liabilities” means—

- (a) technical provisions (item C), and
- (b) technical provisions for linked liabilities (item D),

in the liabilities in the balance sheet format in paragraph 9 of Schedule 9A to the Companies Act 1985 in the IAD accounts or equivalent provisions in the IAS accounts;”;

(5) For the definition of “long-term insurance fund”(10) substitute—

““long-term insurance fund” means—

- (a) the technical account for life assurance business of the company included in the IAD accounts,
- (b) where the technical account included in the IAD accounts for non-life-insurance business of the company is used for all business, such part of that account as relates to the long-term business of the company, or
- (c) such part of the income statement as relates to the life assurance business of the company included in the IAS accounts,

and references to assets of the long-term insurance fund shall be read as references to assets from which any income or gain is or would be included in that technical account or that part of the technical account or that part of the income statement;”.

(6) For the definition of “periodical return”(11) substitute—

““periodical return” means—

- (a) in relation to a company preparing IAD accounts, the IAD accounts, and
- (b) in relation to a company preparing IAS accounts, the IAS accounts;”;

(7) Omit the definition of “period of account”(12);

(8) For the definition of “value”(13) substitute—

““value” means the value taken into account for the purposes of IAD accounts or IAS accounts”.

*Modification of section 432B (apportionment of receipts brought into account)*

5.—(1) Modify section 432B (apportionment of receipts brought into account)(14) as follows.

(2) In subsection (1) for “sections 432C to 432G” substitute “sections 432C and 432G”.

(8) The definition of “insurance company” was substituted by article 26(3) of [S.I. 2001/3629](#) and amended by article 4 of [S.I. 2006/3270](#).

(9) The definition of “liabilities” was inserted by paragraph 1(1) and (2)(b) of Schedule 6 the Finance Act 1990 (c. 29), substituted by paragraph 2 of Schedule 9 to the Finance (No. 2) Act 2005 (c. 22) and amended by article 4 of [S.I. 2006/3270](#).

(10) The definition of “long-term insurance fund” was inserted by paragraph 1(1) and (2)(b) of Schedule 6 the Finance Act 1990 and amended by Part V(26) of Schedule 41 to the Finance Act 1996 (c. 8) and article 52(1)(b) of [S.I. 2001/3629](#).

(11) The definition of “periodical return” was amended by article 26(7) of [S.I. 2001/3629](#).

(12) The definition of “period of account” was amended by paragraph 29 of Schedule 33 to the Finance Act 2003 (c. 14).

(13) The definition of “value” was amended by paragraph 2 of Schedule 9 to the Finance (No. 2) Act 2005 and article 4 of [S.I. 2006/3270](#).

(14) Section 432B was inserted by paragraph 4 of Schedule 6 to the Finance Act 1990 (c. 29) and has been relevantly amended by section 38 of, and paragraph 16 of Schedule 7 to, the Finance Act 2007.

- (3) In subsection (2) for “sections 432C to 432G” substitute “sections 432C and 432G”.  
 (4) Omit subsection (3).

*Modification of section 432E (section 432B apportionment: participating funds)*

6. Omit section 432E (section 432B apportionment: participating funds)(15).

*Modification of section 432F (section 432B apportionment: supplementary provisions)*

7. Omit section 432F (section 432B apportionment: supplementary provisions)(16).

*Modification of section 444AA (transfers of business: deemed periodic return)*

8. Omit section 444AA (transfers of business: deemed periodic return)(17).

*Modification of section 804C (insurance companies: allocation of expenses etc in computations under Case 1 of Schedule D)*

9. In section 804C (insurance companies: allocation of expenses etc in computations under Case 1 of Schedule D)(18) in subsection (14) for “construed—” and paragraphs (a) and (b) substitute “construed in accordance with section 804E (interpretation of section 804C in relation to other insurance business).”.

*Modification of section 804D (interpretation of section 804C in relation to life insurance business)*

10. Omit section 804D (interpretation of section 804C in relation to life insurance business)(19).

*Modification of section 804E (interpretation of section 804C in relation to other insurance business)*

11. In section 804E (interpretation of section 804C in relation to other insurance business)(20) in subsection (1) omit the words from “where” to the end.

## PART 3

### MODIFICATION OF THE FINANCE ACT 1989

*Modification of the Finance Act 1989*

12. The Finance Act 1989(21) shall have effect with the following modifications.

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(15) Section 432E was inserted by paragraph 4 of Schedule 6 to the Finance Act 1990 (c. 29).  
 (16) Section 432F was inserted by paragraphs 17(3) and 53 of the Finance Act 1995 (c. 4).  
 (17) Section 444AA was substituted by paragraph 3(1) of Schedule 9 to the Finance Act 2007.  
 (18) Section 804C was inserted by paragraph 18 of Schedule 30 to the Finance Act 2000 (c. 17) and has been relevantly amended by paragraph 50 of Schedule 7 of the Finance Act 2007.  
 (19) Section 804D was inserted by paragraph 18 of Schedule 30 to the Finance Act 2000.  
 (20) Section 804E was inserted by paragraph 18 of Schedule 30 to the Finance Act 2000.  
 (21) 1989 c. 26.

*Modification of section 82B (unappropriated surplus on valuation)*

13. Omit section 82B (unappropriated surplus on valuation)(22).

*Modification of section 82D (treatment of profits: life assurance—adjustment consequent on change in Insurance Prudential Sourcebook)*

14. Omit section 82D (treatment of profits: life assurance—adjustment consequent on change in Insurance Prudential Sourcebook)(23).

*Modification of section 82E (section 82D: treatment of transferors under insurance business transfer schemes)*

15. Omit section 82E (section 82D: treatment of transferors under insurance business transfer schemes)(24).

*Modification of section 82F (section 82D: treatment of transferees under insurance business transfer schemes)*

16. Omit section 82F (section 82D: treatment of transferees under insurance business transfer schemes)(25).

*Modification of section 83 (receipts to be taken into account)*

17. In section 83 (receipts to be taken into account)(26)—

- (a) after paragraph (b) insert—

“(ba) a transfer from the fund for future appropriations.”;

- (b) after subsection (2) insert—

“(2YA) A transfer to the fund for future appropriations shall be treated as brought into account for that period as a decrease in the value of non-linked assets and taken into account as an expense of the period of account.”;

- (c) omit subsections (2A) to (2E).

*Modification of section 83XA (structural assets)*

18. In section 83XA (structural assets)(27) in subsection (3) for the words from “means” to the end substitute “means assets listed under 1 and 2 in C(II) in Article 6 of the Council Directive of 19th December 1991 on the annual accounts and consolidated accounts of insurance undertakings (No. 91/674/EEC)(28)”.

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(22) Section 82B was inserted by paragraph 1(1) of Schedule 33 to the Finance Act 2003 (c. 14).

(23) Section 82D was inserted by article 5 of S.I. 2006/3387.

(24) Section 82E was inserted by article 13 of S.I. 2007/1031.

(25) Section 82F was inserted by article 13 of S.I. 2007/1031.

(26) Section 83 was substituted by paragraph 16(1) of Schedule 8 to the Finance Act 1995 (c. 4).

(27) Section 83XA was inserted by paragraph 2 of Schedule 10 to the Finance Act 2007 (c. 11).

(28) O.J. L374, 31.12.1991, p.7.

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

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*Modification of section 83YA (changes in value of assets brought into account: non-profit companies)*

**19.** Omit section 83YA (changes in value of assets brought into account: non-profit companies)(**29**).

*Modification of section 83YB (meaning of “appropriate line 51” amount for purposes of section 83YA)*

**20.** Omit section 83YB (meaning of “appropriate line 51” amount for purposes of section 83YA)(**30**).

*Modification of section 83A (meaning of brought into account)*

**21.**—(1) Modify section 83A (meaning of “brought into account”)(**31**) as follows.

(2) For subsection (2) substitute—

“(2) The accounts recognised for the purposes of those sections are—

- (a) such technical accounts (or such parts of those accounts) included in the IAD accounts, or
- (b) such parts of the income statements included in the IAS accounts,

as relate to the whole of the company’s long-term business.”.

(3) Omit subsections (3) to (4).

*Modification of section 83B (changes in recognised accounts: attribution of amounts carried forward under section 432F of Taxes Act 1988)*

**22.** Omit section 83B (changes in recognised accounts: attribution of amounts carried forward under section 432F of Taxes Act 1988)(**32**).

*Modification of section 85A (excess adjusted Case 1 profits)*

**23.** In section 85A (excess adjusted Case 1 profits)(**33**) in subsection (8)(a) for “Step 8” substitute “Step 7”.

*Modification of section 86 (spreading of relief for acquisition expenses)*

**24.** Omit section 86 (spreading of relief for acquisition expenses).

*Modification of section 89 (policy holders’ share of profits)*

**25.** In section 89 (policy holders’ share of profits)(**34**) omit subsection (6).”.

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(29) Section 83YA was inserted by paragraph 7(1) of Schedule 11 to the Finance Act 2006 (c. 25).

(30) Section 83YA was inserted by paragraph 7(1) of Schedule 11 to the Finance Act 2006.

(31) Section 83A was substituted by paragraph 16(1) of Schedule 8 to the Finance Act 1995.

(32) Section 83B was inserted by paragraph 14 of Schedule 9 to the Finance (No. 2) Act 2005.

(33) Section 85A was inserted by paragraph 14 of Schedule 8 to the Finance Act 2007.

(34) Section 89 was substituted by section 45(3) and (10) of the Finance Act 1990 (c. 29) and has been relevantly amended by paragraph 7(1) of Schedule 33 and Part 3(12) of Schedule 43 to the Finance Act 2003 (c. 14) and paragraph 16 of Schedule 8, paragraph 14(3) of Schedule 10 and Part 2(10) of Schedule 27 to the Finance Act 2007.