



Finance Act 1994

1994 CHAPTER 9

PART IV

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER V

LLOYD'S UNDERWRITERS: CORPORATIONS ETC.

Other special cases

^{F1}224

Textual Amendments

^{F1} S. 224 repealed (28.7.2000 with effect as mentioned in s. 107(12)(c) of the repealing Act) by 2000 c. 17, ss. 107(11), 156, **Sch. 40 Pt. II(9)**

225 Stop-loss and quota share insurance.

- (1) In computing for the purposes of corporation tax the profits of a corporate member's underwriting business, each of the following shall be deductible as an expense, namely—
- (a) any premium payable by it under a stop-loss insurance, and any repayment of insurance money paid to it under such an insurance; and
 - ^{F2}(b) where an amount is payable by it under a quota share contract—
 - (i) so much of that amount as exceeds the amount of transferred losses that are declared on or before the date the contract takes effect (“the declared amount”), or

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Changes to legislation: Finance Act 1994, Cross Heading: Other special cases is up to date with all changes known to be in force on or before 15 July 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)

- (ii) if the contract does not take effect, the amount so payable under the contract.]
- (2) Subject to subsection (3) below, the following provisions apply where any insurance money is payable to a corporate member under a stop-loss insurance in respect of a loss in its underwriting business—
- (a) if the underwriting year in which the loss is declared falls within two or more accounting periods, the apportioned part of the insurance money shall be treated as a trading receipt in computing the profits arising from the business for each of those periods; and
 - (b) if the underwriting year in which the loss is declared falls within a single accounting period, the insurance money shall be treated as a trading receipt in computing the profits arising from the business for that period.
- (3) Where, as respects the payment of any such insurance money as is mentioned in subsection (2) above—
- (a) the inspector is not notified of the payment at least 30 days before the time after which any assessment or further assessment of profits for any of the accounting periods or (as the case may be) the accounting period is precluded by section 34 of the Management Act (ordinary time limit), and
 - (b) the inspector is not entitled, after that time, to make any such assessment or further assessment by virtue of section 36 ([F3]loss of tax brought about carelessly or deliberately]) of that Act,
- that subsection shall have effect in relation to the apportioned part of that insurance money or (as the case may be) that insurance money as if, instead of that accounting period, it referred to the accounting period in which the payment is made.
- [F4(3A) Where the amount payable by a corporate member under a quota share contract is less than the declared amount—
- (a) if the underwriting year in which the contract takes effect falls within a single accounting period, the difference between the two amounts (“the surplus”) shall be treated as a trading receipt in computing the profits arising from the member’s underwriting business for that period, and
 - (b) if that underwriting year falls within two or more accounting periods, the apportioned part of the surplus shall be treated as a trading receipt in computing the profits arising from the member’s underwriting business for each of those periods.
- (3B) Where a corporate member has entered a quota share contract, any amount paid by it to cover a cash call in respect of transferred losses that are not declared at the time the contract takes effect shall be treated, for the purposes of subsections (1)(b)(i) and (3A) above, as an amount payable under the contract at that time.]
- [F5(4) In this section—
- “apportioned part”, in relation to any insurance money or other amount, means a part apportioned under [F6]section 52 of the Corporation Tax Act 2009];
- “cash call” means a request for funds which, in pursuance of a contract made in accordance with the rules and practices of Lloyd’s, is made to a corporate member by the agent of a syndicate of which it is a member;
- “quota share contract” means any contract between a corporate member and another person which—

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- (a) is made in accordance with the rules or practice of Lloyd’s; and
- (b) provides for that other person to take over any rights and liabilities of the member under any of the syndicates of which it is a member;

and where the taking over of a member’s rights and liabilities is conditional upon the occurrence of any event, the contract does not take effect until that event occurs; and

“transferred loss”, in relation to such a contract, means a loss for which that other person takes over liability under the contract (disregarding, in the case of a loss that has been declared at the time it is taken over, any part of it in respect of which the member has paid a cash call before that time).]

Textual Amendments

- F2** S. 225(1)(b) substituted (with effect as mentioned in s. 86(2) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 82(1), [Sch. 32 para. 7](#)
- F3** Words in s. 225(3)(b) substituted (1.4.2010) by [Finance Act 2008 \(c. 9\)](#), s. 118(2), [Sch. 39 para. 64](#); [S.I. 2009/403](#), art. 2(2) (with art. 10)
- F4** S. 225(3A)(3B) inserted (with effect as mentioned in s. 86(2) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 82(1), [Sch. 32 para. 8](#)
- F5** S. 225(4) substituted (with effect as mentioned in s. 86(2) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 82(1), [Sch. 32 para. 9](#)
- F6** Words in s. 225(4) substituted (1.4.2009) (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 1 para. 394](#) (with [Sch. 2 Pts. 1, 2](#))

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