

Status: Point in time view as at 01/04/2009.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2004, SCHEDULE 6. (See end of Document for details)

SCHEDULES

SCHEDULE 6

Section 41

EXPENSES OF COMPANIES WITH INVESTMENT BUSINESS AND INSURANCE COMPANIES

Income and Corporation Taxes Act 1988

F11

Textual Amendments

F1 Sch. 6 para. 1 repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), [Sch. 3 Pt. 1](#) (with [Sch. 2 Pts. 1, 2](#))

Incidental costs of obtaining loan finance

- 2 (1) Section 77 of the Taxes Act 1988 is amended as follows.
- (2) In subsection (1) (which does not apply for the purposes of corporation tax but which includes provision for the costs in question to be treated as expenses of management) omit the words from “and the incidental costs” to the end of the subsection.

Change in ownership of investment company: deductions generally.

- 3 (1) Section 768B of the Taxes Act 1988 is amended as follows.
- (2) In subsection (1) (case where section applies) for “an investment company” substitute “a company with investment business”.
- (3) In subsection (6) (treatment of expenses of management disbursed in the accounting period)—
- (a) for “are disbursed or treated as disbursed as expenses of management in the accounting period” substitute “are, or are treated as, expenses of management referable to the accounting period”;
- (b) in the words following paragraph (b), for “as disbursed in that part” substitute “expenses of management referable to that part”.
- (4) In subsection (8) (treatment of capital allowances apportioned to either part of the accounting period) for “75(4)” substitute “75(7)”.
- (5) In subsection (9) (which prevents certain sums being deducted under section 75 of the Taxes Act 1988) in paragraph (a) for “sums disbursed” substitute “expenses of management deductible”.
- (6) In subsection (14) (meaning of “investment company”) for ““investment company”” substitute ““company with investment business””.
- (7) The sidenote to the section accordingly becomes “Change in ownership of company with investment business: deductions generally”.

Deductions: assets transferred within group

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- 4 (1) Section 768C of the Taxes Act 1988 is amended as follows.
- (2) In subsection (1) (case where section applies) in paragraph (a) for “an investment company” substitute “ a company with investment business ”.
- (3) In subsection (7) (no deduction under section 75 from an amount of total profits equal to the amount of the relevant gain) in paragraph (a) for “sums disbursed” substitute “ expenses of management deductible ”.
- (4) In subsection (12), for the definition of “investment company” substitute—
 ““company with investment business” has the same meaning as in Part 4.”.

Change in ownership of company carrying on property business

- 5 (1) Section 768D of the Taxes Act 1988 is amended as follows.
- (2) In subsection (1) (case where section applies)—
- (a) in paragraph (a) (investment company) for “an investment company” substitute “ a company with investment business ”, and
- (b) in paragraph (b) (company other than investment company) for “an investment company” substitute “ a company with investment business ”.
- (3) In subsection (4) (apportionment of profits and losses to two periods)—
- (a) in paragraph (a) (investment company) for “an investment company” substitute “ a company with investment business ”, and
- (b) in paragraph (b) (company other than investment company) for “an investment company” substitute “ a company with investment business ”.
- (4) In subsection (6) (restriction of profits from which certain losses may be deducted) for “an investment company”, wherever occurring, substitute “ a company with investment business ”.
- (5) In subsection (8) (definitions) for paragraph (b) (investment company) substitute—
 “(b) “company with investment business” has the same meaning as in Part 4.”.

Change in ownership of company with unused non-trading loss on intangible fixed assets

- 6 (1) Section 768E of the Taxes Act 1988 is amended as follows.
- (2) In subsection (1) (change in ownership of investment company) for “an investment company” substitute “ a company with investment business ”.
- (3) In subsection (7) (definition of “investment company”) for ““investment company”” substitute “ “company with investment business” ”.

Finance Act 1989

Charge of certain receipts of basic life assurance business

- 7 (1) Section 85 of the Finance Act 1989 (c. 26) is amended as follows.
- (2) In subsection (2) (receipts excluded from subsection (1) omit paragraphs (c) to (d).
- (3) After subsection (2) insert—
 “(2A) Receipts falling within subsection (1) above are to be taken into account for the purposes of corporation tax when they are brought into account.

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Subsection (6) of section 89 (meaning of “brought into account”) shall also apply for the purposes of this section.

- (2B) Expenses fall to be deducted from receipts falling within subsection (1) above in accordance with the provisions of the Corporation Tax Acts applicable to Case VI of Schedule D.
- (2C) For the purposes of subsection (1) above, a receipt is referable to basic life assurance and general annuity business if—
- (a) in the case of a repayment or refund of acquisition expenses, the acquisition expenses fell within section 86 below,
 - (b) in the case of a reinsurance commission, the policy or contract reinsured under the arrangement in respect of which the commission is paid constitutes basic life assurance and general annuity business, and
 - (c) in any other case, it is income which, if it were income from an asset, would by virtue of section 432A of the Taxes Act 1988 (apportionment of insurance companies' income) be referable to basic life assurance and general annuity business.”.

Spreading of relief for acquisition expenses

8 (1) Section 86 of the Finance Act 1989 (c. 26) is amended as follows.

(2) For subsections (1) to (1B) (meaning of “acquisition expenses”) substitute—

“(1) For the purposes of this section, the acquisition expenses for any period of an insurance company carrying on life assurance business are such of the following as for that period fall to be included at Step 1 in section 76(7) of the Taxes Act 1988 (expenses of insurance companies)—

- (a) commissions (however described), other than commissions for persons who collect premiums from house to house,
- (b) any other expenses payable solely for the purpose of the acquisition of business,
- (c) so much of any other expenses payable partly for the purpose of the acquisition of business and partly for other purposes as are properly attributable to the acquisition of business,

reduced by the appropriate portion of the adjusted loss deduction (if any) for the purposes of Step 5 for the period.

The appropriate portion of the adjusted loss deduction is the amount which bears to the whole of that deduction the proportion which UAE bears to S1, where—

UAE is the amount of the acquisition expenses, before making the reduction required by this subsection; and

S1 is the sum of the amounts described in paragraphs (a) and (b) in Step 4.”.

- (3) In subsection (2) (which relates to commissions for persons who collect premiums from house to house) for “expenses of management” substitute “expenses payable”.
- (4) Omit—

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- (a) subsection (5) (expenses of management attributable to basic life assurance and general annuity business), and
 - (b) subsection (5A) (exclusion of additional expenses of management under section 256(2)(a) of the Capital Allowances Act).
- (5) For subsection (6) (only one-seventh of acquisition expenses to be treated as deductible under sections 75 and 76 of the Taxes Act 1988) substitute—

“(6) Only a portion of the acquisition expenses for any accounting period (in this section referred to as “the base period”) is to be relieved under section 76 of the Taxes Act 1988 for that period.

That portion is one-seventh of the adjusted amount of the acquisition expenses for the period.

For the purposes of this section the adjusted amount of the acquisition expenses for the period is so much of those expenses as remains after—

- (a) including the whole of those expenses at Step 1,
- (b) making any reduction in those expenses which is required at Step 2, and
- (c) deducting any amount of reinsurance commission or any repayment or refund (in whole or in part) that falls for the period to be charged to tax under section 85 above,

Effect is given to this subsection at Step 6 (which requires the deduction of six-sevenths of the adjusted amount of the acquisition expenses for the period).”.

- (6) Omit subsection (7) (which relates to accounting periods falling wholly or partly within the years 1990 to 1993).
- (7) For subsections (8) and (9) (deduction of further one-sevenths of full amount for succeeding accounting periods) substitute—

“(8) This subsection applies in any case where, in accordance with subsection (6) above, only a fraction of the adjusted amount of the acquisition expenses for the base period is to be relieved under section 76 of the Taxes Act 1988 for that period.

In any such case—

- (a) a further fraction of the adjusted amount of those expenses is to be relieved under that section for each succeeding accounting period after the base period, until the whole of the adjusted amount has been relieved,
- (b) the fraction is one-seventh, except that for any accounting period of less than a year the fraction is to be proportionately reduced, and
- (c) the relief is given by including that fraction of the adjusted amount at paragraph (b) of Step 8,

but this is subject to subsection (9) below.

- (9) For any accounting period for which—
- (a) the fraction of the adjusted amount of the acquisition expenses for the base period which would otherwise fall to be relieved in accordance with subsection (8) above, exceeds

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(b) the balance of that adjusted amount which has not been so relieved for earlier accounting periods, only that balance shall be so relieved.”.

(8) After subsection (9) insert—

“(9A) In this section “expenses payable” has the same meaning as in Step 1.

(9B) Any reference in this section to a numbered Step is a reference to the Step so numbered in section 76(7) of the Taxes Act 1988.”.

Finance Act 1996

F29

Textual Amendments

F2 Sch. 6 para. 9 repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), **Sch. 3 Pt. 1** (with [Sch. 2 Pts. 1, 2](#))

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