



# Finance Act 2012

## 2012 CHAPTER 14

### PART 2

#### INSURANCE COMPANIES CARRYING ON LONG-TERM BUSINESS

### CHAPTER 5

#### I - E PROFIT: POLICYHOLDERS' RATE OF TAX

##### *Policyholder tax and calculation of BLAGAB trade profit or loss*

#### **106 Deduction for current policyholder tax**

- (1) This section applies for the purpose of calculating the BLAGAB trade profit or loss for an accounting period of any basic life assurance and general annuity business carried on by an insurance company in a case where the company has an I - E profit for that period.
- (2) In calculating the profit or loss for the accounting period, a deduction is allowed for an amount equal to the amount of corporation tax charged at the policyholders' rate of tax on the policyholders' share of the company's I - E profit for that period.

#### **107 Expenses or receipts for deferred policyholder tax**

- (1) This section applies for the purpose of calculating the BLAGAB trade profit or loss for a period of account of any basic life assurance and general annuity business carried on by an insurance company.
- (2) In calculating the profit or loss, an amount is brought into account that is equal to—
  - (a) the closing deferred policyholder tax balance for the period of account, less
  - (b) the closing deferred policyholder tax balance for the previous period of account.

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*Status: This is the original version (as it was originally enacted).*

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- (3) The amount—
  - (a) is brought into account as an expense, if it is a negative figure, and
  - (b) is brought into account as a receipt, if it is a positive figure.
- (4) The amount is brought into account under this section only if, in accordance with generally accepted accounting practice, it is debited or credited in accounts drawn up by the company for the period of account.
- (5) If the closing deferred policyholder tax balance for a period of account is a liability, the amount of the balance is taken to be a negative figure for the purposes of this section.
- (6) If the closing deferred policyholder tax balance for a period of account is an asset, the amount of the balance is taken to be a positive figure for the purposes of this section.
- (7) Section 108 applies for determining the closing deferred policyholder tax balance for a period of account.

#### **108 Meaning of “the closing deferred policyholder tax balance” etc**

- (1) For the purposes of section 107 “the closing deferred policyholder tax balance for a period of account” means so much of the closing amount shown, in accordance with generally accepted accounting practice, in the accounts of the company for that period in respect of deferred tax as is wholly attributable to policyholder tax.
- (2) Provision forming part of the closing amount is “wholly attributable to policyholder tax” if—
  - (a) the provision is made in respect of a BLAGAB matter (see subsection (3)), and
  - (b) anything included in the closing amount in respect of that matter is calculated wholly by reference to the policyholders’ rate of tax chargeable on the policyholders’ share of the company’s I - E profit for any accounting period.
- (3) A “BLAGAB matter” means—
  - (a) an amount of excess BLAGAB expenses,
  - (b) an amount of acquisition expenses falling to be relieved in the future in accordance with section 79,
  - (c) an amount of expenses otherwise falling to be taken into account in the future under the I - E rules,
  - (d) an amount of BLAGAB allowable loss (within the meaning of section 210A of TCGA 1992) carried forward for future use,
  - (e) an amount to which section 213 of TCGA 1992 applies (spreading of gains and losses under section 212), or
  - (f) an amount in respect of the future disposal (or part disposal) of an asset which would fall to be taken into account in accordance with section 75.
- (4) If—
  - (a) for a period of account of the company the provision made in respect of a BLAGAB matter is taken into account for the purposes of section 107, and
  - (b) for a subsequent period of account of the company the provision made in respect of that matter is no longer wholly attributable to policyholder tax because the condition in subsection (2)(b) ceases to be met,
 there is to be a reversal in the subsequent period of account in respect of the provision (so far as section 107 does not otherwise apply in relation to the case).

- (5) The reversal in the subsequent period of account is to be made as follows—
- (a) if the provision was an amount which for accounting purposes was regarded as an asset, a negative amount equal to that amount is to be taken into account in calculating the closing deferred policyholder tax balance for that period for the purposes of section 107, and
  - (b) if the provision was an amount which for accounting purposes was regarded as a liability, a positive amount equal to that amount is to be taken into account in calculating the closing deferred policyholder tax balance for that period for the purposes of section 107.
- (6) The Treasury may by order amend the definition of a “BLAGAB matter”.
- (7) An order under subsection (6) may contain incidental, supplementary, consequential, transitional, transitory or saving provision.