



Finance Act 2012

2012 CHAPTER 14

PART 2

INSURANCE COMPANIES CARRYING ON LONG-TERM BUSINESS

CHAPTER 6

TRADE CALCULATION RULES APPLYING TO LONG-TERM BUSINESS

109 Application of Chapter

- (1) The rules contained in this Chapter have effect for the purpose of—
 - (a) calculating the BLAGAB trade profit or loss of any basic life assurance and general annuity business carried on by an insurance company, and
 - (b) calculating for corporation tax purposes the profits of any non-BLAGAB long-term business carried on by an insurance company,but, in the case of section 112, see also subsection (6) of that section.
- (2) In this Chapter references to the calculation of the profits are, in the case of the calculation of the BLAGAB trade profit or loss, to be read as references to the calculation of that profit or loss.
- (3) See also section 47 of CTA 2009 (losses calculated on same basis as profits).
- (4) In the case of the calculation of the BLAGAB trade profit or loss, see also sections 106 to 108.

110 Allocations to policyholders

- (1) In calculating the profits for an accounting period, a deduction is allowed for any amount which is allocated to policyholders or annuitants in respect of the accounting period.
- (2) But there is no deduction for an amount of a capital nature that—

Status: This is the original version (as it was originally enacted).

- (a) is allocated to holders of with-profits policies, and
 - (b) has not been funded from an amount credited in accounts of the business drawn up in accordance with generally accepted accounting practice (whether drawn up by the company or another company).
- (3) For this purpose a payment made in connection with the reattribution of inherited estate is to be regarded as an amount of a capital nature.
- (4) “With-profits policies” means policies under which the holders are eligible to participate in surplus.

111 Dividends and other distributions

- (1) Dividends or other distributions—
- (a) which are receivable by the company, and
 - (b) which are referable, in accordance with Chapter 7, to the business concerned, are to be brought into account as receipts in calculating the profits.
- (2) This rule—
- (a) applies whether or not the distributions are exempt for the purposes of Part 9A of CTA 2009 or would otherwise be dealt with under that Part, but
 - (b) does not apply in the case of distributions that are of a capital nature.

112 Index-linked gilt-edged securities

- (1) If, for an accounting period, a company has a loan relationship which is represented by an index-linked gilt-edged security, sections 400 to 400C of CTA 2009 (adjustments for changes in index) are not to apply in calculating the profits for the accounting period.
- (2) But subsection (1) does not apply to loan relationships of the company that are qualifying PHI loan relationships.
- (3) A loan relationship is a “qualifying PHI loan relationship” if
- (a) the loan relationship is identified in the records of the company as an asset held for the purposes of index-linked PHI business carried on by the company, and
 - (b) none of the credits or debits in respect of the loan relationship are referable to BLAGAB,
- but see subsection (5) for a case in which a loan relationship meeting the conditions in paragraphs (a) and (b) is not a qualifying PHI loan relationship.
- (4) Credits or debits are referable to BLAGAB if—
- (a) they are referable, in accordance with Chapter 4, to any basic life assurance and general annuity business of the company, or
 - (b) they are taken into account in calculating the profit or loss that is, in accordance with Chapter 7, allocated to any basic life assurance and general annuity business of the company.
- (5) A loan relationship which, but for this subsection, would be a qualifying PHI loan relationship of the company is not a qualifying PHI loan relationship if the value of the loan relationship when added to the value of qualifying PHI loan relationships of the company exceeds the value of the liabilities incurred by the company for the purposes of its index-linked PHI business.

(6) A loan relationship of the company which at any time is a qualifying PHI loan relationship is to be regarded for the purposes of this Part as an asset which is held at that time for the purposes of the company's long-term business but which is not matched to its long-term business liabilities or held by it for the purposes of any with-profits funds.

(7) In this section—

“index-linked gilt-edged security” has the same meaning as it has in sections 400 to 400C of CTA 2009 (see section 399(4) of that Act), and

“index-linked PHI business” means PHI business so far as consisting of the effecting or carrying out of contracts of long-term insurance under which the benefits payable are linked to an index of prices published by the Statistics Board.

113 Receipts or expenses relating to long-term business fixed capital

Receipts or expenses which arise from an asset forming part of the long-term business fixed capital of the company are to be left out of account in calculating the profits.