



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

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,
 - ^{F1}(b)
 - (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,

Changes to legislation: There are currently no known outstanding effects for the Finance Act 2012, Section 108. (See end of Document for details)

- (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.

Textual Amendments

- F1** S. 108(3)(b) omitted (with effect in relation to accounting periods of companies beginning on or after 1.1.2023 of the commencing S.I.) by virtue of Finance Act 2022 (c. 3), Sch. 5 paras. 3(2)(g), 4; S.I. 2022/1164, reg. 2(1) (with reg. 2(2))

Changes to legislation:

There are currently no known outstanding effects for the Finance Act 2012, Section 108.