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## SCHEDULES.

### SCHEDULE 7

#### AMENDMENTS OF S. 85 OF FINANCE ACT 1965.

#### PART II

##### THE ONE YEAR SURPLUS

###### *Companies carrying on life assurance businesses.*

- 6 The one year surplus of a company carrying on life assurance business shall be computed without regard to any such part of dividends or other income from investments held in connection with its life assurance business as belongs or is allocated to, or is reserved for, or expended on behalf of, policy holders, and without regard to the tax on such part of such income.

###### *Elections as respects double taxation relief.*

- 7 (1) If a company so elects, its one year surplus shall be computed in accordance with sub-paragraphs (2) and (3) below.
- (2) In arriving at the amount of profits tax and income tax to be taken into account under paragraphs (b) and (c) of subsection (3) of the said section 85, it shall be assumed that paragraph 2(2) of Schedule 16 to the Income Tax Act 1952 provides for credit for foreign tax to be first applied in reducing the amount of income tax chargeable in respect of the income and, so far as it cannot be so applied, in reducing the profits tax chargeable in respect of the income (instead of applying the credit first against profits tax and then against income tax).
- (3) In arriving at the fraction defined at the end of the said subsection (3) (income tax for 1965-66 divided by that plus corporation tax for the financial year 1965), and in applying subsection (8) of the said section 85 (under which any one year surplus is to be disregarded if that income tax is not greater than that corporation tax)—
- (a) so far as any tax at subsection (3)(a) of the said section 85 consists of tax at a net United Kingdom rate (that is to say a rate less than the standard rate of 8s. 3d. for the year 1965-66) that tax shall be increased by applying the ratio

$$\frac{A}{B}$$

where " A " is the said standard rate of 8s. 3d. and " B " is the said net United Kingdom rate, and

- (b) any credit for foreign tax which is allowable against United Kingdom income tax or corporation tax shall be disregarded.

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- (4) In this paragraph " credit for foreign tax " means credit allowable by virtue of arrangements made under section 347 of the Income Tax Act 1952, or by way of relief under section 348 of that Act.