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SCHEDULES

SCHEDULE 5

COMPANIES' CHARGEABLE GAINS: TRANSITIONAL PROVISIONS

PART II

SPECIAL CASES

Interpretation.

- 5 In this Part of this Schedule “straddling period” has the meaning assigned to it by paragraph 1(a) above and sub-paragraphs (1) and (2) of paragraph 2 above apply for the purposes of this Part.

Life assurance companies.

- 6 (1) Subject to the following provisions of this paragraph, where an accounting period of an insurance company carrying on life assurance business is a straddling period, section 26 of the Finance Act 1974 (life assurance gains etc.) shall apply separately in relation to each of the component periods and—
- (a) for the first component period, section 26 shall have effect without regard to subsections (2) and (3) of section 75 of this Act; and
 - (b) for the second component period, section 26 shall have effect as amended by those subsections.
- (2) For the purposes of the separate application of section 26 in accordance with sub-paragraph (1) above, the relevant reliefs (within the meaning of that section) of the straddling period shall be apportioned to the two component periods on a time basis according to their lengths.
- (3) If, on a computation under section 26 in accordance with sub-paragraphs (1) and (2) above,—
- (a) the policy holders' share of the life assurance gains for one of the component periods exceeds the relevant reliefs apportioned to that period, and
 - (b) the relevant reliefs apportioned to the other component period exceed the policy holders' share of the life assurance gains of that period,
- the excess for the component period referred to in paragraph (a) above shall be treated for the purposes of this paragraph as reduced or, as the case may be, extinguished by deducting from that excess so much of the excess referred to in paragraph (b) above as does not exceed it.
- (4) Section 26 of the Finance Act 1974 shall not apply to the straddling period taken as a whole.

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- 7 (1) For a straddling period of an insurance company carrying on life assurance business, sub-paragraph (4) of paragraph 2 of Schedule 18 to the Finance Act 1972 shall have effect as if the amount of the reduction provided for by that sub-paragraph were increased by the policy holders' share of the life assurance gains of the second component period (determined under section 26 of the Finance Act 1974, as applied to that period by paragraph 6 above).
- (2) Sub-paragraph (1) above is without prejudice to the operation of paragraph 4 above in relation to the said sub-paragraph (4).

Companies carrying on oil extraction activities etc.

- 8 (1) Subject to the following provisions of this paragraph, a separate computation shall be made under subsections (3) and (7) of section 79 of the Finance Act 1984 (gains on certain disposals related to oil fields) for each of the component periods.
- (2) If, by virtue of paragraph (a) of subsection (7) of section 79 of the Finance Act 1984, a loss which accrues on a material disposal to a connected person is excluded from those which are taken into account in the computation under subsection (3) of that section for the second component period, then—
- (a) for the purposes of the application of section 62 of the Capital Gains Tax Act 1979, as modified by paragraph (b) of the said subsection (7), in relation to that loss, the first component period shall be treated as if it were subsequent to the second (so as to permit the loss to be set against an appropriate chargeable gain of the first component period); and
 - (b) paragraph (c) of subsection (7) of the said section 79 shall apply accordingly in relation to the gains which are taken into account in the computation under subsection (3) of that section for the first component period.
- (3) If, on the initial computation in accordance with sub-paragraphs (1) and (2) above, there would be an aggregate gain for one of the component periods and an aggregate loss for the other, then, for the purposes of this paragraph, that aggregate loss shall be set against that aggregate gain so as to produce—
- (a) for one of the component periods neither an aggregate gain nor an aggregate loss; and
 - (b) for the other component period either an aggregate gain or an aggregate loss (according as the original aggregate gain was greater or smaller than the original aggregate loss);
- or, if the original aggregate gain was equal to the original aggregate loss, neither an aggregate gain nor an aggregate loss for either component period.
- (4) Section 93 of the Finance Act 1972 (corporation tax liability in respect of chargeable gains) shall not apply to either component period.
- (5) The amounts computed for the two component periods in accordance with sub-paragraphs (1) to (4) above shall themselves be aggregated to give an aggregate gain or aggregate loss for the straddling period as a whole and that aggregate gain or loss shall not itself be subject to any reduction under section 93 of the Finance Act 1972 except in accordance with sub-paragraph (7) below.
- (6) Subsections (4) and (5) of section 79 of the Finance Act 1984 shall apply in relation to the aggregate gain or aggregate loss of the straddling period as a whole (as determined under sub-paragraph (5) above) as if it were the aggregate gain or loss referred to in (and derived from) subsection (3) of that section.

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- (7) If there is an aggregate gain of the straddling period as a whole, only so much (if any) of that gain as does not exceed the aggregate gain of the first component period shall be reduced under section 93 of the Finance Act 1972, and the reference in subsection (5) of section 79 of the Finance Act 1984 to reduction in accordance with the said section 93 shall be construed accordingly.
- (8) As respects the straddling period, for the purposes of—
- (a) section 16 of the Oil Taxation Act 1975 (restriction on setting advance corporation tax against income from oil extraction activities),
 - (b) section 44 of the Finance Act 1987 (limited right to carry back surrendered advance corporation tax), and
 - (c) section 45(4) of the Finance Act 1987 (surrender of advance corporation tax where oil extraction company etc. owned by a consortium),
- any reference to income arising from oil extraction activities or from oil rights shall be taken to include a reference to the aggregate gain (if any) of the second component period, as determined under sub-paragraphs (1) to (4) above.