



Finance Act 1989

1989 CHAPTER 26

PART II

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER I

GENERAL

Life assurance

[^{F1}89 Policy holders' share of profits.

- (1) The references in section 88 above to the policy holders' share of the relevant profits for an accounting period of a company carrying on life assurance business are references to the amount arrived at by deducting from those profits the Case I profits of the company for the period in respect of the business, reduced in accordance with subsection (2) below.
- (2) For the purposes of subsection (1) above, the Case I profits for a period shall be reduced by—
 - (a) the amount, so far as unrelieved, of any franked investment income arising in the period as respects which the company has made an election under section 438(6) of the Taxes Act 1988, and
 - (b) the shareholders' share of any other unrelieved franked investment income arising in the period from investments held in connection with the business [^{F2}, and
 - (c) the shareholders' share of any foreign income dividends arising to the company in the period in respect of investments held in connection with the business.]

[For the purposes of subsection (2) above—
^{F3}(2A)

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Changes to legislation: There are currently no known outstanding effects for the Finance Act 1989, Section 89. (See end of Document for details)

- (a) “foreign income dividends” shall be construed in accordance with Chapter VA of Part VI;
 - (b) the shareholders’ share of any foreign income dividends is so much of the income they represent as is the shareholders’ share.]
- (3) For the purposes of those section “the shareholders’ share” in relation to any income is so much of the income as is represented by the fraction

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

where—

A is an amount equal to the Case I profits of the company for the period in question in respect of its life assurance business, and

B is an amount equal to the excess of the company’s relevant non-premium income and relevant gains over its relevant expenses and relevant interest for the period.

- (4) Where there is no such excess as is mentioned in subsection (3) above, or where the Case I profits are greater than any excess, the whole of the income shall be the shareholders’ share; and (subject to that) where there are no Case I profits, none of the income shall be the shareholders’ share.
- (5) In subsection (3) above the references to the relevant non-premium income, relevant gains, relevant expenses and relevant interest of a company for an accounting period are references respectively to the following items asbrought into account for the period, so far as referable to the company’s life assurance business,—
 - (a) the company’s investment income from the assets of its long-term businessfund together with its other income, apart from premiums;
 - (b) any increase in the value (whether realised or not) of those assets;
 - (c) expenses payable by the company;
 - (d) interest payable by the company;
 and if for any period there is a reduction in the value referred to in paragraph (b) above (as brought into account for the period), that reduction shall be taken into account as an expense of the period.
- (6) Except in so far as regulations made by the Treasury otherwise provide, in this section “brought into account” means brought into account in the revenue account prepared for the purposes of the Insurance Comanies Act 1982; and where the company’s period of account does not coincide with the accounting period, any reference to an amount brought into account for the accounting period is a reference to the corresponding amount brought into account for the period of account in which the accounting period is comprised, proportionately reduced to reflect the length of the accounting period as compared with the length of the period of account.
- (7) In this section “Case I profits” means profits computedin accordance with the provisions of the Taxes Act 1988 applicable to Case Iof Schedule D.
- (8) For the purposes of this section franked investment income is unrelievedif—
 - (a) it has not been excluded from charge to tax by virtue of any provision,
 - (b) no tax credit comprised in it has been paid, and

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(c) no relief has been allowed against it by deduction of set-off].

Textual Amendments

- F1** S. 89 substituted retrospectively by [Finance Act 1990 \(c. 29\)](#) {s. 45(3)}
- F2** S. 89(2)(c) and word
“and”
immediately preceding it inserted (3.5.1994) by 1994 c. 9, s. 138, [Sch. 16 Pt. III para. 9\(2\)](#)
- F3** S. 89(2A) inserted (3.5.1994) by 1994 c. 9, s. 138, [Sch. 16 Pt. III para. 9\(3\)](#)

Modifications etc. (not altering text)

- C1** S. 89 amended (27.7.1993 with application as mentioned in s. 78(11) of the amending Act) by 1993 c. 34, [s. 78\(6\)\(11\)](#)
- C2** S. 89(8) amended (27.7.1993) by 1993 c. 34, [s. 78\(7\)](#)

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