

Status: Point in time view as at 14/08/2007.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 1996, SCHEDULE 11. (See end of Document for details)

SCHEDULES

SCHEDULE 11

Section 99.

LOAN RELATIONSHIPS: SPECIAL PROVISIONS FOR INSURERS

Modifications etc. (not altering text)

- C1** Sch. 11 modified (*retrospective* to 1.1.1995) by [S.I. 1997/473, reg. 53](#)
Sch. 11 modified (13.10.1999) by [S.I. 1997/473, reg. 53ZA](#) (as inserted (13.10.1999) by [S.I. 1999/2636, reg. 6](#))
- C2** Sch. 11 modified (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Friendly Societies \(Modification of the Corporation Tax Acts\) Regulations 2005 \(S.I. 2005/2014\), regs. 1\(1\), 40](#) (as amended (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Friendly Societies \(Modification of the Corporation Tax Acts\) \(Amendment\) Regulations 2007 \(S.I. 2007/2134\), regs. 1\(1\), 31](#))
- C3** Sch. 11 modified (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Friendly Societies \(Modification of the Corporation Tax Acts\) Regulations 2005 \(S.I. 2005/2014\), regs. 1\(1\), 41](#) (as amended (with effect in accordance with reg. 1(2) of the amending S.I.) by [The Friendly Societies \(Modification of the Corporation Tax Acts\) \(Amendment\) Regulations 2007 \(S.I. 2007/2134\), regs. 1\(1\), 32\(a\)](#))

PART I

INSURANCE COMPANIES

Modifications etc. (not altering text)

- C4** Sch. 11 Pt. I applied (with modifications) (29.4.1996) by [1994 c. 9, s.169, Sch. 18 para. 1](#) (as substituted (29.4.1996) by [1996 c. 8, s.104, Sch. 14 para. 79](#) (with saving in Pt. IV Ch. II))
Sch. 11 Pt. I applied (with modifications) (24.7.2002 with effect as mentioned in [s. 83\(3\)\(4\)](#) of the amending Act) by [Finance Act 2002 \(c. 23\), s. 83\(1\), Sch. 26 Pt. 8 para. 42](#)

I minus E basis

- 1 ^{F1}(1)
- ^{F2}(1A)
- ^{F2}(1B)
- ^{F2}(1C)
- ^{F1}(2)

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Textual Amendments

- F1** Sch. 11 para. 1(1)(2) repealed (with effect in accordance with Sch. 10 of the amending Act) by [Finance Act 2007 \(c. 11\)](#), [Sch. 10 para. 16\(5\)\(a\)](#), [Sch. 27 Pt. 2\(10\)](#)
- F2** Sch. 11 para. 1(1A)-(1C) repealed (with effect in accordance with Sch. 10 para. 17(2) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), [Sch. 10 para. 6\(4\)](#), [Sch. 27 Pt. 2\(10\)](#)

Rules for different categories of business

2 ^{F3}(1) Where an insurance company carries on basic life assurance and general annuity business, a separate computation, using only the non-trading credits and non-trading debits referable to that business, shall be made for the purposes of this Chapter in relation to that business.]

^{F4}(2)

^{F5}(2A) Where an insurance company stands in the position of a debtor as respects a debt under a contingent loan made to the company (within the meaning of section 83ZA(1) of the Finance Act 1989), the debt is to be regarded for the purposes of this Chapter as not arising from a transaction for the lending of money.]

^{F6}(3)

^{F6}(4)

^{F6}(5)

Textual Amendments

- F3** Sch. 11 para. 2(1) substituted (with effect in accordance with s. 38(2) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), [Sch. 7 para. 67\(2\)](#) (with [Sch. 7 Pt. 2](#))
- F4** Sch. 11 para. 2(2) repealed (with effect in accordance with Sch. 10 para. 17(2) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), [Sch. 10 para. 4\(4\)\(b\)](#), [Sch. 27 Pt. 2\(10\)](#)
- F5** Sch. 11 para. 2(2A) inserted (with effect in accordance with Sch. 33 para. 3(3) of the amending Act) by [Finance Act 2003 \(c. 14\)](#), [Sch. 33 para. 3\(2\)](#)
- F6** Sch. 11 para. 2(3)-(5) repealed (with effect in accordance with Sch. 10 para. 17(2) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), [Sch. 10 para. 4\(4\)\(b\)](#), [Sch. 27 Pt. 2\(10\)](#)

Modifications etc. (not altering text)

- C5** Sch. 11 para. 2(1)(3) modified (23.3.1999) by [S.I. 1999/498](#), [reg. 15\(3\)\(a\)\(b\)](#)

Apportionments

3 Where—

- (a) any creditor relationship of an insurance company is represented by an asset which is an asset of a fund of the company or is linked to any category of insurance business, and
- (b) any question arises for the purposes of the Corporation Tax Acts as to the extent to which credits or debits given for the purposes of this Chapter in respect of that relationship are referable to any category of the company’s ^{F7}long-term] business,

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section 432A of the Taxes Act 1988 (apportionment of insurance companies' income) shall have effect in relation to the credits and debits so given in respect of that relationship as it has effect in relation to the income arising from an asset.

Textual Amendments

F7 Words in Sch. 11 para. 3(b) substituted (1.12.2001) by [S.I. 2001/3629](#), [art. 96\(1\)\(b\)\(i\)](#)

^{F8}3A (1) This paragraph applies where—

- (a) any [^{F9}loan relationship] of an insurance company is represented by a liability which is a liability of the [^{F10}long-term insurance] fund of the company; and
- (b) any question arises for the purposes of the Corporation Tax Acts as to the extent to which any debits or credits given for the purposes of this Chapter in respect of that ^{F11} . . . liability are referable to any category of the company's [^{F12}long-term] business.

(2) If any debits relate to interest payable in respect of the late payment of any benefits, they are referable to the category of [^{F12}long-term] business which comprises the effecting and carrying out of the policies or contracts under which the benefits are payable.

(3) If the liability is a liability of an internal linked fund of the company, any debits or credits are referable—

- (a) to the category of [^{F12}long-term] business to which the fund relates; or
- (b) where the fund relates to two or more categories of such business, to those categories in the same proportion as the linked assets in the fund are apportioned to them under section 432ZA(4) of the Taxes Act 1988 (linked assets).

(4) In any case not falling within sub-paragraph (2) or (3) above, there shall be referable to any category of [^{F12}long-term] business the relevant fraction of any debits or credits.

(5) For the purpose of determining that fraction, [^{F13}subsections (6), (6A)[^{F14}, (6B)] and (8)] of section 432A of the Taxes Act 1988 (apportionment of income and gains) shall have effect as if—

- (a) the debits or credits were income not directly referable to any category of business;
- (b) [^{F15}the references in subsections (6)(a) and (6A)(a)] to assets directly referable to a category of business were a reference to assets linked to that category of business; and

^{F16}(c)

^{F17}(6)]

Textual Amendments

F8 Sch. 11 para. 3A inserted (28.7.2000 with effect in relation to accounting periods beginning on or after 1.1.2000 and ending on or after 21.3.2000) by [2000 c. 17](#), [s. 109\(8\)\(10\)](#)

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- F9** Words in Sch. 11 Pt. 1 para. 3A(1)(a) substituted (24.7.2002 with effect as mentioned in s. 79(3) of the amending Act) by [Finance Act 2002 \(c. 23\)](#), s. 79(2), **Sch. 23 Pt. 1 para. 15(a)** (with Sch. 23 Pt. 3 para. 25)
- F10** Words in Sch. 11 para. 3A(1)(a) substituted (1.12.2001) by [S.I. 2001/3629](#), **art. 96(2)**
- F11** Words in Sch. 11 Pt. 1 para. 3A(1)(b) repealed (24.7.2002 with effect as mentioned in s. 79(3) of and Sch. 23 to the repealing Act) by [Finance Act 2002 \(c. 23\)](#), ss. 79(2), 141, **Sch. 23 Pt. 1 para. 15(b)**, **Sch. 40 Pt. 3(10)** (with Sch. 23 Pt. 3 para. 25)
- F12** Words in Sch. 11 para. 3A(1)(b)(2)(3)(a)(4) substituted (1.12.2001) by [S.I. 2001/3629](#), **art. 95(1)(b)(ii)**
- F13** Words in Sch. 11 para. 3A(5) substituted (with effect in accordance with art. 1 of the amending S.I.) by [The Insurance Companies \(Corporation Tax Acts\) \(Amendment\) Order 2005 \(S.I. 2005/3465\)](#), arts. 1, **9(2)(a)**
- F14** Words in Sch. 11 para. 3A(5) inserted (with effect in accordance with s. 38(2) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), **Sch. 7 para. 67(3)(a)** (with Sch. 7 Pt. 2)
- F15** Words in Sch. 11 para. 3A(5)(b) substituted (with effect in accordance with art. 1 of the amending S.I.) by [The Insurance Companies \(Corporation Tax Acts\) \(Amendment\) Order 2005 \(S.I. 2005/3465\)](#), arts. 1, **9(2)(b)**
- F16** Sch. 11 para. 3A(5)(c) repealed (with effect in accordance with s. 38(2) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), **Sch. 7 para. 67(3)(c)**, **Sch. 27 Pt. 2(7)** (with Sch. 7 Pt. 2)
- F17** Sch. 11 para. 3A(6) repealed (with effect in accordance with Sch. 10 para. 17(2) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), **Sch. 10 para. 9(2)(d)**, **Sch. 27 Pt. 2(10)**

Modifications etc. (not altering text)

- C6** Sch. 11 para. 3A modified (with effect in accordance with reg. 1(2)(3) of the amending S.I.) by [The Insurance Companies \(Tax Exempt Business\) Regulations 2007 \(S.I. 2007/2145\)](#), regs. 1(1), **14**

Treatment of deficit

- 4 (1) Where, in the case of any insurance company, a non-trading deficit on its loan relationships is produced for any accounting period (“the deficit period”) by any separate computation made under paragraph 2 above for—
- (a) basic life assurance and general annuity business, ^{F18}...
- ^{F18}(b)
- the following provisions of this paragraph shall apply in relation to that deficit, instead of section 83 of, and Schedule 8 to, this Act.
- (2) On a claim made by the company in relation to the whole or any part of the deficit—
- (a) the amount to which the claim relates shall be set off against any ^{F19}... income and gains of the deficit period referable to [^{F20}basic life assurance and general annuity business] and arising or accruing otherwise than in respect of loan relationships; and
- (b) the amount of the ^{F19}... income and gains against which it is set off shall be treated as reduced accordingly;
- and any such reductions shall be made before [^{F21}any expenses deduction under section 76 of the Taxes Act 1988] .
- (3) Subject to the following provisions of this paragraph, on a claim made by the company in relation to the whole or any part of so much (if any) of the deficit as exceeds the amount of the ^{F22}... income and gains for the deficit period that are referred to in sub-paragraph (2)(a) above, the amount to which the claim relates shall be—

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- ^{F23}(a) carried back to accounting periods falling wholly or partly within the period of twelve months immediately preceding the deficit period; and
 - (b) in accordance with sub-paragraph (5) below, set against the eligible profits of the company for ^{F24}up to three such periods].
- (4) If the whole or any amount of the deficit is not set off under sub-paragraph (2) or (3) above, so much of it as is not set off shall be—
 - (a) carried forward to the accounting period immediately following the deficit period; and
 - (b) treated for the purposes of the Corporation Tax Acts (including the following provisions of this paragraph) as ^{F25}expenses payable which are referable to the period following the deficit period and are to be brought into account at Step 3 in section 76(7) of the Taxes Act 1988] .
- (5) Subject to sub-paragraph (6) below, where, in pursuance of a claim under sub-paragraph (3) above, any amount falls to be carried back to be set off against the eligible profits of the company for ^{F26}accounting periods falling wholly or partly within the period of twelve months mentioned in sub-paragraph (3)(a) above], that amount shall be set off against those profits as follows, that is to say—
 - (a) the amount shall be applied, up to the limit for the first set-off period, in reducing the company’s eligible profit for that period;
 - (b) any remainder of that amount after the limit for the first set-off period is reached shall be applied, up to the limit for the second set-off period, in reducing the company’s eligible profit for the second set-off period; and
 - (c) any remainder of that amount after the limit for the second set-off period has been reached shall be applied, up to the limit for the third set-off period, in reducing the company’s eligible profit for the third set-off period.
- ^{F27}(6)
- (7) For the purposes of this paragraph the eligible profit of the company for an accounting period is the amount (if any) which, in pursuance of any separate computation made for that period for ^{F28}its basic life assurance and general annuity business], is chargeable to tax for that period under Case III of Schedule D as profits and gains arising from the company’s loan relationships.
- (8) For the purposes of this paragraph—
 - (a) the first set-off period is the accounting period immediately preceding the deficit period,
 - (b) the second set-off period is the accounting period ^{F29}(if any) which falls wholly or partly within the period of twelve months mentioned in sub-paragraph (3)(a) above and immediately precedes] the first set-off period,
 - (c) the third set-off period is the accounting period ^{F29}(if any) which falls wholly or partly within the period of twelve months mentioned in sub-paragraph (3) (a) above and immediately precedes] the second set-off period, and
 - (d) the limit for a set-off period is the amount equal to the adjusted amount of the company’s eligible profit for that period.
- (9) In sub-paragraph (8) above, the reference to the adjusted amount of a company’s eligible profit for a set-off period is ^{F30}(subject to sub-paragraph (9A) below)] a reference to so much (if any) of the company’s eligible profit for that period as

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remains after reducing it by an amount equal to the unused part of the relevant deductions for that period.

[^{F31}(9A) Where a set-off period falls only partly within the period of twelve months mentioned in sub-paragraph (3)(a) above, the adjusted amount of a company’s eligible profit for that period shall be taken to be confined to the part of the amount computed under sub-paragraph (9) above which is proportionate to the part of the set-off period that falls within that period of twelve months.]

(10) For the purposes of sub-paragraph (9) above the unused part of the relevant deductions for any set-off period is the amount (if any) by which the aggregate of—

- (a) so much of the amount of any deductions for the set-off period by virtue of section 76 of the Taxes Act 1988 as is referable to [^{F32}basic life assurance and general annuity business], and
- (b) so much of the aggregate of the deductions made in the case of the company in respect of charges on income for that period as is so referable,

exceeds the aggregate of the amounts referable to [^{F32}basic life assurance and general annuity business] that could for that period be applied in making deductions by virtue of that section, or in respect of charges on income, if the eligible profit of the company for that period were disregarded.

(11) In sub-paragraph (10) above, the references, in relation to a claim under sub-paragraph (3) above (“the relevant claim”), to deductions by virtue of section 76 of the Taxes Act 1988 for a set-off period are references to [^{F33}the expenses deduction] that would have fallen to be made by virtue of that section for that period if—

- (a) no account were taken of either—
 - (i) the relevant claim; or
 - (ii) any claim under sub-paragraph (3) above relating to a deficit for an accounting period after the deficit period;

but

- (b) there were made all such adjustments required by virtue of any sum having been carried back to that set-off period—
 - (i) under the Corporation Tax Acts, but
 - (ii) otherwise than in pursuance of the relevant claim or of any other such claim as is mentioned in paragraph (a) above.

^{F34}(12)

^{F34}(13)

^{F34}(14)

(15) A claim for the purposes of sub-paragraph (2) or (3) above must be made within the period of two years immediately following the end of the deficit period or within such further period as the Board may allow.

^{F35}(16)

Textual Amendments

F18 Sch. 11 para. 4(1)(b) repealed (with effect in accordance with s. 38(2) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), [Sch. 7 para. 67\(4\)\(a\)](#), [Sch. 27 Pt. 2\(7\)](#) (with [Sch. 7 Pt. 2](#))

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- F19** Word in Sch. 11 para. 4(2) repealed (with effect in accordance with Sch. 33 para.8(4) of the amending Act) by [Finance Act 2003 \(c. 14\)](#), [Sch. 33 para. 8\(3\)\(a\)](#), [Sch. 43 Pt. 3\(12\)](#)
- F20** Words in Sch. 11 para. 4(2)(a) substituted (with effect in accordance with s. 38(2) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), [Sch. 7 para. 67\(4\)\(b\)](#) (with [Sch. 7 Pt. 2](#))
- F21** Words in Sch. 11 para. 4(2) substituted (with effect in accordance with ss. 42-44 of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 6 para. 9\(2\)](#)
- F22** Word in Sch. 11 para. 4(3) repealed (with effect in accordance with ss. 42-44 of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 6 para. 9\(3\)](#), [Sch. 42 Pt. 2\(3\)](#)
- F23** Sch. 11 para. 4(3)(a) substituted (31.7.1997 with effect as mentioned in [s.40\(7\)](#) of the amending Act) by [1997 c. 58, s. 40\(3\)\(a\)](#)
- F24** Words in Sch. 11 para. 4(3)(b) substituted (31.7.1997 with effect as mentioned in [s.40\(7\)](#) of the amending Act) by [1997 c. 58, s. 40\(3\)\(b\)](#)
- F25** Words in Sch. 11 para. 4(4) substituted (with effect in accordance with ss. 42-44, Sch. 6 para. 9(9) of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 6 para. 9\(4\)](#)
- F26** Words in Sch. 11 para. 4(5) substituted (31.7.1997 with effect as mentioned in [s.40\(7\)](#) of the amending Act) by [1997 c. 58, s. 40\(4\)](#)
- F27** Sch. 11 para. 4(6) repealed (with effect in accordance with Sch. 10 of the amending Act) by [Finance Act 2007 \(c. 11\)](#), [Sch. 10 para. 16\(5\)\(b\)](#), [Sch. 27 Pt. 2\(10\)](#)
- F28** Words in Sch. 11 para. 4(7) substituted (with effect in accordance with s. 38(2) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), [Sch. 7 para. 67\(4\)\(c\)](#) (with [Sch. 7 Pt. 2](#))
- F29** Words in Sch. 11 para. 4(8)(b)(c) substituted (31.7.1997 with effect as mentioned in [s.40\(7\)](#) of the amending Act) by [1997 c. 58, s. 40\(5\)](#)
- F30** Words in Sch. 11 para. 4(9) inserted (31.7.1997 with effect as mentioned in [s.40\(7\)](#) of the amending Act) by [1997 c. 58, s. 40\(6\)](#)
- F31** Sch. 11 para. 4(9A) inserted (31.7.1997 with effect as mentioned in [s.40\(7\)](#) of the amending Act) by [1997 c. 58, s. 40\(6\)](#)
- F32** Words in Sch. 11 para. 4(10) substituted (with effect in accordance with s. 38(2) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), [Sch. 7 para. 67\(4\)\(d\)](#) (with [Sch. 7 Pt. 2](#))
- F33** Words in Sch. 11 para. 4(11) substituted (with effect in accordance with ss. 42-44 of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 6 para. 9\(5\)](#)
- F34** Sch. 11 para. 4(12)-(14) repealed (with effect in accordance with s. 39(2) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), Sch. 8 para. 20, [Sch. 27 Pt. 2\(8\)](#) (with Sch. 8 Pt. 2)
- F35** Sch. 11 para. 4(16) repealed (with effect in accordance with s. 38(2) of the amending Act) by [Finance Act 2007 \(c. 11\)](#), [Sch. 7 para. 67\(4\)\(e\)](#), [Sch. 27 Pt. 2\(7\)](#) (with [Sch. 7 Pt. 2](#))

Modifications etc. (not altering text)

- C7** Sch. 11 para. 4(1)(2)(a)(7)(10)(16) modified (23.3.1999) by [S.I. 1999/498, reg. 15\(4\)\(a\)-\(e\)](#)

Election for accruals basis for long term business assets

F36⁵

Textual Amendments

- F36** Sch. 11 para. 5 repealed (with effect in accordance with Sch. 10 of the amending Act) by [Finance Act 2007 \(c. 11\)](#), [Sch. 10 para. 16\(5\)\(c\)](#), [Sch. 27 Pt. 2\(10\)](#)

Interpretation of Part I

F37⁶

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Textual Amendments

- F37** Sch. 11 para. 6 repealed (with effect in accordance with Sch. 10 para. 17(2) of the amending Act) by Finance Act 2007 (c. 11), Sch. 10 para. 14(6)(e), **Sch. 27 Pt. 2(10)**

PART II

CORPORATE MEMBERS OF LLOYD'S

- 7 (1) This Chapter does not apply as respects any loan relationship of a corporate member of Lloyd's in so far as rights or liabilities making up that relationship, or any securities representing them, are—
- (a) assets forming part of that member's premiums trust fund; or
 - (b) liabilities attached to that fund.
- (2) Section 230 of the ^{M1}Finance Act 1994 (interpretation of provisions applying to corporate members of Lloyd's) shall apply for the purposes of this paragraph as it applies for the purposes of Chapter V of Part IV of that Act.

Marginal Citations

- M1** 1994 c. 9.

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