

Status: Point in time view as at 19/03/2008.

Changes to legislation: There are currently no known outstanding effects for the Finance Act 1996, SCHEDULE 31. (See end of Document for details)

SCHEDULES

SCHEDULE 31

Section 163.

LIFE ASSURANCE BUSINESS LOSSES

Expenses of management

1 In section 76 of the Taxes Act 1988 (expenses of management: insurance companies) in subsection (1) (which applies section 75 of that Act with specified exceptions) before paragraph (a) there shall be inserted—

“(aa) where the whole or any part of a loss arising to the company in respect of its life assurance business in an accounting period is set off under section 393A or 403(1), there shall be deducted from the amount treated as the expenses of management for that period an amount equal to so much of the loss as, in the aggregate, is so set off, reduced by the amounts by which any losses for that period under section 436, 439B or 441 fall to be reduced under section 434A(2) (b); and

(ab) section 75(1) shall have effect with the substitution for “in computing profits apart from this section” of—

“(a) in computing income for the purposes of Schedule A, or

(b) by virtue of section 121(3) in computing income from the letting of rights to work minerals in the United Kingdom”

; and”.

Computation of losses and limitation on relief

2 (1) In relation to accounting periods beginning on or after 1st January 1996 and ending after 31st March 1996, section 434A of the Taxes Act 1988 (life assurance business: computation of losses and limitation on relief) shall be amended as follows—

(a) for subsection (2) there shall be substituted the subsection (2) set out in sub-paragraph (2) below; and

(b) in subsection (2A) (which is inserted by paragraph 23(2) of Schedule 14 to this Act) for “(2)(c)” there shall be substituted “(2)(a)(ii)”.

(2) The subsection (2) set out in this sub-paragraph is as follows—

“(2) Where for any accounting period the loss arising to an insurance company from its life assurance business falls to be computed in accordance with the provisions of this Act applicable to Case I of Schedule D—

(a) the loss resulting from the computation shall be reduced (but not below nil) by the aggregate of—

(i) the aggregate amount treated as a charge on income in computing for the period, otherwise than in accordance with

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- those provisions, the profits or losses of the company's life assurance business; and
- (ii) any relevant non-trading deficit for that period on the company's debtor relationships; and
- (b) if the whole or any part of that loss as so reduced is set off—
- (i) under section 393A, or
- (ii) under section 403(1),
- any losses for that period under section 436, 439B or 441 shall be reduced to nil, unless the aggregate of those losses exceeds the total of the amounts set off as mentioned in sub-paragraphs (i) and (ii) above, in which case each of those losses shall be reduced by an amount which bears to that total the proportion which the loss in question bears to that aggregate.”
- (3) In relation to accounting periods beginning on or after 1st January 1996 and ending on or before 31st March 1996, for subsection (2) of section 434A of the Taxes Act 1988 there shall be substituted the subsection (2) set out in sub-paragraph (2) above, but with the following amendments to paragraph (a), that is to say—
- (a) in the words preceding sub-paragraph (i), the words “the aggregate of” shall be omitted;
- (b) in sub-paragraph (i), for “aggregate amount treated as a charge on income” there shall be substituted “amount of interest and annuities treated as charges on income”; and
- (c) sub-paragraph (ii) shall be omitted.

Spreading of relief for acquisition expenses

F13

Textual Amendments

F1 Sch. 31 para. 3(1)(2) repealed (with effect in accordance with s. 42 of the amending Act) by [Finance Act 2004 \(c. 12\)](#), [Sch. 42 Pt. 2\(3\)](#)

Ascertainment of losses

- 4 In section 83 of the Finance Act 1989 (receipts to be brought into account) for subsection (3) (ascertainment of losses) there shall be substituted—
- “(3) In ascertaining whether or to what extent a company has incurred a loss in respect of that business in a case where an amount is added to the company's long term business fund as part of or in connection with—
- (a) a transfer of business to the company, or
- (b) a demutualisation of the company not involving a transfer of business,
- that amount shall (subject to subsection (4) below) be taken into account, for the period for which it is brought into account, as an increase in value of the assets of that fund within subsection (2)(b) above.
- (4) Subsection (3) above does not apply where, or to the extent that, the amount concerned—

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- (a) would fall to be taken into account as a receipt apart from this section,
 - (b) is taken into account under subsection (2) above otherwise than by virtue of subsection (3) above, or
 - (c) is specifically exempted from tax.
- (5) Any amount which is to be taken into account pursuant to subsection (3) above for a period of account shall be so taken into account—
 - (a) after the making of any reduction under subsection (6) of section 83AA below in relation to that period, but
 - (b) before the making of any reduction under subsection (3) of that section in relation to an accounting period of the company ending in or with that period.
- (6) In subsection (3) above “transfer of business” means—
 - (a) a transfer of the whole or part of the long term business of an insurance company in accordance with a scheme sanctioned by a court under Part I of Schedule 2C to the ^{MI}Insurance Companies Act 1982;
 - (b) a qualifying overseas transfer, within the meaning of paragraph 4A of Schedule 19AC to the Taxes Act 1988; or
 - (c) the making of a contract of reinsurance which, in whole or in part, constitutes or forms part of a total reinsurance by the reinsured, unless the reinsurer under the contract falls within section 439A of the Taxes Act 1988 (pure reinsurance).
- (7) For the purposes of subsection (3)(a) above, a transfer of business falling within subsection (6)(c) above shall be treated as a transfer of business to the company which is the reinsurer under the contract of reinsurance.
- (8) In this section—
 - “add”, in relation to an amount and a company’s long term business fund, includes transfer (whether from other assets of the company or otherwise);
 - “demutualisation” means the conversion, under the law of any territory, of a company which has been carrying on insurance business without having a share capital into a company with a share capital, without any change of legal personality;
 - “total reinsurance” means the reinsurance (whether effected by a single contract of reinsurance or by two or more such contracts, taken together, whether or not made with the same reinsurer) of the whole, or substantially the whole, of the reinsured’s risk—
 - (a) under policies of a particular description issued in respect of insurances made in the course of carrying on life assurance business before the making of the contract of reinsurance (or, in a case where there are two or more contracts of reinsurance, the last of them); or
 - (b) under contracts of a particular description so made.”

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Marginal Citations

M1 1982 c. 50.

Application of surplus in reduction of certain losses

^{F25}

Textual Amendments

F2 Sch. 31 para. 5 repealed (with effect in accordance with Sch. 9 of the amending Act) by [Finance Act 2007 \(c. 11\)](#), **Sch. 27 Pt. 2(9)**

Meaning of “brought into account” in sections 83AA and 83AB

^{F36}

Textual Amendments

F3 Sch. 31 para. 6 repealed (with effect in accordance with Sch. 10 of the amending Act) by [Finance Act 2007 \(c. 11\)](#), **Sch. 27 Pt. 2(10)**

Enactments disapplying section 83(3) of the Finance Act 1989

- 7 (1) The following provisions of the Taxes Act 1988 (each of which provides for section 83(3) of the Finance Act 1989 not to apply in certain cases) shall cease to have effect—
 - (a) section 436(3)(aa);
 - (b) section 439B(3)(b); and
 - (c) section 441(4)(aa).

^{F4}(2)

Textual Amendments

F4 Sch. 31 para. 7(2) repealed (with effect in accordance with s. 38 of the amending Act) by [Finance Act 2007 \(c. 11\)](#), **Sch. 27 Pt. 2(7)**

Overseas life insurance companies

- 8 (1) Schedule 8A to the Finance Act 1989 (modifications of sections 83 and 89 in relation to overseas life insurance companies) shall be amended in accordance with the following provisions of this paragraph.
 - (2) In the Heading “Modifications of sections 83 and 89 in relation to overseas life insurance companies” after “83” there shall be inserted “ to 83A ”.
 - (3) In paragraph 1(1), for “sections 83 and 83A” there shall be substituted “ sections 83 to 83A ”.

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F⁵(4)

F⁶(5)

(6) In paragraph 1C(4), for “transfer” there shall be substituted “ addition ”.

Textual Amendments

- F5** Sch. 31 para. 8(4) repealed (with effect in accordance with reg. 1 of the amending S.I.) by [The Overseas Life Insurance Companies Regulations 2006 \(S.I. 2006/3271\)](#), reg. 1, **Sch. Pt. 1**
- F6** Sch. 31 para. 8(5) repealed (with effect in accordance with reg. 1 of the amending S.I.) by [The Overseas Life Insurance Companies Regulations 2006 \(S.I. 2006/3271\)](#), reg. 1, **Sch. Pt. 1**

Transitional provisions

F⁷⁹

Textual Amendments

- F7** Sch. 31 para. 9 repealed (with effect in accordance with Sch. 9 of the amending Act) by [Finance Act 2007 \(c. 11\)](#), **Sch. 27 Pt. 2(9)**

Commencement

- 10 (1) Subject to paragraph 2(1) and (3) above, paragraphs 1 to 3 above have effect in relation to accounting periods beginning on or after 1st January 1996.
- (2) F⁸ ... Paragraphs 4 to 8 above have effect in relation to periods of account beginning on or after 1st January 1996.

Textual Amendments

- F8** Words in Sch. 31 para. 10(2) repealed (with effect in accordance with Sch. 9 of the amending Act) by [Finance Act 2007 \(c. 11\)](#), **Sch. 27 Pt. 2(9)**

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