



Finance Act 2002

2002 CHAPTER 23

PART 3 **U.K.**

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER 2 **U.K.**

OTHER PROVISIONS

Computation of profits

^{F1}64 **Adjustment on change of basis** **U.K.**

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Textual Amendments

F1 S. 64 repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009](#) (c. 4), s. 1329(1), Sch. 1 para. 530, **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

65 **Postponement of change to mark to market in certain cases** **U.K.**

(1) This section applies in relation to the computation in accordance with the provisions [^{F2}applicable for the purposes of section 35 of the Corporation Tax Act 2009 (charge on trade profits)] of the profits of the insurance business, other than life assurance business, of—

- (a) an insurance company,
- (b) a corporate member of Lloyd's, or
- (c) a controlled foreign company.

(2) For periods of account to which this section applies nothing in—

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- ^{F3}(a)
- (b) [^{F4}section 46 of the Corporation Tax Act 2009] (computation of profits to be on basis giving true and fair view),
- prevents the company from computing the profits of that business on a realisation basis rather than a mark to market basis.

A “realisation basis” means not recognising a profit or loss on an asset until it is realised, and a “mark to market basis” means bringing assets into account in each period of account at a fair value.

- (3) Subject to subsection (4), this section applies in relation to any period of account that—
- (a) began before 1st August 2001, and
 - (b) ends before 31st July 2002.
- (4) This section does not apply if—
- (a) an earlier period of account beginning on or after 1st January 2001 ended with an accounting date different from that with which the previous period of account ended,
 - (b) the change of accounting date was notified—
 - (i) to the registrar of companies, or
 - (ii) in the case of a company established under the law of a country or territory outside the United Kingdom, to the corresponding authority of that country or territory,
 on or after 17th April 2002, and
 - (c) the purpose, or one of the purposes, for which the change was made was so that a subsequent period of account would be one to which section 64 above applies (computation of profits: adjustment on change of basis).
- (5) In this section—
- “controlled foreign company” has the same meaning as in Chapter 4 of Part 17 of the Taxes Act 1988; and
- “corporate member of Lloyd’s” means a corporate member as defined in section 230(1) of the Finance Act 1994 (c. 9).

Textual Amendments

- F2** Words in s. 65(1) substituted (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 1 para. 531(2)** (with Sch. 2 Pts. 1, 2)
- F3** S. 65(2)(a) repealed (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)
- F4** Words in s. 65(2)(b) substituted (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 1 para. 531(3)** (with Sch. 2 Pts. 1, 2)

66 Election to continue postponement of mark to market **U.K.**

- (1) Where section 65 (postponement of change to mark to market in certain cases) applies in relation to a period of account, the company may elect that it shall continue to apply in relation to subsequent periods of account as regards assets held by it on 1st January 2002.

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Any such election must be made within twelve months after the end of the accounting period of the company current on that date.

- (2) An insurance company that carries on both long-term business and business other than long-term business may make an election under this section limited to assets held by the company otherwise than in the company's long-term insurance fund.
- (3) For the purpose of determining whether an election under this section applies to an asset in a case where—
 - (a) assets are realised by the company in an accounting period beginning on or after 1st January 2002,
 - (b) the assets are of such a kind that the particular assets realised are not readily identifiable,
 - (c) the realisation does not exhaust the company's holding, and
 - (d) some but not all of the company's holding was acquired after 1st January 2002,assets realised shall be identified with assets acquired on the same basis as that used by the company for accounting purposes, unless the basis used by the company is "last in, first out" in which case assets realised shall be identified with assets acquired on or before 1st January 2002 in priority to assets acquired after that day.
- (4) Where a company has made an election under this section and—
 - (a) an asset in relation to which the election has effect is transferred to another company ("the transferee company") in pursuance of [^{F5}an insurance business transfer] scheme, and
 - (b) immediately after the transfer either—
 - (i) the transferee company is resident in the United Kingdom, or
 - (ii) the asset is held for the purposes of a business carried on by the transferee company in the United Kingdom through a branch or agency,this section applies as if the transferee company had made an election under this section in relation to that asset.

(5) ^{F6}...

^{F6}
^{F7}

^{F8}(6)

^{F8}(7)

Textual Amendments

- F5** Words in s. 66(4)(a) substituted (with effect in accordance with Sch. 9 para. 17(1) to the amending Act) by [Finance Act 2007 \(c. 11\)](#), [Sch. 9 para. 1\(4\)\(a\)](#)
- F6** Words in s. 66(5) repealed (with effect in accordance with Sch. 10 para. 17(2) to the amending Act) by [Finance Act 2007 \(c. 11\)](#), [Sch. 10 para. 14\(10\)\(a\)](#), [Sch. 27 Pt. 2\(10\)](#)
- F7** Words in s. 66(5) repealed (with effect in accordance with Sch. 9 para. 17(1) to the amending Act) by [Finance Act 2007 \(c. 11\)](#), [Sch. 9 para. 1\(4\)\(b\)](#), [Sch. 27 Pt. 2\(9\)](#)
- F8** S. 66(6)(7) repealed (with effect in accordance with Sch. 9 para. 17(1) to the amending Act) by [Finance Act 2007 \(c. 11\)](#), [Sch. 9 para. 1\(4\)\(c\)](#), [Sch. 27 Pt. 2\(9\)](#)

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Modifications etc. (not altering text)

- C1** S. 66 modified by SI 1997/473 reg. 53E (as inserted (30.1.2003) by [The Friendly Societies \(Modification of the Corporation Tax Acts\) \(Amendment\) Regulations 2003 \(S.I. 2003/23\)](#), regs. 1(1), **10**

67 Mark to market: miscellaneous amendments **U.K.**

^{F9}(1)

^{F9}(2)

- (3) In section 81 of the Finance Act 1999 (c. 16) (acquisitions disregarded under insurance companies concession), at the end add—

“(13) If the relevant company changes from—

- (a) not recognising a profit or loss on an asset until it is realised, to
- (b) bringing assets into account in each period of account at a fair value, then, in calculating the amount of any adjustment required under Schedule 22 to the Finance Act 2002 (calculation of adjustment on change of basis), the amount to be taken into account as the cost of the asset in relation to a period of account before the change is the cost of the previous acquisition.”.

- (4) The provisions of this section come into force as follows—

- (a) the amendments in subsections (1) and (2) apply in relation to periods of account ending on or after 1st August 2001;
- (b) the amendment in subsection (3) applies wherever an adjustment falls to be made under Schedule 22 to the Finance Act 2002 (see Part 5 of that Schedule).

Textual Amendments

- F9** S. 67(1)(2) repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

^{F10}**68 Expenditure involving crime** **U.K.**

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Textual Amendments

- F10** S. 68 repealed (with effect in accordance with s. 1329(1) of the amending Act) by [Corporation Tax Act 2009 \(c. 4\)](#), s. 1329(1), **Sch. 3 Pt. 1** (with Sch. 2 Pts. 1, 2)

Changes to legislation:

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Computation of profits.