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## SCHEDULES

### SCHEDULE 22 **U.K.**

#### COMPUTATION OF PROFITS: ADJUSTMENT ON CHANGE OF BASIS

#### PART 3 **U.K.**

##### SPECIAL RULES FOR CERTAIN CASES

##### *No adjustment for certain expenses previously brought into account*

- 6 (1) This paragraph applies where as a result of a change of basis expenses brought into account before the change on the old basis would on the new basis be brought into account over more than one period of account after the change.
- (2) In such a case—
- (a) no adjustment shall be made under this Schedule, and
  - (b) the expenses may not be deducted in computing the profits of the trade, profession or vocation for any period of account after the change.

##### *Cases where adjustment not required until asset realised or written off*

- 7 (1) This paragraph applies where there is a change of basis resulting from a tax adjustment affecting the calculation of—
- (a) any amount brought into account—
    - (i) in respect of closing trading stock or work in progress in the last period of account before the change of basis, or
    - (ii) in respect of opening trading stock or work in progress in the first period of account on the new basis, or
  - (b) any amount brought into account in respect of depreciation.
- (2) The adjustment required by paragraph 2 in such a case shall be brought into account only when the asset to which it relates is realised or written off.

##### *Change from realisation basis to mark to market*

- 8 (1) This paragraph applies where there is a change of basis from—
- (a) not recognising a profit or loss on an asset until the asset is realised, to
  - (b) bringing assets into account in each period of account at a fair value.
- (2) To the extent that in such a case—
- (a) a receipt within item 1 of the First step in paragraph 2 represents the fair value of an asset that is trading stock (within the meaning of section 100 of the Taxes Act 1988), or
  - (b) an expense within item 2 of that step relates to such an asset,

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any resulting adjustment shall not be given effect until the period of account in which the value of the asset in question is realised.

This is subject to any election under paragraph 9.

*Election for spreading where paragraph 8 applies*

- 9 (1) Where paragraph 8 applies the [<sup>F1</sup>company which is chargeable to corporation tax] in respect of any adjustment charge may elect that the adjustment charge shall be spread over six periods of account in accordance with the following provisions.
- (2) The election must be made—
- (a) by notice in writing,
  - (b) to an officer of the Board,
  - (c) within [<sup>F2</sup>twelve months of the end of the first accounting period to which the new basis applies].
- <sup>F3</sup>(3) . . . . .
- (4) If an election is made, then, in each of the six periods of account beginning with the first period to which the new basis applies an amount equal to one-sixth of the amount of the adjustment charge is treated as arising and chargeable to [<sup>F4</sup>corporation tax].
- (5) If before the whole of the adjustment charge has been charged to [<sup>F5</sup>corporation tax] the trade, profession or vocation is permanently discontinued, the whole of the amount so far as not previously brought into charge to [<sup>F5</sup>corporation tax] is treated as arising and chargeable to [<sup>F5</sup>corporation tax] immediately before the discontinuance.

**Textual Amendments**

- F1** Words in Sch. 22 para. 9(1) substituted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 1 para. 578\(5\)\(a\)](#) (with Sch. 2)
- F2** Words in Sch. 22 para. 9(2)(c) substituted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 1 para. 578\(5\)\(b\)](#) (with Sch. 2)
- F3** Sch. 22 para. 9(3) repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 1 para. 578\(5\)\(c\), Sch. 3](#) (with Sch. 2)
- F4** Words in Sch. 22 para. 9(4) substituted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 1 para. 578\(5\)\(d\)](#) (with Sch. 2)
- F5** Words in Sch. 22 para. 9(5) substituted (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\), s. 883\(1\), Sch. 1 para. 578\(5\)\(e\)](#) (with Sch. 2)

*Application of paragraphs 8 and 9 in case of transfer of insurance business*

- 10 (1) This paragraph applies where—
- (a) an asset to which paragraph 8 or 9 applies is transferred from one insurance company to another in pursuance of a 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 [<sup>F6</sup>permanent establishment].

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- (2) The asset shall not be regarded for the purposes of paragraph 8 as having been realised by the transferor by reason of its being transferred in pursuance of the transfer scheme.
- (3) If the transfer is of the entire business of the transferor, the transferee is responsible under paragraph 8 or 9 for bringing into account any amount required to be brought into account after the transfer.
- (4) In this paragraph—  
“insurance company” has the same meaning as in Chapter 2 of Part 12 of the Taxes Act 1988 (see section 431(2) of that Act); and  
“transfer scheme” means—  
(a) a scheme under section 105 of the Financial Services and Markets Act 2000 (c. 8), including an excluded scheme falling within Case 2, 3 or 4 of subsection (3) of that section, or  
(b) a qualifying overseas transfer scheme.
- (5) A “qualifying overseas transfer scheme” means—  
(a) so much of a transfer of the whole or part of the business of an overseas life insurance company carried on through a [<sup>F7</sup>permanent establishment] in the United Kingdom as takes place in accordance with an authorisation granted outside the United Kingdom for the purposes of [<sup>F8</sup>Article 14 of the consolidated life assurance directive], or  
(b) so much of a transfer of the whole or part of the business of an insurance company other than an overseas life insurance company as takes place in accordance with an authorisation granted outside the United Kingdom for the purposes of Article 12 of the third non-life insurance directive.
- (6) In sub-paragraph (5)—  
“overseas life insurance company” has the same meaning as in Chapter 2 of Part 12 of the Taxes Act 1988 (see section 431(2) of that Act);  
[<sup>F9</sup>“the consolidated life assurance directive” means the Directive of the European Parliament and of the Council of 5th November 2002 concerning life assurance (No.2002/83/EC);]  
“the third non-life insurance directive” means Council Directive 92/ 49/ EEC on the co-ordination of laws, regulations and administrative provisions relating to direct insurance other than life assurance and amending Directives 73/239/EEC and 88/357/EEC.

#### Textual Amendments

- F6** Words in Sch. 22 para. 10(1)(b)(ii) substituted (with effect in accordance with s. 153(4) of the amending Act) by [Finance Act 2003 \(c. 14\), s. 153\(1\)\(e\)](#)
- F7** Words in Sch. 22 para. 10(5)(a) substituted (with effect in accordance with reg. 1 of the amending S.I.) by [The Overseas Life Insurance Companies Regulations 2004 \(S.I. 2004/2200\), regs. 1\(1\), 11\(3\)\(a\)\(i\)](#)
- F8** Words in Sch. 22 para. 10(5)(a) substituted (with effect in accordance with reg. 1 of the amending S.I.) by [The Overseas Life Insurance Companies Regulations 2004 \(S.I. 2004/2200\), regs. 1\(1\), 11\(3\)\(a\)\(ii\)](#)
- F9** Words in Sch. 22 para. 10(6) substituted (with effect in accordance with reg. 1 of the amending S.I.) by [The Overseas Life Insurance Companies Regulations 2004 \(S.I. 2004/2200\), regs. 1\(1\), 11\(3\)\(b\)](#)

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**Modifications etc. (not altering text)**

**C1** Sch. 22 para. 10 modified by SI 1997/473 reg. 53F (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**

**F10**<sub>11</sub> .....

**Textual Amendments**

**F10** Sch. 22 para. 11 repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), Sch. 1 para. 578(6), **Sch. 3** (with Sch. 2)

**F11**<sub>12</sub> .....

**Textual Amendments**

**F11** Sch. 22 para. 12 repealed (6.4.2005) by [Income Tax \(Trading and Other Income\) Act 2005 \(c. 5\)](#), s. 883(1), Sch. 1 para. 578(6), **Sch. 3** (with Sch. 2)

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