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## SCHEDULES

### SCHEDULE 16

Section 146

#### PART 2: MINOR AND CONSEQUENTIAL AMENDMENTS

##### PART 1

###### AMENDMENTS OF ICTA

- 1 ICTA is amended as follows.
- 2 Omit section 76 (expenses of insurance companies).
- 3 Omit section 76ZA (payments for restrictive undertakings).
- 4 Omit section 76ZB (seconded employees).
- 5 Omit sections 76ZC to 76ZE (counselling and retraining expenses).
- 6 Omit sections 76ZF to 76ZJ (redundancy payments etc).
- 7 Omit section 76ZK (contributions to local enterprise organisations or urban regeneration companies).
- 8 Omit sections 76ZL and 76ZM (unpaid remuneration).
- 9 Omit section 76ZN (car hire).
- 10 In section 95ZA(3) (taxation of UK distributions received by insurance companies), for “life assurance business” substitute “business in relation to which section 111 of the Finance Act 2012 applies”.
- 11 Omit section 431 (interpretative provisions relating to insurance companies).
- 12 Omit section 431ZA (election for assets not be foreign business assets).
- 13 Omit section 431A (amendment of Chapter etc).
- 14 Omit section 431B (meaning of “pension business”).
- 15 Omit section 431BA (meaning of “child trust fund business”).
- 16 Omit section 431BB (meaning of “individual savings account business”).
- 17 Omit section 431C (meaning of “life reinsurance business”).
- 18 Omit sections 431D and 431E (meaning of “overseas life assurance business” etc).
- 19 Omit section 431EA (meaning of “gross roll-up business”).
- 20 Omit section 431F (meaning of “basic life assurance and general annuity business”).
- 21 Omit section 431G (company carrying on life assurance business).
- 22 Omit section 431H (company carrying on life assurance business and other insurance business).

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- 23 Omit section 432YA (PHI business — adjustment consequent of change in Insurance Prudential Sourcebook).
- 24 Omit section 432ZA (linked assets).
- 25 Omit section 432A (apportionment of income and gains).
- 26 Omit section 432AA (property businesses).
- 27 Omit section 432AB (losses from property businesses).
- 28 Omit sections 432B to 432G (apportionment of receipts brought into account).
- 29 Omit section 434 (franked investment income etc).
- 30 Omit section 434A (computation of losses and limitation on relief).
- 31 Omit sections 434AZA to 434AZC (reduced loss relief for additions to non-profit funds).
- 32 Omit section 436A (gross roll-up business: separate charge on profits).
- 33 Omit section 436B (gains referable to gross-roll up business not to be chargeable gains).
- 34 Omit sections 437 and 437A (general annuity business).
- 35 Omit section 438 (pension business: exemption from tax).
- 36 Omit section 440 (transfers of assets etc).
- 37 Omit section 440A (securities).
- 38 Omit section 440B (modifications where tax charged under s.35 of CTA 2009).
- 39 Omit section 440C (modifications for change of tax basis).
- 40 Omit section 440D (modifications in relation to BLAGAB group reinsurers).
- 41 Omit section 442 (overseas business of UK companies).
- 42 Omit section 442A (taxation of investment return where risk reinsured).
- 43 Omit sections 444A to 444AED (transfers of business).
- 44 Omit sections 444AF to 444AL (surpluses of mutual and former mutual businesses).
- 45 In Schedule 15 (qualifying policies), in paragraph 24(3)(a), for “section 431(2)” substitute “ section 56 of the Finance Act 2012 ”.
- 46 Omit Schedule 19ABA (modifications in relation to BLAGAB group reinsurers).

## PART 2

### AMENDMENTS OF FA 1989

- 47 FA 1989 is amended as follows.
- 48 In section 67(2) (employee share ownership trusts), for paragraph (b) (and the “or” before that paragraph) substitute—
- “(b) if the company is an investment company, shall be treated as expenses of management, or

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- (c) if the company is a company in relation to which the I - E rules apply and the sum is referable, in accordance with Chapter 4 of Part 2 of the Finance Act 2012, to the company's basic life assurance and general annuity business, shall be treated for the purposes of section 76 of that Act as ordinary BLAGAB management expenses of the company.”

- 49 Omit section 82 (calculation of profits: bonuses etc).
- 50 Omit section 82A (calculation of profits: policy holders' tax).
- 51 Omit section 82B (unappropriated surplus on valuation).
- 52 Omit sections 82D to 82F (treatment of profits: life assurance — adjustment consequent on change in Insurance Prudential Sourcebook).
- 53 Omit section 83 (receipts to be taken into account).
- 54 Omit section 83XA (structural assets).
- 55 Omit sections 83YA and 83YB (changes in value of assets brought into account: non-profit companies).
- 56 Omit sections 83YC to 83YF (FAFTS).
- 57 Omit section 83A (meaning of “brought into account”).
- 58 Omit section 83B (changes in recognised accounts: attribution of amounts carried forward under s.432F of ICTA).
- 59 Omit section 85 (charge of certain receipts of basic life assurance business).
- 60 Omit section 85A (excess adjusted life assurance trade profits).
- 61 Omit section 86 (spreading of relief for acquisition expenses).
- 62 Omit section 88 (corporation tax: policy holders' share of profits).
- 63 Omit section 89 (policy holders' share of profits).

### **PART 3**

#### AMENDMENTS OF OTHER ACTS

##### *Finance Act 1950*

- 64 FA 1950 is amended as follows.
- 65 In section 39(3)(b)(ii) (treatment for taxation purposes of enemy debts etc written off during the war), for “an expenses deduction for the purposes of Step 1 of section 76(7) of the Income and Corporation Taxes Act 1988” substitute “ordinary BLAGAB management expenses for the purposes of section 76 of the Finance Act 2012”.

##### *Taxes Management Act 1970*

- 66 TMA 1970 is amended as follows.
- 67 (1) Section 98 (special returns) is amended as follows.

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- (2) In the first column of the Table—
- (a) omit the entry relating to regulations under section 431E(1) of ICTA, and
  - (b) at the end insert—

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“regulations under section 61(5) of the Finance Act 2012”.

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- (3) In the second column of the Table—
- (a) omit the entry relating to section 76ZE(4) of ICTA,
  - (b) omit the entry relating to regulations under section 431E(1) of ICTA, and
  - (c) at the end insert—

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“regulations under section 61(5) of the Finance Act 2012”.

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*Inheritance Tax Act 1984*

- 68 IHTA 1984 is amended as follows.
- 69 In section 59(3)(b) (qualifying interest in possession), for “Chapter I of Part XII of the Taxes Act 1988” substitute “ Part 2 of the Finance Act 2012 ”.

*Finance Act 1991*

- 70 FA 1991 is amended as follows.
- 71 In paragraph 16(1) of Schedule 7 (transitional relief for old general annuity contracts), for the words from “computation” to “1988” substitute “ application of the I - E rules in relation to an accounting period of an insurance company, an amount equal to the lesser of the following amounts is to be treated (if it is not nil) for the purposes of section 76 of the Finance Act 2012 as a deemed BLAGAB management expense for the accounting period ”.

*Taxation of Chargeable Gains Act 1992*

- 72 TCGA 1992 is amended as follows.
- 73 In section 10B (non-resident company with United Kingdom permanent establishment), after subsection (3) insert—
- “(3A) This section applies to an overseas life insurance company in the case of its long-term business with the omission from subsection (1)(b) of the words “situated in the United Kingdom and”.”
- 74 In section 100(2B)(a) (exemption for authorised unit trusts etc), for “section 431 of the Taxes Act” substitute “ section 65 of the Finance Act 2012 ”.
- 75 In section 140C (transfer or division of non-UK business), omit subsection (8).
- 76 In section 151I(1) (meaning of “financial institution”)—
- (a) in paragraph (g), for “section 431(2) of ICTA” substitute “ section 65 of the Finance Act 2012 ”, and
  - (b) in paragraph (h), for “section 431(2) of ICTA” substitute “ section 139(1) of the Finance Act 2012 ”.
- 77 (1) Section 171C (elections under s.171A: insurance companies) is amended as follows.

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- (2) In subsection (2), for “section 440(3) of the Taxes Act” substitute “ section 118 of the Finance Act 2012 ”.
- (3) In subsection (3)(b), for “part of that company's long-term insurance fund” substitute “ held for the purposes of the company's long-term business ”.
- (4) In subsection (4), for the words from “as arising” to the end substitute “ for the purposes of section 210A (ring-fencing of losses) as a non-BLAGAB chargeable gain or (as the case may be) a non-BLAGAB allowable loss ”.
- (5) Omit subsection (5).
- 78 In section 185 (deemed disposal of assets on company ceasing to be UK resident), after subsection (4) insert—
- “(4A) Subsection (4) applies to an overseas life insurance company in the case of its long-term business with—
- (a) the omission from paragraph (a) of the words “are situated in the United Kingdom and”; and
- (b) the omission from paragraph (b) of the words “are so situated and”.”
- 79 In section 204(10)(a) (policies of insurance and non-deferred annuities), for “Chapter 1 of Part 12 of the Taxes Act” substitute “ section 56(3) of the Finance Act 2012 ”.
- 80 (1) Section 210A (ring-fencing of losses) is amended as follows.
- (2) For subsection (2) substitute—
- “(2) Non-BLAGAB allowable losses accruing to an insurance company are allowable as a deduction from the shareholders' share (if any) of the BLAGAB chargeable gains accruing to the company (but are not otherwise allowable as a deduction from the BLAGAB chargeable gains accruing to the company).”
- (3) For subsections (10) and (10A) substitute—
- “(10) For the purposes of this section the “shareholders' share” of BLAGAB chargeable gains or BLAGAB allowable losses accruing to an insurance company in an accounting period is determined as follows.
- (10A) If the company has an I - E profit for the accounting period—
- (a) find the percentage (including, if applicable, nil) of the I - E profit that is not represented by the policyholders' share of that profit as determined in accordance with section 103 of the Finance Act 2012, and
- (b) then multiply that percentage by the amount of the BLAGAB chargeable gains or BLAGAB allowable losses.
- The result is the shareholder's share of the BLAGAB chargeable gains or BLAGAB allowable losses.
- (10B) If the company does not have an I - E profit for the accounting period, the shareholders' share of the BLAGAB chargeable gains or BLAGAB allowable losses is nil.

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- (10C) In determining for the purposes of subsections (10A) and (10B) whether or not the company has an I - E profit for an accounting period, assume that non-BLAGAB allowable losses cannot be deducted to any extent from BLAGAB chargeable gains (and, accordingly, assume that section 95 is not included in the Finance Act 2012).”
- (4) In subsection (11)—
- (a) for “the policy holders' share” substitute “the shareholders' share”, and
  - (b) for “subsection (10)” substitute “ subsections (10) to (10C) ”.
- (5) Omit subsection (12).
- (6) In subsection (13)—
- (a) in the definitions of “BLAGAB allowable losses” and “BLAGAB chargeable gains”, for “(in accordance with section 432A of the Taxes Act)” substitute “, in accordance with Chapter 4 of Part 2 of the Finance Act 2012, ”, and
  - (b) omit the definitions of “the relevant profits” and “the policy holders' share of the relevant profits” (together with the “and” before the definition of “the relevant profits”).
- 81 (1) Section 210B (disposal and acquisition of section 440A securities) is amended as follows.
- (2) In subsection (1)—
- (a) in the opening words, for “section 440A securities” (in both places) substitute “ section 119 or 120 securities ”, and
  - (b) in paragraphs (a) and (b), for “chargeable section 440A holding” substitute “ chargeable section 119 or 120 holding ”.
- (3) In subsection (7)(a), for “linked assets” substitute “ assets wholly matched to BLAGAB liabilities and the assets are ”.
- (4) For subsection (8) substitute—
- “(8) In this section—
- “BLAGAB internal linked fund” means an internal linked fund all the assets appropriated to which are matched wholly to BLAGAB liabilities,
- “chargeable section 119 or 120 holding” means a holding which is a separate holding as a result of section 119(1)(a), (c) or (d) or section 120(1)(a), (c) or (d) of the Finance Act 2012 (and section 121(1) and (2) of that Act),
- “internal linked fund”, in relation to an insurance company, means an account—
- (a) to which assets matched to the company's life assurance liabilities are appropriated by the company, and
  - (b) which may be divided into units the value of which is determined by the company by reference to the value of those assets, and
- “section 119 or 120 securities” means securities within the meaning of section 119 or 120 of the Finance Act 2012 (see section 121(6)).”

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- (5) In the heading, for “**section 440A securities**” substitute “ **section 119 or 120 securities** ”.
- 82 In section 210C(2) (losses on disposal of authorised investment fund assets to connected manager), in the definition of “authorised investment fund assets”, for “of the company's long-term insurance fund consisting of” substitute “ held by the company for the purposes of its long-term business that consist of ”.
- 83 (1) Section 211 (transfers of business) is amended as follows.
- (2) In subsection (2)—
- (a) in paragraph (a), for “of the transferor's long-term insurance fund” substitute “ held by the transferor for the purposes of its long-term business ”, and
- (b) in paragraph (b), for “of the transferee's long-term insurance fund” substitute “ held by the transferee for the purposes of its long-term business ”.
- (3) In subsection (2A), for “structural assets within the meaning of section 83XA of the Finance Act 1989” substitute “ assets which formed part of the long-term business fixed capital of the company in question ”.
- (4) After subsection (3) insert—
- “(4) Subsection (2) does not apply in relation to assets which are referable to the long-term business of the transferor if all the income of the transferor's long-term business is chargeable to corporation tax on income under section 35 of CTA 2009.”
- 84 In section 211ZA(10) (transfers of business: transfer of unused losses), for “(in accordance with section 432A of the Taxes Act)” substitute “ , in accordance with Chapter 4 of Part 2 of the Finance Act 2012, ”.
- 85 (1) Section 212 (annual deemed disposal of holdings of unit trusts etc) is amended as follows.
- (2) In subsection (1), for “of an insurance company's long-term insurance fund” substitute “ held by an insurance company for the purposes of its long-term business ”.
- (3) Omit subsection (2).
- (4) At the end insert—
- “(9) This section applies to an overseas life insurance company as if references in subsection (1) to assets were to such of the assets concerned as are UK assets.
- (10) Assets (whether situated in the United Kingdom or elsewhere) are “UK assets” if, in accordance with the provision made by or under Chapter 4 of Part 2 of CTA 2009, they fall to be attributed to the permanent establishment in the United Kingdom through which the company carries on life assurance business.”
- 86 (1) Section 213 (spreading of gains and losses under section 212) is amended as follows.
- (2) In subsection (1A), for “(in accordance with section 432A of the Taxes Act)” substitute “ , in accordance with Chapter 4 of Part 2 of the Finance Act 2012, ”.
- (3) After subsection (4) insert—

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“(4ZA) Subsection (4) applies in relation to an overseas life insurance company with the insertion after “long-term business” of the words “in the United Kingdom through a permanent establishment”.”

87 After section 213 insert—

**“213A Power to modify ss.212 and 213 etc in case of CFCs that are offshore funds**

(1) The Treasury may make regulations for the purpose mentioned in subsection (2) in any case where—

- (a) an insurance company to which the I - E rules apply is deemed to make a disposal under section 212 of an interest in an offshore fund,
- (b) the offshore fund is a CFC, and
- (c) there is (or, but for the regulations, would be) a CFC charge on the insurance company referable to its relevant interest in the CFC for the accounting period in which the disposal is deemed to have been made.

(2) The regulations are to be made for the purpose of modifying the operation of—

- (a) section 212 or 213,
- (b) the CFC rules, or
- (c) the I - E rules,

in relation to any accounting period of the insurance company so as to reduce the charge to tax.

(3) The regulations may—

- (a) make different provision for different cases or circumstances, and
- (b) contain incidental, supplementary, consequential, transitional, transitory or saving provision.

(4) The provision that may be made as a result of subsection (3)(b) includes provision modifying any other provision of the Corporation Tax Acts.

(5) In this section—

“CFC” and “CFC charge” have the same meanings as in Part 9A of TIOPA 2010 (see section 371VA),  
 “the CFC rules” means the rules contained in that Part, and  
 “offshore fund” has the meaning given by section 355 of TIOPA 2010.”

88 (1) Schedule 7AC (exemptions for disposals by companies with substantial shareholdings) is amended as follows.

(2) In paragraph 6(1)(c), for “section 440(1) or (2) of the Taxes Act” substitute “ any of sections 116 to 118 of the Finance Act 2012 ”.

(3) Paragraph 17 is amended as follows.

(4) In sub-paragraph (2), for “of its long-term insurance fund” substitute “ held by it for the purposes of its long-term business ”.



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- (5) In sub-paragraph (3)(b), for “of its long-term insurance fund” substitute “ for the purposes of its long-term business ”.
- (6) In sub-paragraph (4), for “as assets of its long-term insurance fund” substitute “ for the purposes of its long-term business ”.
- (7) In sub-paragraph (4A)—
- (a) for “of the investing company's long-term insurance fund” substitute “ held by the investing company for the purposes of its long-term business ”,
  - (b) for “as assets of its long-term insurance fund” substitute “ for the purposes of its long-term business ”, and
  - (c) for “a structural asset, or structural assets, within the meaning of section 83XA of the Finance Act 1989” substitute “ an asset or assets which formed part of the long-term business fixed capital of the company in question ”.
- (8) In the italic heading before that paragraph, for “*insurance company's long-term insurance fund*” substitute “ *insurance company held for the purposes of its long-term business* ”.

89 In paragraph 1 of Schedule 7AD (gains of insurance company from venture capital investment partnership), for “the assets of the long-term insurance fund of an insurance company (“the company”)” substitute “ the assets held by an insurance company (“the company”) for the purposes of its long-term business ”.

#### *Finance Act 1993*

90 FA 1993 is amended as follows.

91 In section 91 (deemed disposals of unit trusts by insurance companies), omit subsection (2).

#### *Finance Act 1999*

92 FA 1999 is amended as follows.

93 In section 81(8) (acquisitions disregarded under insurance companies concession), in the definition of “insurance company”, for “meaning of Chapter I of Part XII of the Taxes Act 1988” substitute “ meaning given by section 65 of the Finance Act 2012 ”.

#### *Capital Allowances Act 2001*

94 CAA 2001 is amended as follows.

95 In section 19(5) (special leasing of plant or machinery), for “life assurance business” substitute “ long-term business ”.

96 In the italic heading before section 254, for “*Life assurance*” substitute “ *Long-term* ”.

97 In section 254(1) (introductory), for “life assurance business” substitute “ long-term business ”.

98 For section 255 substitute—

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### “255 Apportionment of allowances and charges

- (1) This section applies if the long-term business of the company consists of—
- (a) basic life assurance and general annuity business, and
  - (b) non-BLAGAB long-term business.
- (2) In that case—
- (a) any allowance to which the company is entitled for a chargeable period in respect of a management asset, and
  - (b) any charge to which it is liable for a chargeable period in respect of a management asset,
- must be apportioned between the businesses in accordance with Chapter 7 of Part 2 of FA 2012.”
- 99 (1) Section 256 (different giving effect rules for different categories of business) is amended as follows.
- (2) In subsection (1)(b)—
- (a) for “under the I minus E basis” substitute “ in accordance with the I - E rules ”, and
  - (b) for “its life assurance business” substitute “ that business ”.
- (3) In subsection (2)(a), for the words from “as expenses payable” to “section 76(7) of ICTA” substitute “ for the purposes of section 76 of FA 2012 as deemed BLAGAB management expenses for the chargeable period in question ”.
- (4) Omit subsections (3) and (4).
- (5) In the heading, for “**different categories of business**” substitute “ **BLAGAB** ”.
- 100 In section 257(2) (supplementary), for paragraphs (a) and (b) substitute—
- “(a) section 93(5) of FA 2012 (minimum profits test), or
  - (b) section 103 of FA 2012 (rules for determining policyholders' share of I - E profit).”
- 101 (1) Section 261 (special leasing: life assurance business) is amended as follows.
- (2) For “life assurance business” substitute “ long-term business ”.
- (3) In the heading, for “**life assurance business**” substitute “ **long-term business** ”.
- 102 In the heading for Chapter 1 of Part 12, for “LIFE ASSURANCE” substitute “ LONG-TERM ”.
- 103 (1) Section 544 (management assets) is amended as follows.
- (2) In subsections (1) and (2), for “life assurance business” substitute “ long-term business ”.
- (3) Omit subsection (3).
- 104 (1) Section 545 (investment assets) is amended as follows.
- (2) In subsection (1), for “life assurance business” substitute “ long-term business ”.
- (3) For subsections (3) to (5) substitute—

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“(3) No allowance in respect of an investment asset is to be taken into account in calculating for corporation tax purposes the profits of any non-BLAGAB long-term business carried on by the company.”

105 (1) Section 560 (transfer of insurance company business) is amended as follows.

(2) In subsection (1)(b)(ii), omit the words from “within” to the end.

(3) In subsection (5), after paragraph (d) insert—

“(e) qualifying overseas transfer” means so much of a transfer of the whole or any part of the business of an overseas life insurance company carried on through a permanent establishment in the United Kingdom as takes place in accordance with an authorisation granted outside the United Kingdom for the purposes of Article 14 of the Council Directive of 5 November 2002 concerning life assurance (2002/83/EC).”

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**Textual Amendments**

**F1** Sch. 16 para. 106 repealed (with effect in accordance with s. 33(5) of the amending Act) by Finance Act 2019 (c. 1), s. 33(2)(e)(ix)(b)

107 (1) Part 2 of Schedule 1 (index of defined expressions) is amended as follows.

(2) Omit the entry for “life assurance business”.

(3) Insert the following entries at the appropriate places—

“basic life assurance and general annuity business sections 57 and 67(5) of FA 2012 (as applied by section 141(2) of that Act)”

“I - E rules section 70(1) and (2) of FA 2012 (as applied by section 141(2) of that Act)”

“insurance company section 65 of FA 2012 (as applied by section 141(2) of that Act)”

“long-term business section 63(1) of FA 2012 (as applied by section 141(2) of that Act)”

“non-BLAGAB long-term business sections 66 and 67 of FA 2012 (as applied by section 141(2) of that Act)”

*Finance Act 2003*

108 FA 2003 is amended as follows.

109 Omit section 156 (overseas life insurance companies).

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*Income Tax (Earnings and Pensions) Act 2003*

- 110 ITEPA 2003 is amended as follows.
- 111 In section 357(3) (business entertainment and gifts: exception where employer's expenses disallowed), for paragraph (b) substitute—
- “(b) the ordinary BLAGAB management expenses of the employer for the purposes of section 76 of FA 2012.”

*Finance Act 2004*

- 112 FA 2004 is amended as follows.
- 113 In section 196(4) (relief for employers in respect of contributions paid)—
- (a) in the opening words, for “section 76 of ICTA” substitute “ section 76 of FA 2012 ”, and
- (b) in paragraph (a), for “brought into account at Step 1 in subsection (7) of that section to the extent that they otherwise would not be” substitute “ treated as meeting the conditions in section 77(2)(a) and (c) of that Act to the extent that they would otherwise not meet them ”.
- 114 In section 196A(4)(c) (power to restrict relief), for “brought into account at Step 1 in section 76(7) of ICTA (expenses of insurance companies) in respect of the employer” substitute “ ordinary BLAGAB management expenses of the employer for an accounting period for the purposes of section 76 of FA 2012 ”.
- 115 In section 196L(2) (employer asset-backed contributions: supplementary), as inserted by Part 3 of Schedule 13 to this Act, for paragraph (c) substitute—
- “(c) the contribution being ordinary BLAGAB management expenses of the employer for an accounting period for the purposes of section 76 of FA 2012.”
- 116 In section 197(10)(b) (spreading of relief), for “section 76 of ICTA” substitute “ section 76 of FA 2012 ”.
- 117 In section 199 (deemed contributions), for subsection (5) substitute—
- “(5) And, for the purposes of section 76 of FA 2012, it is to be treated as meeting the conditions in section 77(2)(a) and (c) of that Act to the extent that it would otherwise not meet them.”
- 118 In section 199A(10)(c) (indirect contributions), for “brought into account at Step 1 in section 76(7) of ICTA (expenses of insurance companies) in respect of E” substitute “ ordinary BLAGAB management expenses of E for an accounting period for the purposes of section 76 of FA 2012 ”.
- 119 In section 200 (no other relief for employers in connection with contributions), for paragraph (c) substitute—
- “(c) are to count as ordinary BLAGAB management expenses of the employer for an accounting period for the purposes of section 76 of FA 2012.”
- 120 (1) Section 246 (restriction of deduction for non-contributory provision) is amended as follows.
- (2) In subsection (2), for paragraph (c) substitute—

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“(c) are not to count as ordinary BLAGAB management expenses of the employer for an accounting period for the purposes of section 76 of FA 2012.”

(3) In subsection (3)(b), for “section 76 of ICTA” substitute “ section 76 of FA 2012 ”.

121 In section 246A(4)(c) (case where no relief for provision by an employer), for “brought into account at Step 1 in section 76(7) of ICTA (expenses of insurance companies) in respect of the employer” substitute “ ordinary BLAGAB management expenses of the employer for an accounting period for the purposes of section 76 of FA 2012 ”.

122 In section 280(1) (abbreviations)—

(a) omit the “and” before the definition of “CTA 2009”, and

(b) after that definition insert—

““FA 2012” means the Finance Act 2012.”

#### *Finance (No.2) Act 2005*

123 F(No.2)A 2005 is amended as follows.

124 In section 18(3)(b) (specific powers relating to authorised unit trusts and open-ended investment companies), for sub-paragraph (iii) (but not the “or” at the end of it) substitute—

“(iii) by an insurance company (within the meaning of section 65 of FA 2012) as assets for the purposes of its long-term business (within the meaning of section 63 of that Act),”.

#### *Income Tax (Trading and Other Income) Act 2005*

125 ITTOIA 2005 is amended as follows.

126 In section 48(4A) (car hire)—

(a) at the end of paragraph (a) insert “ or ”,

(b) in paragraph (b), after “management),” insert “ including as applied by section 82(4) of FA 2012. ”, and

(c) omit paragraph (c) (together with the “or” before that paragraph).

127 In section 473(2) (policies and contracts to which Chapter 9 of Part 4 applies: general), in the definition of “capital redemption policy”, for “within the meaning of Chapter 1 of Part 12 of ICTA” substitute “ within the meaning given by section 56(3) of FA 2012 ”.

128 In section 476(3) (special rules: foreign policies), in the definition of “overseas life assurance business”, for “same meaning as in Part 12 of ICTA (see section 431D of that Act)” substitute “ meaning given by section 61 of FA 2012 ”.

129 In section 504(7) (part surrenders: payments under guaranteed income bonds etc), in the definition of “pension business”, for “section 431B of ICTA” substitute “ section 58 of FA 2012 ”.

130 (1) Section 531 (gains from contracts for life insurance etc: cases where income tax not treated as paid) is amended as follows.

(2) In subsection (3), after paragraph (b) insert—

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- “(ba) a contract the effecting or carrying out of which constitutes protection business within the meaning of section 62 of FA 2012,
- (bb) a contract which is not within paragraph (ba) but which, as a result of subsection (4) of that section, is treated for the purposes of that section as being made at any time.”.

- (3) In subsection (4), in the definition of “basic life assurance and general annuity business”, for “Chapter 1 of Part 12 of ICTA (see section 431F)” substitute “ Part 2 of FA 2012 (see sections 57 and 67(5)) ”.
- 131 In paragraph 118(2) of Schedule 2 (pre-1 January 2005 contracts for immediate needs annuities: income tax treated as paid), for the words from “means” to the end substitute “ means the application of section 57(2)(d) of FA 2012 ”.

#### *Income Tax Act 2007*

- 132 ITA 2007 is amended as follows.
- 133 In section 564B(1) (meaning of “financial institution”)—
- (a) in paragraph (g), for “section 431(2) of ICTA” substitute “ section 65 of FA 2012 ”, and
  - (b) in paragraph (h), for “section 431(2) of ICTA” substitute “ section 139(1) of FA 2012 ”.
- 134 In section 681DP (relevant tax relief), for paragraph (c) substitute—
- “(c) a deduction of an amount which for the purposes of section 73 of FA 2012 is adjusted BLAGAB management expenses of an insurance company for an accounting period.”.

#### *Corporation Tax Act 2009*

- 135 CTA 2009 is amended as follows.
- 136 In section A1(2) (overview of the Corporation Tax Acts)—
- (a) omit paragraph (a), and
  - (b) omit the “and” before paragraph (j) and after that paragraph insert—
    - “(k) Part 2 of FA 2012 (insurance companies carrying on long-term business),”.
- 137 (1) Section 18Q (UK resident insurance companies: profits of foreign permanent establishments) is amended as follows.
- (2) In subsection (1), omit “(as defined in section 431(2) of ICTA)”.
- (3) Omit subsections (2) and (3).
- 138 For section 24 substitute—

#### “24 Application to insurance companies

- (1) This section makes provision in a case where the non-UK resident company mentioned in subsection (1) of section 21 is an insurance company.
- (2) In accordance with the principle in that subsection, the permanent establishment is treated as holding—
  - (a) the same or a similar quantity of assets, and

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- (b) assets of the same or similar description,  
as would have been held by a distinct and separate enterprise acting as mentioned in paragraphs (a) and (b) of that subsection.
- (3) The assets which the permanent establishment is treated as holding in accordance with the principle in that subsection may include a proportion of assets held by the company.
- (4) Nothing in subsection (2) or (3) is to be read as preventing the application of similar principles to those provided for by that subsection in a case where the non-UK resident company mentioned in section 21(1) is not an insurance company.
- (5) The Commissioners for Her Majesty's Revenue and Customs may by regulations make other provision about the application of section 21(1) in a case where the non-UK resident company mentioned there is an insurance company.
- (6) The regulations may, in particular, make provision in place of section 21(2) (b) as to the basis on which, in the case of an insurance company, capital is to be attributed to a permanent establishment in the United Kingdom.”
- 139 In section 36(3) (farming and market gardening), for “of the company's long-term insurance fund” substitute “ held by the company for the purposes of its long-term business ”.
- 140 In section 38(3)(d) (commercial occupation of land other than woodlands), for “of the company's long-term insurance fund” substitute “ held by the company for the purposes of its long-term business ”.
- 141 In section 39(5)(a) (profits of mines, quarries and other concerns), for “of the company's long-term insurance fund” substitute “ held by the company for the purposes of its long-term business ”.
- 142 In section 46(3)(a) (generally accepted accounting practice), omit subparagraph (ii) (together with the “or” before it).
- 143 In section 56(5) (car hire)—  
(a) at the end of paragraph (a), insert “ including as applied by section 82(4) of FA 2012, or ”, and  
(b) omit paragraph (c) (together with the “or” before that paragraph).
- 144 In section 130(1)(a) (insurers receiving distributions etc), for “life assurance business” substitute “ business in relation to which section 111 of FA 2012 applies ”.
- 145 In section 201 (priority rules: provisions which must be given priority over Part 3 of Act), after subsection (1) insert—  
“(1A) Subsection (1) does not apply in the case of the long-term business of an insurance company.”
- 146 In section 203(4) (property businesses)—  
(a) for “section 432AA of ICTA” substitute “ section 86 of FA 2012 ”, and  
(b) for “in the case of” substitute “ for the purpose of applying the I - E rules in relation to ”.
- 147 (1) Section 298 (meaning of trade and purposes of trade) is amended as follows.

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- (2) In subsection (3)—
- (a) at the end of paragraph (a), insert “ or ”, and
  - (b) omit paragraph (c) (together with the “or” before it).
- (3) After subsection (5) insert—
- “(6) In the case of activities carried on by a company in the course of any basic life assurance and general annuity business, provision corresponding to that made by subsection (3) is made by section 88 of FA 2012 for the purpose of applying the I - E rules.”
- 148 (1) Section 336 (transfers of loans on group transactions) is amended as follows.
- (2) In subsection (4), for “is within one of the categories set out in section 440(4)(a), (d) and (e) of ICTA (assets held for certain categories of long-term business)” substitute “ is held for the purposes of a company's long-term business ”.
- (3) After that subsection insert—
- “(4A) For the purposes of subsection (4)—
- (a) in the case of an overseas life insurance company, ignore transfers in relation to assets which are not UK assets (within the meaning of section 117 of FA 2012), and
  - (b) section 122 of that Act applies as it applies for the purposes of Chapter 8 of Part 2 of that Act.”
- 149 (1) Section 337 (transfers of loans on insurance business transfers) is amended as follows.
- (2) After subsection (3) insert—
- “(3A) In subsection (3)(b) “qualifying overseas transfer” means so much of a transfer of the whole or any part of the business of an overseas life insurance company carried on through a permanent establishment in the United Kingdom as takes place in accordance with an authorisation granted outside the United Kingdom for the purposes of Article 14 of the Council Directive of 5 November 2002 concerning life assurance (2002/83/EC).”
- (3) In subsection (4)(a), for “the categories set out in section 440(4) of ICTA” substitute “ the applicable categories ”.
- (4) After subsection (4) insert—
- “(4A) For the purposes of subsection (4)(a) “the applicable categories” means—
- (a) in the case of a UK life insurance company, the long-term business categories or a category of assets which are not held for the purposes of its long-term business, and
  - (b) in the case of an overseas life insurance company, the UK long-term business categories, a category of UK assets which are not held for the purposes of its long-term business or a category of assets which are held by it but which are not UK assets.
- (4B) For the purposes of subsection (4A)—
- (a) “the long-term business categories” has the same meaning as in section 116 of FA 2012,



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- (b) “the UK long-term business categories” and “UK assets” have the same meanings as in section 117 of that Act, and
    - (c) section 122 of that Act applies as it applies for the purposes of Chapter 8 of Part 2 of that Act.”
- 150 (1) Section 386 (overview of Chapter 10 of Part 5 (insurance companies)) is amended as follows.
  - (2) In subsection (2)—
    - (a) in paragraph (a), after “apply” insert “ for the purposes of the I - E rules ” and at the end insert “ and ”, and
    - (b) omit paragraph (c) (together with the “and” before it).
  - (3) In subsection (3)—
    - (a) in paragraph (a), omit “or of BLAGAB”,
    - (b) in paragraph (a), after “trade” insert “ and section 88 of FA 2012 (equivalent rule for activities carried on in the course of BLAGAB) ”, and
    - (c) in paragraph (f), for “as expenses of insurance companies at Step 1 of section 76(7) of ICTA” substitute “ as ordinary BLAGAB management expenses ”.
- 151 In section 387(1) (treatment of deficit on BLAGAB: introduction), after “apply” insert “ for the purposes of the I - E rules ”.
- 152 In section 388(3) (basic rule: deficit set off against income and gains of deficit period), for “before any expenses deduction under section 76 of ICTA (expenses of insurance companies)” substitute “ in accordance with step 4 in section 73 of FA 2012 (that is to say, before any deduction for the adjusted BLAGAB management expenses of the company for the deficit period) ”.
- 153 In section 389 (claim to carry back deficit), after subsection (2) insert—

“(2A) If any of the claim amount is carried back in accordance with this section to an accounting period, the amount which is so carried back is to be left out of account for the purpose of applying section 93 of FA 2012 in the case of that period.”
- 154 (1) Section 390 (meaning of “available profits”) is amended as follows.
  - (2) In subsection (4), for the words from “which is” to the end substitute “ of the BLAGAB credits in respect of the company's loan relationships that count as income for the purposes of the I - E rules for that period (as determined by section 88(3) and (4) of FA 2012) ”.
  - (3) In subsection (5)—
    - (a) in step 1(a), for “so much of the expenses deduction for the period given by Step 8 in section 76(7) of ICTA (expenses of insurance companies) as is referable to BLAGAB” substitute “ the amount for the purposes of section 73 of FA 2012 of the adjusted BLAGAB management expenses of the company for the period ”,
    - (b) in step 1(b), for “so referable” substitute “ referable to BLAGAB ”,
    - (c) in step 2, for paragraph (a) (together with the “and” at the end of it) substitute—
      - “(a) so much of the amount for the purposes of section 73 of FA 2012 of the adjusted BLAGAB management expenses

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of the company for the period as, on the assumption that the company had no BLAGAB non-trading loan relationships profits for the period, could be subtracted at step 6 under that section without producing a negative amount, and”, and

(d) in step 2(b), for “so referable” substitute “referable to BLAGAB”.

(4) For subsection (6) substitute—

“(6) In the case of any claim under section 389, references in subsection (5) to the amount for the purposes of section 73 of FA 2012 of the adjusted BLAGAB management expenses of the company for the period are references to that amount as determined on the assumptions in subsections (7) and (8).”

155 In section 391 (carry forward of surplus deficit to next accounting period), for subsection (3) substitute—

“(3) Any deficit so carried forward is treated for the purposes of section 76 of FA 2012 as a deemed BLAGAB management expense for the next period.”

156 Omit sections 393 and 394 (insurance companies: determination of questions requiring apportionments) and the italic heading before those sections.

157 In section 399 (index-linked gilt-edged securities), at the end insert—

“(6) In the case of insurance companies, the application of sections 400 to 400C is subject to section 112 of FA 2012.”

158 In section 464(3) (list of exceptions to general rule that Part 5 (loan relationships) has priority for corporation tax purposes), omit paragraph (h) (but not the “and” at the end of that paragraph).

159 In section 471(3) (connections between persons: creditors who are insurance companies carrying on BLAGAB), for “is linked for that period to that business” substitute “is matched for that period to a BLAGAB liability”.

160 In section 472(4)(b) (meaning of “control”), for “of an insurance company's long-term insurance fund” substitute “held by an insurance company for the purposes of its long-term business”.

161 In section 473(3)(b) (meaning of “major interest”), for “of an insurance company's long-term insurance fund” substitute “held by an insurance company for the purposes of its long-term business”.

162 In section 486(4) (exclusion of exchange gains and losses in respect of tax debts etc), for paragraph (c) substitute—

“(c) as ordinary BLAGAB management expenses within the meaning of section 77 of FA 2012 (insurance companies carrying on basic life assurance and general annuity business).”

163 In section 502(1) (meaning of “financial institution”)—

(a) in paragraph (g), for “section 431(2) of ICTA” substitute “section 65 of FA 2012”, and

(b) in paragraph (h), for “section 431(2) of ICTA” substitute “section 139(1) of FA 2012”.

164 In section 560(4) (investment life insurance contracts: introduction)—

(a) in paragraph (a), for “section 431(2) of ICTA” substitute “section 65 of FA 2012” and for “that section” substitute “section 63 of that Act”, and

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- (b) in paragraph (b), for the words from “but” to the end substitute “ if subsection (3)(a) were omitted from section 65 of that Act. ”
- 165 In section 561(2) (meaning of “investment life insurance contract”), in the definition of “capital redemption policy”, for “section 431(2ZF) of ICTA” substitute “ section 56(3) of FA 2012 ”.
- 166 In section 563(6)(a) (increased non-trading credits for BLAGAB and EEA taxed contracts), for “section 88(1) of FA 1989” substitute “ section 102(3) of FA 2012 ”.
- 167 (1) Section 591 (conditions A to E mentioned in section 589(5)) is amended as follows.
- (2) In subsection (2)(a), for “life assurance business” substitute “ long-term business ”.
- (3) In subsection (2)(b), after “Sourcebook” insert “ (within the meaning given by section 139(4) of FA 2012) ”.
- 168 (1) Section 634 (insurance companies) is amended as follows.
- (2) The existing text becomes subsection (1) of that section.
- (3) In that subsection, omit paragraph (b) (together with the “or” before it).
- (4) After that subsection insert—
- “(2) In the case of activities carried on by a company in the course of any basic life assurance and general annuity business, provision corresponding to that made by subsection (1) is made by section 88 of FA 2012 for the purpose of applying the I - E rules.”
- 169 (1) Section 635 (creditor relationships of insurance companies: embedded derivatives which are options) is amended as follows.
- (2) In subsection (1)(a), for “life assurance business” substitute “ basic life assurance and general annuity business ”.
- (3) In subsection (2), for “This Part” substitute “ For the purpose of applying the I - E rules, this Part ”.
- 170 (1) Section 636 (insurance companies: modifications of Chapter 5 (continuity of treatment on transfers within groups)) is amended as follows.
- (2) In subsection (3), after the subsection (2B) which is treated as if it were inserted in section 626 insert—
- “(2C) In subsection (2B) “qualifying overseas transfer” means so much of a transfer of the whole or any part of the business of an overseas life insurance company carried on through a permanent establishment in the United Kingdom as takes place in accordance with an authorisation granted outside the United Kingdom for the purposes of Article 14 of the Council Directive of 5 November 2002 concerning life assurance (No. [2002/83/EC](#)).”
- (3) In subsection (4), for the words from “the asset was within one of the categories set out in section 440(4)(a), (d) and (e) of ICTA” to the end substitute “ , immediately before or after the transfer, the asset was held for the purposes of a company's long-term business (but, in the case of an overseas life insurance company, ignoring assets which are not UK assets (within the meaning of section 117 of FA 2012)). ”
- (4) In subsection (5)(a), for “the categories set out in section 440(4) of ICTA (transfers of assets etc)” substitute “ the applicable categories ”.

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- (5) After subsection (5) insert—
- “(5A) For the purposes of subsection (5)(a) “the applicable categories” means—
- (a) in the case of a UK life insurance company, the long-term business categories or a category of assets which are not held for the purposes of its long-term business, and
  - (b) in the case of an overseas life insurance company, the UK long-term business categories, a category of UK assets which are not held for the purposes of its long-term business or a category of assets which are held by it but which are not UK assets.”
- (6) After subsection (7) insert—
- “(8) For the purposes of this section—
- (a) “the long-term business categories” has the same meaning as in section 116 of FA 2012, and “the UK long-term business categories” and “UK assets” have the same meanings as in section 117 of FA 2012, and
  - (b) section 122 of FA 2012 applies as it applies for the purposes of Chapter 8 of Part 2 of that Act.”
- 171 In section 699(3) (list of exceptions to general rule that Part 7 (derivative contracts) has priority for corporation tax purposes)—
- (a) at the end of paragraph (a) insert “ and ”, and
  - (b) omit paragraph (c) (together with the “and” before it).
- 172 In section 710 (derivative contracts: other definitions)—
- (a) in the definition of “capital redemption policy”, for “section 431(2ZF) of ICTA” substitute “ section 56(3) of FA 2012 ”,
  - (b) in the definition of “contract of insurance”, for “section 431(2) of ICTA” substitute “ section 64 of FA 2012 ”, and
  - (c) in the definition of “contract of long-term insurance”, for “section 431(2) of ICTA” substitute “ section 64 of FA 2012 ”.
- 173 In section 746(2)(c) (“non-trading credits” and “non-trading debits”), for “section 901(3)” substitute “ section 901 ”.
- 174 In section 800(3) (excluded assets: introduction), omit paragraph (b) (together with the “and” before it).
- 175 In section 806(3) (assets excluded from Part 8 (intangible fixed assets): financial assets), after paragraph (c) (but before the “and” at the end of that paragraph) insert—
- “(ca) assets so far as they are derived from, or are referable to, contracts or policies of insurance or capital redemption policies.”.
- 176 In section 810 (mutual trade or business), omit subsection (2).
- 177 In section 815 (election to exclude capital expenditure on software), omit subsection (8).
- 178 In section 855(4) (further provision about regulations under section 854), omit “or section 902”.
- 179 For section 901 substitute—

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**“901 Effect of application of the I - E basis: non-trading amounts**

In the application of the I - E rules in relation to a company's basic life assurance and general annuity business, the provisions of this Part need to be read with section 88 of FA 2012 (which provides for the activities carried on by the company in the course of that business not to constitute the whole or any part of a trade or of a property business).”

- 180 Omit sections 902 (excluded assets) and 903 (elections to exclude capital expenditure on computer software) and the italic heading before those sections.
- 181 Omit section 904 (transfers of life assurance business: transfers of assets treated as tax-neutral).
- 182 In section 906(3) (list of exceptions to general rule that Part 8 has priority for corporation tax purposes), omit paragraph (b) (but not the “and” at the end of that paragraph).
- 183 In section 931S(3) (company distributions: meaning of “small company”), in the definition of “insurance company”, for “section 431 of ICTA” substitute “section 65 of FA 2012 ”.
- 184 In section 931W (provisions which must be given priority over Part 9A), omit subsection (3).
- 185 In section 985 (references to a deduction being allowed to a company), for subsection (4) substitute—
- “(4) If—
- (a) the company is a company in relation to which the I - E rules apply, and
- (b) the expenses are referable, in accordance with Chapter 4 of Part 2 of FA 2012, to the company's basic life assurance and general annuity business,
- the expenses are treated for the purposes of section 76 of that Act as ordinary BLAGAB management expenses of the company.”
- 186 In section 999 (deduction for costs of setting up SAYE option scheme or CSOP scheme), for subsection (5) substitute—
- “(5) If—
- (a) the company is a company in relation to which the I - E rules apply, and
- (b) the expenses are referable, in accordance with Chapter 4 of Part 2 of FA 2012, to the company's basic life assurance and general annuity business,
- the expenses are treated for the purposes of section 76 of that Act as ordinary BLAGAB management expenses of the company.”
- 187 (1) Section 1000 (deduction for costs of setting up employee share ownership trust) is amended as follows.
- (2) In subsection (2), for “subsections (3) and (4)” substitute “ subsection (3) ”.
- (3) Omit subsection (4).

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- 188 In section 1013 (relief if shares acquired by employee or other person: how relief is given), for subsection (4) substitute—
- “(4) If—
- (a) the employing company is a company in relation to which the I - E rules apply, and
  - (b) the relief is referable, in accordance with Chapter 4 of Part 2 of FA 2012, to the employing company's basic life assurance and general annuity business,
- the amount of relief is treated for the purposes of section 76 of that Act as ordinary BLAGAB management expenses of the company referable to the accounting period.”
- 189 In section 1021 (relief if employee or other person obtains option to acquire shares: how relief is given), for subsection (4) substitute—
- “(4) If—
- (a) the employing company is a company in relation to which the I - E rules apply, and
  - (b) the relief is referable, in accordance with Chapter 4 of Part 2 of FA 2012, to the employing company's basic life assurance and general annuity business,
- the amount of relief is treated for the purposes of section 76 of that Act as ordinary BLAGAB management expenses of the company referable to the accounting period.”
- F<sup>2</sup>190 .....

#### Textual Amendments

**F2** Sch. 16 para. 190 omitted (with effect in accordance with Sch. 15 paras. 28, 29 of the amending Act) by virtue of [Finance Act 2013 \(c. 29\)](#), [Sch. 15 para. 26\(3\)](#)

- 191 In section 1083 (refunds of expenditure treated as income chargeable to tax), omit subsections (4) and (5).
- 192 In section 1143(4) (overview of Part 14)—
- (a) in paragraph (a), for “life assurance business” substitute “ basic life assurance and general annuity business ”, and
  - (b) in paragraph (b), for “ “life assurance company tax credits” ” substitute “ “BLAGAB tax credits” ”.
- 193 (1) Section 1153 (land remediation tax credit: amount of a loss which is “unrelieved”) is amended as follows.
- (2) In subsection (3), for the words from “, as a result of section 432AB(3) of ICTA,” to the end substitute “, as a result of section 87(3) of FA 2012, the loss is treated for the purposes of section 76 of that Act as a deemed BLAGAB management expense for the relevant accounting period. ”
  - (3) In subsections (4) to (6), for “section 76(12) of ICTA” substitute “ section 73 of FA 2012 ”.
  - (4) In subsection (7), for paragraph (b) substitute—

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- “(b) taken into account in calculating for the purposes of section 73 of FA 2012 the amount of adjusted BLAGAB management expenses of the company for the relevant accounting period as a result of—
- (i) the previous application of section 73 or 93 of FA 2012, or
  - (ii) the carry forward to the relevant accounting period of an amount under section 391 of this Act (surplus deficit).”
- (5) In subsection (8)—
- (a) in paragraph (b), for “section 432AA of ICTA” substitute “ section 86 of FA 2012 ”, and
  - (b) in the words after that paragraph, for “section 432AB(4) of ICTA” substitute “ section 87(4) of FA 2012 ”.
- 194 (1) Section 1158 (restriction on losses carried forward where tax credit claimed) is amended as follows.
- (2) In subsection (3)—
- (a) for paragraph (a) substitute—
    - “(a) as a result of section 87(3) of FA 2012, a company's UK property business loss is treated for the purposes of section 76 of that Act as a deemed BLAGAB management expense for the accounting period,” and
  - (b) in paragraph (b), for “section 76(12) of ICTA” substitute “ section 73 of FA 2012 ”.
- (3) In subsection (4), for “section 76(12) of ICTA” substitute “ section 73 of FA 2012 ”.
- 195 In the heading for Chapter 4 of Part 14, for “LIFE ASSURANCE BUSINESS” substitute “ BLAGAB ”.
- 196 Omit section 1159 (limitation on relief under Chapter 2 of Part 14: insurance companies) and the italic heading before that section.
- 197 In section 1160 (provision in respect of I minus E basis)—
- (a) for “The remaining provisions of this Chapter apply” substitute “ This Chapter applies ”, and
  - (b) for “under the I minus E basis in respect of its life assurance business” substitute “ in respect of its basic life assurance and general annuity business in accordance with the I - E rules ”.
- 198 (1) Section 1161 (relief in respect of I minus E basis: expenses payable) is amended as follows.
- (2) In subsection (6), for “section 76(7) of ICTA” substitute “ section 76 of FA 2012 ”.
- (3) In subsection (7)(a), for “life assurance business” substitute “ basic life assurance and general annuity business ”.
- 199 (1) Section 1162 (additional relief) is amended as follows.
- (2) In subsection (3), for the words from “as expenses payable” to the end substitute “ for the purposes of section 76 of FA 2012 as deemed BLAGAB management expenses for the accounting period ”.
- (3) In subsection (4)(b), for the words from “which” to the end substitute “ of the expenditure which, for the purposes of section 76 of FA 2012, is not an ordinary

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BLAGAB management expense of the company referable to the accounting period as a result of the application of section 77(2)(b) of that Act ”.

200 In the italic heading before section 1164, for “*Life assurance*” substitute “ *BLAGAB* ”.

201 (1) Section 1164 (entitlement to tax credit) is amended as follows.

(2) In subsections (1) and (2)—

- (a) for “a life assurance company tax credit” substitute “ a BLAGAB tax credit ”, and
- (b) for “qualifying life assurance business loss” substitute “ qualifying BLAGAB loss ”.

(3) In subsections (3) and (4), for “a life assurance company tax credit” substitute “ a BLAGAB tax credit ”.

202 (1) Section 1165 (meaning of “qualifying life assurance business loss”) is amended as follows.

(2) In subsection (1)—

- (a) in the opening words, for “ “qualifying life assurance business loss”” substitute “ “qualifying BLAGAB loss” ”, and
- (b) in paragraph (b), for “section 76(12) of ICTA (unrelieved expenses carried forward)” substitute “ section 73 of FA 2012 as excess BLAGAB expenses ”.

(3) In subsection (2), for “section 76(12) of ICTA” substitute “ section 73 of FA 2012 as excess BLAGAB expenses ”.

(4) In subsection (3), for paragraph (b) substitute—

- “(b) taken into account in calculating for the purposes of section 73 of FA 2012 the amount of adjusted BLAGAB management expenses of the company for the relevant accounting period as a result of—
- (i) the previous application of section 73 or 93 of FA 2012, or
  - (ii) the carry forward to the relevant accounting period of an amount under section 391 of this Act (surplus deficit).”

(5) In subsection (4), for “qualifying life assurance business loss” substitute “ qualifying BLAGAB loss ”.

(6) In the heading, for “ “**qualifying life assurance business loss**”” substitute “ “**qualifying BLAGAB loss**” ”.

203 In section 1166(1) (amount of tax credit)—

- (a) for “life assurance company tax credit” substitute “ BLAGAB tax credit ”, and
- (b) for “qualifying life assurance business loss” substitute “ qualifying BLAGAB loss ”.

204 In section 1167(1) and (3)(a) (payment of tax credit etc), for “a life assurance company tax credit” substitute “ a BLAGAB tax credit ”.

205 (1) Section 1168 (restriction on carrying forward expenses payable where tax credit claimed) is amended as follows.

(2) In subsection (1), for “a life assurance company tax credit” substitute “ a BLAGAB tax credit ”.



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- (3) In subsection (2)—
    - (a) for “section 76 of ICTA” substitute “ section 73 of FA 2012 ”,
    - (b) for “subsection (12) of that section” substitute “ that section as excess BLAGAB expenses ”, and
    - (c) for “Step 7 in subsection (7) of that section” substitute “ step 5 in section 76 of FA 2012 ”.
  - (4) In subsection (3), for “qualifying life assurance business loss” substitute “ qualifying BLAGAB loss ”.
- 206 In section 1169(2) (artificially inflated claims for relief or tax credit)—
- (a) in paragraph (c), for “life assurance business” substitute “ basic life assurance and general annuity business ”, and
  - (b) in paragraph (d), for “life assurance company tax credits” substitute “ BLAGAB tax credits ”.
- 207 After section 1223 insert—
- “1223A Exception for basic life assurance and general annuity business**
- (1) Sections 1219 to 1223 do not apply in relation to an accounting period of an insurance company with investment business so far as the business consists of basic life assurance and general annuity business.
  - (2) See instead the rules set out in Chapter 3 of Part 2 of FA 2012.”
- 208 (1) Section 1251 (car hire) is amended as follows.
- (2) In subsection (3), after “subsection (2)” insert “ (including as applied by section 82(4) of FA 2012) ”.
  - (3) In subsection (5)—
    - (a) at the end of paragraph (a) insert “ or ”, and
    - (b) omit paragraph (c) (together with the “or” before that paragraph).
- 209 In section 1288(4) (unpaid remuneration)—
- (a) in paragraph (a), after “business),” insert “ including as applied by section 82 of FA 2012 ”, and
  - (b) omit paragraph (b) (together with the “and” before it).
- 210 (1) Section 1297 (life assurance business) is amended as follows.
- (2) In subsection (1), for “section 76 of ICTA applies (expenses of companies carrying on life assurance business)” substitute “ the I - E rules apply ”.
- <sup>F3</sup>(3) .....
- (4) In subsection (4)—
    - (a) for “purposes of section 86 of FA 1989” substitute “ purpose of calculating the adjusted BLAGAB management expenses of the company for the purposes of section 73 of FA 2012 ”, and
    - (b) for “payable for that period which fall to be included at Step 1 in section 76(7) of ICTA” substitute “ debited, in accordance with generally accepted accounting practice, in the accounts drawn up by the company for that period ”.

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- (5) In subsection (5)(a), for “an amount being brought into account under section 76 of ICTA as expenses payable” substitute “ an amount constituting ordinary BLAGAB management expenses of the company for the purposes of section 76 of FA 2012 ”.
- (6) For the heading substitute “ **Basic life assurance and general annuity business** ”.

#### Textual Amendments

**F3** Sch. 16 para. 210(3) omitted (with effect in relation to accounting periods of companies beginning on or after 1.1.2023 of the commencing S.I.) by virtue of Finance Act 2022 (c. 3), Sch. 5 paras. 3(2)(i), 4; S.I. 2022/1164, reg. 2(1) (with reg. 2(2))

- 211 In section 1298(2) (business entertainment and gifts), for paragraph (c) substitute—  
“(c) expenses to which this section applies are not to be regarded as constituting ordinary BLAGAB management expenses of the company for the purposes of section 76 of FA 2012.”
- 212 In section 1304 (crime-related payments), for subsection (3) substitute—  
“(3) Expenses to which subsection (4) or (5) applies are not to be regarded as constituting ordinary BLAGAB management expenses of a company for the purposes of section 76 of FA 2012.”
- 213 (1) Schedule 2 (transitionals and savings) is amended as follows.  
(2) In paragraph 139—  
(a) in sub-paragraph (3), for the words from “Section 76ZE” to “section 75)” substitute “ Section 81(4) of FA 2012 (which, in the case of companies carrying on basic life assurance and general annuity business, applies section 75(2) to (4)) ”,  
(b) in that sub-paragraph, for “condition in subsection (1) of that section” substitute “ conditions in paragraphs (a) and (b) of that subsection ”, and  
(c) in sub-paragraph (4), for “and section 76ZE of ICTA” substitute “ (including as applied by section 81(4) of FA 2012) ”.
- (3) In paragraph 140(1)(b), for “section 76ZL of ICTA” substitute “ the application by section 82 of FA 2012 of section 1249(1) to (3) of this Act ”.
- 214 In Schedule 4 (index of defined expressions)—  
(a) in the entry for “basic life assurance and general annuity business”, for “section 431F of ICTA (as applied by section 431(2) of that Act)” substitute “ sections 57 and 67(5) of FA 2012 (as applied by section 141(2) of that Act) ”,  
(b) omit the entry for “deposit back arrangements”,  
(c) omit the entry for “gross roll-up business”,  
(d) in the entry for “the I minus E basis”, for “I minus E basis” substitute “ I - E rules ” and for “section 431(2) of ICTA” substitute “ section 70(1) and (2) of FA 2012 (as applied by section 141(2) of that Act) ”,  
(e) in the entry for “insurance business transfer scheme”, for “section 431(2) of ICTA” substitute “ section 139(1) of FA 2012 (as applied by section 141(2) of that Act) ”,

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- (f) in the entry for “insurance company”, for “section 431(2) of ICTA” substitute “ section 65 of FA 2012 (as applied by section 141(2) of that Act) ”,
- (g) omit the entry for “the Insurance Prudential Sourcebook”,
- (h) in the entry for “life assurance business”, for “section 431(2) of ICTA” substitute “ section 56 of FA 2012 (as applied by section 141(2) of that Act) ”,
- (i) omit the entry for “linked assets”,
- (j) in the entry for “long-term business”, for “section 431(2) of ICTA” substitute “ section 63 of FA 2012 (as applied by section 141(2) of that Act) ”,
- (k) omit the entry for “long-term insurance fund”,
- (l) in the entry for “overseas life insurance company”, for “section 431(2) of ICTA” substitute “ section 139(1) of FA 2012 (as applied by section 141(2) of that Act) ”, and
- (m) omit the entry for “qualifying overseas transfer”.

*Corporation Tax Act 2010*

- 215 CTA 2010 is amended as follows.
- 216 In section 17(3) (interpretation of Chapter: meaning of “carried-forward amount”) —
  - (a) in paragraph (f), for “section 76(12) or (13) of ICTA (certain expenses of insurance companies)” substitute “ section 73 or 93 of FA 2012 for use at step 5 in section 76 of that Act (the I - E basis for insurance companies) ”, and
  - (b) omit paragraph (g).
- 217 In section 54(2) (non-UK resident company: receipts of interest, dividends or royalties), for the words from “any of these provisions—” to the end substitute “ section 37 or 45 ”.
- 218 In Chapter 4 of Part 4 (property losses), after section 67A insert—

*“Insurance companies*

**67B Exclusion in the case of property businesses of insurance companies**

- (1) This Chapter does not apply for the purpose of applying the I - E rules in relation to a loss made by an insurance company in any of its separate UK property businesses or overseas property businesses within section 86(4) of FA 2012.
- (2) But in the case of a loss which is referable, in accordance with Chapter 4 of Part 2 of that Act, to the company's basic life assurance and general annuity business, see section 87(3) and (4) of that Act.”

- 219 In section 606(5) (groups), in the definition of “insurance company”, for “section 431(2) of ICTA” substitute “ section 65 of FA 2012 ”.

F<sup>4</sup>220 .....

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**Textual Amendments**

**F4** Sch. 16 paras. 220-223 omitted (1.1.2014) by virtue of Finance Act 2013 (c. 29), Sch. 1 para. 52, Sch. 29 para. 50(4)

F<sup>4</sup>221 .....

**Textual Amendments**

**F4** Sch. 16 paras. 220-223 omitted (1.1.2014) by virtue of Finance Act 2013 (c. 29), Sch. 1 para. 52, Sch. 29 para. 50(4)

F<sup>4</sup>222 .....

**Textual Amendments**

**F4** Sch. 16 paras. 220-223 omitted (1.1.2014) by virtue of Finance Act 2013 (c. 29), Sch. 1 para. 52, Sch. 29 para. 50(4)

F<sup>4</sup>223 .....

**Textual Amendments**

**F4** Sch. 16 paras. 220-223 omitted (1.1.2014) by virtue of Finance Act 2013 (c. 29), Sch. 1 para. 52, Sch. 29 para. 50(4)

224 In section 835(2) (transferor or associate becomes liable for payment of rent), for paragraph (c) substitute—

“(c) a deduction is allowed for the payment by taking it into account in the calculation at step 1 of section 76 of FA 2012 (management expenses of insurance companies carrying on basic life assurance and general annuity business).”

225 In section 836(2) (transferor or associate becomes liable for payment other than rent), for paragraph (c) substitute—

“(c) a deduction is allowed for the payment by taking it into account in the calculation at step 1 of section 76 of FA 2012 (management expenses of insurance companies carrying on basic life assurance and general annuity business).”

226 (1) Section 839 (deduction under section 76 of ICTA not to exceed commercial rent) is amended as follows.

(2) In subsection (1), for “the deduction under section 76 of ICTA allowed for” substitute “the amount to be taken into account as mentioned in section 835(2)(c) or 836(2)(c) in respect of”.

(3) In subsection (3), for “The deduction” substitute “The amount of the payment to be taken into account”.

(4) In the heading, omit “**under section 76 of ICTA**”.

227 (1) Section 840 (carrying forward parts of payments) is amended as follows.

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- (2) In subsection (2), for “allowed as a deduction under section 76 of ICTA is not allowed” substitute “ taken into account as mentioned in section 835(2)(c) or 836(2)(c) is not taken into account ”.
- (3) In subsection (4), for “a deduction under section 76 of ICTA” substitute “ the calculation at step 1 of section 76 of FA 2012 ”.
- (4) In subsection (5), for “allowed as a deduction under section 76 of ICTA” substitute “ taken into account in the calculation at step 1 of section 76 of FA 2012 ”.
- 228 In section 860 (relevant corporation tax relief), for paragraph (d) (but not the “and” at the end of that paragraph) substitute—
- “(d) a deduction of an amount which for the purposes of section 73 of FA 2012 is an amount of adjusted BLAGAB management expenses of an insurance company for an accounting period.”.
- 229 In section 886 (relevant tax relief), for paragraph (c) substitute—
- “(c) a deduction of an amount which for the purposes of section 73 of FA 2012 is an amount of adjusted BLAGAB management expenses of an insurance company for an accounting period.”.
- 230 In section 1171(2) (powers under orders and regulations excluded from general provision)—
- (a) omit the “and” before paragraph (g), and
- (b) after that paragraph insert “, and
- (h) Parts 2 and 3 of FA 2012.”
- 231 In section 1173(2) (miscellaneous charges), in Part 3 of the table, omit—
- (a) the entry relating to section 436A(1) of ICTA,
- (b) the entry relating to section 442A(1) of ICTA,
- (c) the entry relating to section 85(1) of FA 1989, and
- (d) the entry relating to section 85A(1) of FA 1989.

*Taxation (International and Other Provisions) Act 2010*

- 232 TIOPA 2010 is amended as follows.
- 233 In section 43(7) (profits attributable to permanent establishments for purposes of section 42(2)), omit “(within the meaning given by section 431(2) of ICTA)”.
- 234 In section 72(2) (application of section 73(1)), omit paragraph (b) (together with the “or” before it).
- 235 In section 96(1) (companies with overseas branches: restriction of credit)—
- (a) omit “or section 436A of ICTA”,
- (b) omit “, calculated in accordance with the provisions applicable for the purposes of section 35 of CTA 2009,” and
- (c) for “life assurance business or gross roll-up business” substitute “ non-BLAGAB long-term business ”.
- 236 For section 97 substitute—

**“97 Companies with more than one category of business: restriction of credit**

- (1) This section applies if—

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- (a) an insurance company carries on more than one category of long-term business in an accounting period, and
  - (b) there arises to the company in that period any income or gain (“the relevant income”) in respect of which credit for foreign tax is to be allowed under the arrangements.
- (2) The amount of the credit for foreign tax which, under the arrangements, is allowable against corporation tax in respect of so much of the relevant income as is referable, in accordance with Part 2 of FA 2012, to a particular category of business must not exceed the fraction of the foreign tax which, in accordance with subsection (3), is attributable to that category of business.
- (3) The fraction of the foreign tax that is attributable to the category of business in question is the fraction given by—

$$\frac{\text{RPRI}}{\text{TRI}}$$

where—

RPRI is the amount of the relevant income referable to the category of business in question in accordance with section 97A, and

TRI is the total amount of the relevant income.

### **97A Commercial allocation of relevant income to different categories of long-term business**

- (1) The amount of the relevant income that, for the purposes of section 97, is to be regarded as referable to a category of business is to be determined in accordance with an acceptable commercial method adopted by the company for the period of account in which the relevant income arises.
- (2) A method is an “acceptable commercial method” if, in all the circumstances, it can reasonably be regarded as providing a fair method for the purposes of section 97 for determining for a period of account the amount of any income or gain arising in the period that is referable to a particular category of long-term business carried on by the company.
- (3) The Treasury may make regulations for the purposes of this section—
- (a) prescribing cases in which a method is, or is not, to be regarded as an acceptable commercial method, and
  - (b) prescribing cases in which the only acceptable commercial method is to be a method prescribed, or of a description prescribed, in the regulations.
- (4) Subject to any provision made by regulations under subsection (3), the method adopted for the purposes of this section for a period of account must be consistent with the method adopted for the purposes of section 98 or 115 of FA 2012 for that period.”

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- 238 In section 99(7) (allocation of expense etc in calculations under section 35 of CTA 2009), for “98” substitute “ 97A ”.
- 239 Omit section 102 (interpreting sections 99 to 101 for life assurance or gross roll-up business).
- 240 (1) Section 103 (interpreting sections 99 to 101 for other insurance business) is amended as follows.
- (2) In subsection (1), omit the words from “if” to the end.
- (3) In the heading, omit “**for other insurance business**”.
- 241 In section 104(3) (interpreting sections 100 and 101: amounts referable to category of business), for “98” substitute “ 97A ”.
- <sup>F5</sup>242 .....

**Textual Amendments**

<sup>F5</sup> Sch. 16 para. 242 repealed (with effect in accordance with Sch. 5 para. 26(1) of the amending Act) by Finance (No. 2) Act 2017 (c. 32), Sch. 5 para. 11(2)(c)(ii)

- 243 In section 310(2) (meaning of “carried-forward amount”)—
- <sup>F6</sup>(a) .....
- (b) omit paragraph (b).

**Textual Amendments**

<sup>F6</sup> Sch. 16 para. 243(a) repealed (with effect in accordance with Sch. 5 para. 26(1) of the amending Act) by Finance (No. 2) Act 2017 (c. 32), Sch. 5 para. 11(2)(c)(ii)

- 244 In Part 1 of Schedule 11 (index of defined expressions used in Parts 2 and 3 of Act), insert the following entries at the appropriate places—

“insurance company	section 65 of FA 2012 (as applied by section 141(2) of that Act)”
“long-term business	section 63 of FA 2012 (as applied by section 141(2) of that Act)”

*Finance Act 2011*

- 245 FA 2011 is amended as follows.
- 246 In paragraph 73(2) of Schedule 19 (bank levy: meaning of “excluded entity”), for “meaning given by section 431(2) of ICTA” substitute “ meanings given by sections 65 and 139 of FA 2012 respectively ”.

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## PART 4

### CONSEQUENTIAL REPEALS

- 247 In consequence of the amendments made by Parts 1 to 3 of this Schedule (or previous amendments made by other enactments), omit the following provisions—
- (a) in FA 1989—
    - (i) section 84(4), and
    - (ii) Schedule 8,
  - (b) in FA 1990—
    - (i) sections 41 and 42,
    - (ii) section 45(1) to (7) and (9) to (11),
    - (iii) section 48,
    - (iv) paragraphs 1, 4 and 8 of Schedule 6,
    - (v) Schedule 7, and
    - (vi) paragraphs 4 and 7 of Schedule 9,
  - (c) in FA 1991—
    - (i) paragraphs 5 and 12 of Schedule 7, and
    - (ii) paragraph 15 of Schedule 15,
  - (d) in TCGA 1992, paragraph 14(22) to (24) of Schedule 10,
  - (e) in FA 1993, section 103(1) and (3),
  - (f) in FA 1995—
    - (i) section 51,
    - (ii) Schedule 8, and
    - (iii) paragraph 1 of Schedule 9,
  - (g) in FA 1996—
    - (i) section 163,
    - (ii) section 167(3) and (10),
    - (iii) section 168(2),
    - (iv) paragraph 23 of Schedule 14,
    - (v) Schedule 31, and
    - (vi) Schedule 33,
  - (h) in FA 1997, section 67,
  - (i) in FA 1998—
    - (i) section 123(5)(a), and
    - (ii) paragraph 39 of Schedule 5,
  - (j) in FA 2000, sections 108 and 109,
  - (k) in FA 2003, paragraphs 1, 2, 5, 8, 10, 12, 20, 22 to 24 and 29 of Schedule 33,
  - (l) in FA 2004—
    - (i) sections 40 and 41,
    - (ii) section 44,
    - (iii) Schedule 6,
    - (iv) paragraphs 5, 8 and 9(2) of Schedule 7, and
    - (v) paragraph 20 of Schedule 35,
  - (m) in F(No.2)A 2005, paragraphs 1 to 3, 5, 10, 12 to 15, 17 and 18 of Schedule 9,
  - (n) in ITTOIA 2005, paragraphs 176 and 178 of Schedule 1,



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- (o) in FA 2006—
  - (i) section 86, and
  - (ii) Schedule 11,
- (p) in FA 2007—
  - (i) paragraphs 3, 6, 8 to 14, 16, 17, 19, 21 to 23, 25, 26, 31 to 33, 35 to 38, 57 to 59 and 80 to 84 of Schedule 7,
  - (ii) paragraphs 2 to 6, 8, 9, 11 to 16, 28 and 29 of Schedule 8,
  - (iii) paragraphs 1(1) and (3), 3(1) and (3), 4 to 8, 10, 11(3), 12, 15 and 16 of Schedule 9, and
  - (iv) paragraphs 2(1), 4, 11 to 13 and 15(1) to (3) of Schedule 10,
- (q) in FA 2008—
  - (i) paragraph 2 of Schedule 14, and
  - (ii) paragraphs 1, 2, 4 to 6, 8, 9(2) and (3), 10, 11, 17, 18, 20 to 22, 26, 28(3) and (4), 31 to 34 and 37 of Schedule 17,
- (r) in CTA 2009, paragraphs 30 to 44, 126 to 154, 282, 307(3)(a) and 341 to 351 of Schedule 1,
- (s) in FA 2009—
  - (i) section 46,
  - (ii) paragraph 24 of Schedule 7,
  - (iii) paragraph 60 of Schedule 11, and
  - (iv) paragraphs 1 to 7 of Schedule 23,
- (t) in CTA 2010, paragraphs 9, 10, 42 to 51, 213 and 214 of Schedule 1,
- (u) in FA 2010, section 47,
- (v) in F(No.2)A 2010, section 9,
- (w) in F(No.3)A 2010, section 15,
- (x) in TIOPA 2010, paragraph 34 of Schedule 8, and
- (y) in FA 2011, section 56.

**Status:**

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**Changes to legislation:**

There are currently no known outstanding effects for the Finance Act 2012, SCHEDULE 16.