
STATUTORY INSTRUMENTS

2006 No. 3387

**The Insurance Companies (Corporation
Tax Acts) (Amendment No. 2) Order 2006**

Amendment of the Income and Corporation Taxes Act 1988

2. After section 432 of the Income and Corporation Taxes Act 1988 (separation of different categories of business)(1) insert—

“Long-term business other than life assurance business — adjustment consequent on change in Insurance Prudential Sourcebook

432YA.—(1) This section applies in the case of—

- (a) a company which is a non-profit company, or
- (b) the non-profit fund of a company which is not a non-profit company,

if an amount (other than nil) is shown in paragraph 4(12) of Appendix 9.4 to the periodical return for the company for the first period of account which ends on or after 31st December 2006.

(2) In computing profits of long-term business which is not life assurance business in accordance with the provisions applicable to Case I of Schedule D an amount (“the relevant amount”) shall be added—

- (a) to the closing long term business provision of the company for the first period of account which ends on or after 31st December 2006, and
- (b) to the opening long term business provision of the company for the next period of account.

(3) The relevant amount is, subject to subsection (4), the amount by which B exceeds A. Here—

A is the company’s long term business provision in respect of business which is not life assurance business for the first period of account which ends on or after 31st December 2006, calculated after taking into account the company’s ability to—

- (a) make provision for non-attributable expenses by reference to a homogeneous risk group instead of by reference to individual policies or contracts;
- (b) make provision for the voluntary discontinuance of policies or contracts using a prudent lapse rate assumption; and
- (c) set negative liabilities against positive liabilities (subject to overall liabilities not being less than nil);

in accordance with the Insurance Prudential Sourcebook; and

B is the company’s long term business provision for that period of account in respect of business which is not life assurance business, calculated without taking into account the matters referred to in paragraphs (a) to (c) of the definition of A.

(1) The relevant amendment is that made by paragraph 12(3) of Schedule 8 to the [Finance Act 1995\(c. 4\)](#).

- (4) In a case falling within subsection (1)(b)—
- (a) the relevant amount shall be reduced (but not below nil) by so much (if any) of the amount shown in paragraph 4(12) of Appendix 9.4 to the periodical return as is reflected in column 1 of line 51 of the Form 14 for that period of account relating to the non-profit fund in question; and
 - (b) the references in subsection (3) to long term business provision and to liabilities are respectively to long term business provision and to liabilities relating to the non-profit fund in question.
- (5) In this section—
- “long term business provision” has the same meaning as in Schedule 9A to the Companies Act 1985⁽²⁾;
 - “non-profit company” has the meaning given in section 83YA(8) of the Finance Act 1989⁽³⁾; and
 - “non-profit fund” has the same meaning as in the Insurance Prudential Sourcebook.”.

(2) 1985 c. 6. Schedule 9A was originally enacted as Schedule 9 to the 1985 Act, renumbered as Schedule 9A by S.I. 1991/2705 and substituted by S.I. 1993/3246 and amended by regulation 2 of S.I. 2004/3379.

(3) Section 83YA was inserted by paragraph 7 of Schedule 11 to the Finance Act 2006 (c. 25).