
EXPLANATORY NOTE

(This note is not part of the Order)

This Order amends the [Income and Corporation Taxes Act 1988 \(c. 1: “ICTA”\)](#) and the [Finance Act 1989 \(c. 26: “FA 89”\)](#) in consequence of a change to the rules contained in the Prudential Sourcebook for Insurers (referred to in the Order as the Insurance Prudential Sourcebook to distinguish it from the Interim Prudential Sourcebook (Insurers)). The Order allows an additional amount to be brought into account in computing an insurance company’s closing liabilities (in the case of life assurance business) and long term business provision (in the case of long-term business which is not life assurance business) for the first period of account ending on or after 31st December 2006 and its opening liabilities and long term business provision for the next period of account, to mitigate the effects of a rule change in the Insurance Prudential Sourcebook. The Sourcebooks are made by the Financial Services Authority under the Financial Services and Markets Act [2000 \(c. 8\)](#).

Authority for the retrospective provision made by this Order is contained in section 431A(2) of ICTA.

Article 1 provides for the citation, commencement and effect of the Order.

Article 2 makes the amendment to ICTA inserting a new section 432YA providing for the computation of the additional amount to be brought into account in respect of long-term insurance business which is not life assurance.

Article 3 introduces the amendments to FA 89.

Article 5 inserts a new section 82D into that Act, providing for the computation of the additional amount to be brought into account in respect of life assurance business, and article 4 makes an amendment to section 82 of that Act which is consequential upon the insertion of that new section.

This Order does not impose new costs on business.