



Income and Corporation Taxes Act 1988

1988 CHAPTER 1

PART XII

SPECIAL CLASSES OF COMPANIES AND BUSINESSES

CHAPTER I

INSURANCE COMPANIES, UNDERWRITERS AND CAPITAL REDEMPTION BUSINESS

Insurance companies: general

431 Interpretative provisions relating to insurance companies

(1) This section has effect for the interpretation of this Chapter.

(2) Unless the context otherwise requires—

“annuity business” means the business of granting annuities on human life;

“general annuity business” means any annuity business which is not pension business, and “pension business” shall be construed in accordance with subsections (3) and (4) below;

“annuity fund” means, where an annuity fund is not kept separately from the life assurance fund of an insurance company, such part of the life assurance fund as represents the liability of the company under its annuity contracts, as stated in its periodical returns;

“insurance company” means a company to which Part II of the Insurance Companies Act 1982 applies;

“life assurance business” includes annuity business;

“offshore income gain” has the same meaning as in Chapter V of Part XVII;

“overseas life insurance company” means an insurance company having its head office outside the United Kingdom but carrying on life assurance business through a branch or agency in the United Kingdom; and

“periodical return”, in relation to an insurance company, means a return deposited with the Secretary of State under Part II of the Insurance Companies Act 1982.

- (3) Subject to section 439, any division to be made between general annuity business, pension business and other life assurance business shall be made on the principle of—
- (a) referring to pension business any premiums falling within subsection (4) below, together with the incomings, outgoings and liabilities referable to those premiums and the policies and contracts under which they are or have been paid;
 - (b) allocating to general annuity business all other annuity business;
- and references to “pension fund” and “general annuity fund” shall be construed accordingly, whether or not any such funds are kept separate from the insurance company’s life assurance fund.
- (4) The premiums to be referred to pension business are those payable under contracts falling within one or other of the following descriptions, that is to say—
- (a) any contract with an individual who is, or would but for an insufficiency of profits or gains be, chargeable to income tax in respect of relevant earnings (as defined in section 623(1) and (2)) from a trade, profession, vocation, office or employment carried on or held by him (being a contract approved by the Board under section 620), or any substituted contract within the meaning of section 622(3);
 - (b) any contract (including a contract of insurance) entered into for the purposes of, and made with the persons having the management of, an exempt approved scheme as defined in Chapter I of Part XIV, being a contract so framed that the liabilities undertaken by the insurance company under the contract correspond with liabilities against which the contract is intended to secure the scheme;
 - (c) any contract made under approved personal pension arrangements within the meaning of Chapter IV of Part XIV;
 - (d) any annuity contract entered into for the purposes of—
 - (i) a scheme which is approved or is being considered for approval under Chapter I of Part XIV;
 - (ii) a statutory scheme as defined by section 612(1); or
 - (iii) a fund to which section 608 applies,
 being a contract which is approved by the Board and made with the persons having the management of the scheme or fund (or those persons and a member of or contributor to the scheme or fund) and by means of which relevant benefits as defined by section 612(1) (but no other benefits) are secured;
 - (e) any annuity contract approved by the Board which is entered into in substitution for a contract within paragraph (d) above;
 - (f) any contract with the trustees or other persons having the management of a scheme approved under section 620 or, subject to subsection (5) below, of a superannuation fund which was approved under section 208 of the 1970 Act, being a contract which—
 - (i) was entered into for the purposes only of that scheme or fund or, in the case of a fund part only of which was approved under section 208, for the purposes only of that part of that fund, and
 - (ii) (in the case of a contract entered into or varied after 1st August 1956) is so framed that the liabilities undertaken by the insurance company under the contract correspond with liabilities against which

the contract is intended to secure the scheme or fund (or the relevant part of the fund).

- (5) Subsection (4)(c) above shall not apply to premiums payable under a contract where the fund in question was approved under section 208 of the 1970 Act unless—
- (a) immediately before 6th April 1980 premiums paid under the contract with the trustees or other persons having the management of the fund fell within section 323(4) of that Act (premiums referable to pension business); and
 - (b) the terms on which benefits are payable from the fund have not been altered since that time; and
 - (c) section 608 applies to the fund.
- (6) In subsections (3) to (5) above “premium” includes any consideration for an annuity.

432 Separation of different classes of business

- (1) Where an insurance company carries on life assurance business in conjunction with insurance business of any other class, the life assurance business shall, for the purposes of the Corporation Tax Acts, be treated as a separate business from any other class of business carried on by the company.
- (2) Where an insurance company carries on both ordinary life assurance business and industrial life assurance business, the business of each such class shall, for the purposes of the Corporation Tax Acts, be treated as though it were a separate business, and section 76 shall apply separately to each such class of business.

433 Profits reserved for policy holders and annuitants

Where the profits of an insurance company in respect of its life assurance business are, for the purposes of this Act, computed in accordance with the provisions of this Act applicable to Case I of Schedule D, such part of those profits as belongs or is allocated to, or is reserved for, or expended on behalf of, policy holders or annuitants shall be excluded in making the computation, but if any profits so excluded as being reserved for policy holders or annuitants cease at any time to be so reserved and are not allocated to or expended on behalf of policy holders or annuitants, those profits shall be treated as profits of the company for the accounting period in which they ceased to be so reserved.

434 Franked investment income etc

- (1) Section 208 shall not prevent franked investment income of a company resident in the United Kingdom which carries on life assurance business from being taken into account as part of the profits in computing trading income in accordance with the provisions applicable to Case I of Schedule D.
- (2) In ascertaining for the purposes of section 393 or 394 whether and to what extent a company has incurred a loss on its life assurance business, any profits derived from the investments of its life assurance fund (including franked investment income of a company so resident) shall be treated as part of the profits of that business.
- (3) Any such part of the franked investment income from investments held in connection with a company’s life assurance business as is specified in subsection (4) below (“the

specified part”) shall not be used under Chapter V of Part VI to frank distributions made by the company.

- (4) Subject to subsection (5) below, the specified part shall be, in the case of any unrelieved income, the same fraction of it as the fraction which, on a computation of the profits of the company in respect of its life assurance business in accordance with the provisions applicable to Case I of Schedule D (whether or not the company is in fact charged to tax under that Case for the relevant accounting period or periods), would be connoted by the words in section 433 “such part of those profits as belongs or is allocated to, or is reserved for, or expended on behalf of, policy holders or annuitants”.
- (5) If the income exceeds the profits as computed in accordance with the provisions applicable to Case I of Schedule D other than section 433, the specified part shall be that fraction of the income so far as not exceeding the profits, together with the amount of the excess.
- (6) For the purposes of section 239 the profits charged to corporation tax for any accounting period (as defined in subsection (6) of that section) shall be reduced by deducting therefrom such fraction thereof as is equal to the fraction of the profits of the company in respect of its life assurance business which under section 433 is excluded from the computation of those profits or would be so excluded if the profits were computed in accordance with the provisions applicable to Case I of Schedule D.
- (7) For the purposes of subsection (4) above “unrelieved income” means income which has not been excluded from charge to tax by virtue of any provision and against which no relief has been allowed by deduction or set-off.
- (8) Where subsection (3) or (6) above would deny to a company any relief to which it would have been entitled if it had been charged to tax in respect of its life assurance business under Case I of Schedule D, corresponding relief shall be afforded to the company by repayment of, or set-off against, corporation tax or by payment of tax credit comprised in franked investment income from investments held in connection with that business.

435 Taxation of gains reserved for policy holders and annuitants

- (1) This section has effect in relation to any accounting period of an insurance company carrying on life assurance business and for the purposes of this section—
 - (a) the life assurance gains are such part of the amount to be included, in accordance with section 345, in the company’s total profits as is attributable to gains from investments held in connection with the company’s life assurance business;
 - (b) the policy holders' share of the life assurance gains or of the relevant reliefs is such fraction thereof as is equal to the fraction of the profits of the company in respect of its life assurance business which, under section 433, is excluded from the computation of those profits or would be so excluded if the profits were computed in accordance with the provisions applicable to Case I of Schedule D; and
 - (c) the relevant reliefs are such of the sums to be deducted from or set off against the company’s profits as are deducted from or set off against the life assurance gains.

- (2) Corporation tax charged on so much of the policy holders' share of the life assurance gains as remains after setting against it the amounts referred to in subsection (3)(c) below shall be calculated on the basis of a rate of corporation tax of 30 per cent.
- (3) For the purposes of this section there shall be ascertained the policy holders' share and the remainder (“the residual part”) of the life assurance gains and of the relevant reliefs; and—
 - (a) the residual part of the relevant reliefs shall be set against the residual part of those gains; and
 - (b) if the residual part of the relevant reliefs exceeds the residual part of those gains, the excess (or so much of it as does not, together with the policy holders' share of the relevant reliefs, exceed the policy holders' share of those gains) shall be added to the policy holders' share of the relevant reliefs; and
 - (c) the policy holders' share of the relevant reliefs, with any addition made under paragraph (b) above, shall be set against the policy holders' share of the life assurance gains.

436 Annuity business and pension business: separate charge on profits

- (1) Subject to the provisions of this section, profits arising to an insurance company from general annuity business or pension business shall be treated as income within Schedule D, and be chargeable under Case VI of that Schedule, and for that purpose—
 - (a) the business of each such class shall be treated separately, and
 - (b) subject to paragraph (a) above, and to subsection (3) below, the profits therefrom shall be computed in accordance with the provisions of this Act applicable to Case I of Schedule D.
- (2) Subsection (1) above shall not apply to an insurance company charged to corporation tax in accordance with the provisions applicable to Case I of Schedule D in respect of the profits of its ordinary life assurance business.
- (3) In making the computation referred to in subsection (1) above—
 - (a) section 433 shall apply with the necessary modifications and in particular with the omission of all references to policy holders (other than holders of policies referable to pension business);
 - (b) no deduction shall be allowed in respect of any expenses of management deductible under section 76;
 - (c) there may be set off against the profits any loss, to be computed on the same basis as the profits, which has arisen from pension business or general annuity business in any previous accounting period or year of assessment;
 - (d) where the computation in question is of profits arising to an insurance company from pension business—
 - (i) group income shall not be taken into account as part of those profits, and
 - (ii) annuities shall be deductible notwithstanding section 337(2);and the company shall not be entitled to treat as paid out of profits or gains brought into charge to income tax any part of the annuities paid by the company which is referable to pension business; and
 - (e) distributions which are not qualifying distributions shall not be taken into account where the computation in question is of the profits arising to an

Status: This is the original version (as it was originally enacted).

insurance company or overseas life insurance company from general annuity business or pension business.

- (4) Section 396 shall not be taken to apply to a loss incurred by a company on its general annuity business or pension business.
- (5) Nothing in section 128 or 399(1) shall affect the operation of this section.

437 General annuity business

- (1) In the case of a company carrying on general annuity business, the annuities paid by the company, so far as referable to that business and so far as they do not exceed the taxed income of the part of the annuity fund so referable, shall be treated as charges on income.
- (2) In computing under section 436 the profits arising to an insurance company from general annuity business—
- (a) taxed income, group income and income attributable to offshore income gains shall not be taken into account as part of those profits; and
 - (b) of the annuities paid by the company and referable to general annuity business—
 - (i) those which under subsection (1) above are treated as charges on income shall not be deductible, and
 - (ii) those which are not so treated shall (notwithstanding section 337(2)) be deductible.
- (3) In subsections (1) and (2) above “taxed income” means income charged to corporation tax otherwise than under section 436, and franked investment income.
- (4) Subject to subsection (5) below, franked investment income which is taken into account under subsection (2) above to enable annuities referable to general annuity business to be treated as charges on income shall not be used under Chapter V of Part VI to frank distributions made by the company.
- (5) For the purposes of subsection (4) above there shall be deducted from the amount of the franked investment income of the company arising in any accounting period and taken into account under subsection (1) above—
- (a) the amount of any profit arising in that accounting period to the company from general annuity business and computed under section 436; and
 - (b) the amount of any group income arising in that accounting period to the company and referable to its general annuity business.
- (6) A company which is not resident in the United Kingdom but carries on through a branch or agency there any general annuity business shall not be entitled to treat any part of the annuities paid by it which are referable to that business as paid out of profits or gains brought into charge to income tax.

438 Pension business: exemption from tax

- (1) Exemption from corporation tax shall be allowed in respect of income from, and chargeable gains in respect of, investments and deposits of so much of an insurance company’s life assurance fund and separate annuity fund, if any, as is referable to pension business.

- (2) The exemption from tax conferred by subsection (1) above shall not exclude any sums from being taken into account as receipts in computing profits or losses for any purpose of the Corporation Tax Acts.
- (3) Subject to subsection (6) below, the exclusion by section 208 from the charge to corporation tax of franked investment income shall not prevent such income being taken into account as part of the profits in computing under section 436 income from pension business.
- (4) If in the case of any company the income referred to in subsection (1) above includes a distribution in respect of which the company is entitled to a tax credit, the company may, subject to subsections (5) and (6) below, claim to have the amount of that credit paid to it.
- (5) If the company is resident in the United Kingdom (so that the distribution and the tax credit in question constitute franked investment income of that company), no franked investment income comprising any tax credit which is paid under subsection (4) above shall, subject to subsection (6) below, be used under Chapter V of Part VI to frank the company's distributions.
- (6) If for any accounting period there is, apart from this subsection, a profit arising to an insurance company from pension business and computed under section 436, and the company so elects as respects all or any part of its franked investment income arising in that period, being an amount of franked investment income not exceeding the amount of that profit, subsections (3) to (5) above shall not apply to the franked investment income to which the election relates.
- (7) An election under subsection (6) above shall be made by notice given to the inspector not later than two years after the end of the accounting period to which the election relates or within such longer period as the Board may by notice allow.
- (8) Nothing in sections 431(4)(c) or 643(2) of this Act or section 149B(1)(h) of the 1979 Act shall be construed as affording relief in respect of any sums to be brought into account under this section.

439 Restricted government securities

- (1) This section applies where for any accounting period —
 - (a) any division falls to be made between the pension business and any other kind of long-term business of an insurance company, and
 - (b) any of the income or gains or losses of the company for that period relate to restricted government securities;and where this section applies section 431(3) shall have effect subject to the provisions of this section.
- (2) All income, gains or losses of the company which relate to restricted government securities shall be referred to its pension business.
- (3) Where the division of the other income, gains or losses of the company is made by reference to the liabilities at any time in the accounting period which are referable to pension business or to two or more kinds of business including pension business, those liabilities shall be treated as reduced by the appropriate amount.
- (4) In subsection (3) above “the appropriate amount” means—

- (a) in a case in which the total liabilities of the company at the time in question which are referable to long-term business are less than the market value at that time of the investments and deposits held by the company relating to all such business, such proportion of the market value of the restricted government securities held by the company at that time as those liabilities bear to the market value of those investments and deposits, and
 - (b) in any other case, the market value of the restricted government securities at that time.
- (5) In this section—
- “long-term business” has the same meaning as in section 1(1) of the Insurance Companies Act 1982;
- “restricted government securities” means, subject to the following provisions of this section, government securities issued on the condition that, except in such circumstances as may be specified in the conditions of issue, they are to be held by insurance companies against and applied solely towards meeting pension business liabilities.
- (6) Subject to subsection (7) below, the following Treasury Stock, namely—
- (a) 2 per cent. Index-linked Treasury Stock 1996;
 - (b) 2 per cent. Index-linked Treasury Stock 2006;
 - (c) 2½ per cent. Index-linked Treasury Stock 2011;
- are not restricted government securities for the purposes of this section.
- (7) If any of the index-linked stock referred to in subsection (6) above was on 27th March 1982 held by an insurance company against and applied solely towards meeting the liabilities of the company’s pension business, then—
- (a) if and so long as the stock continues to be so held by that company, it shall continue to be treated as restricted government securities for the purposes of this section; and
 - (b) if the stock ceases to be restricted government securities otherwise than by virtue of being actually disposed of or redeemed, on the day on which it so ceases the stock shall be deemed for the purposes of corporation tax, including (subject to subsection (8) below) corporation tax on chargeable gains, to have been disposed of and immediately re-acquired at its market value on that date.
- (8) For the purposes of sections 67 and 68 of the 1979 Act (gilt-edged securities)—
- (a) in ascertaining the date on which securities were acquired, no account shall be taken of any deemed disposal and re-acquisition resulting from subsection (7) (b) above; and
 - (b) so long as any index-linked stock continues, by virtue of subsection (7)(a) above, to be treated as restricted government securities for the purposes of this section, it shall be regarded as being stock of a different kind from the index-linked stock referred to in subsection (6) above which is not so treated.

440 Identification or exchange of long term assets

- (1) The provisions of this section apply to any insurance company which carries on or has carried on long term business, and shall have effect for all purposes of the Corporation Tax Acts.

- (2) Subject to subsection (4) below, a profit or loss shall not be taken to arise in respect of any asset of the company by reason only that at any time after the base date the asset was or is exchanged for other assets of the company so as to become or cease to be part of the long term assets.
- (3) Subject to subsection (5) below, if an asset of the company which has at any time after 29th April 1975 been exchanged as mentioned in subsection (2) above is—
- (a) within the period of one year beginning with the date of that exchange (“the relevant exchange”) exchanged again for other assets of the company so as to cease to be or, as the case may be, become part of the long term assets; or
 - (b) within the period of six months beginning with the date of the relevant exchange disposed of by the company,
- then any income arising in respect of the asset after the relevant exchange, and any profit, gain or loss accruing to the company on a disposal of the asset made after the relevant exchange, shall be treated as if the relevant exchange had not taken place.
- (4) If an insurance company to which this section applies by notice given to the inspector so elects, then, where in the relevant period any relevant asset of the company was or is exchanged as mentioned in subsection (2) above—
- (a) that subsection shall not apply in relation to that asset as regards that exchange; and
 - (b) the company shall be treated as if the asset had been disposed of at market value by the company at the time of the exchange.

In this and the following subsection—

“the relevant period”, in relation to a notice under this subsection, means the period of six years from the end of the accounting period of the company in which the notice is given;

“relevant asset”, in relation to an insurance company, means an asset of the company such that, if it were sold, the proceeds would be taken into account in any computation of profits of the company in accordance with the provisions of this Act applicable to Case I of Schedule D.

- (5) Where an insurance company has given a notice under subsection (4) above, subsection (3) above shall, as regards relevant assets disposed of by the company in the relevant period, have effect as if paragraph (b) and the reference to any profit, gain or loss accruing to the company on a disposal made after the relevant exchange were omitted.
- (6) If at any time after the base date an insurance company to which this section applies disposed or disposes of an asset which—
- (a) was or is part of the long term assets at the time of the disposal, but without having been continuously part of those assets since its acquisition by the company; or
 - (b) was or is not part of the long term assets at the time of the disposal, but without having been continuously not part of those assets since its acquisition by the company,

the asset shall be treated, in a case falling within paragraph (a) above, as if it had been continuously part of the long term assets from the time of its acquisition by the company to the time of the disposal, or, in a case falling within paragraph (b) above, as if it had been continuously not part of the long term assets from the time of its acquisition by the company to the time of its disposal; and if the disposal is one

as respects which subsection (3) above applies, this subsection shall apply as if the relevant exchange (within the meaning of that subsection) had not taken place.

- (7) Without prejudice to subsection (6) above, if—
- (a) an insurance company to which this section applies disposes of an asset which, since its acquisition by the company, has on one or more occasions (whether after the base date or not) been exchanged for other assets of the company; and
 - (b) as regards that occasion or one or more of those occasions the company was assessed to income tax or corporation tax in an amount computed by reference to the value of the asset at the time of the exchange,
- then, in computing for any purpose of the Corporation Tax Acts the profit, gain or loss (if any) arising on the disposal, the asset shall be deemed to have been acquired by the company on the occasion or latest of the occasions mentioned in paragraph (b) above at a cost equal to the value by reference to which the company was so assessed as regards that occasion.
- (8) There shall be made such assessments, reductions of assessments or, on a claim in that behalf, repayments of tax as may in any case be required in order to give effect to subsection (3) or (4) above.
- (9) In this section, unless the context otherwise requires, “asset” includes part of an asset and any reference to a disposal of part of an asset includes a reference to a part disposal of an asset within the meaning of section 19(2)(b) of the 1979 Act; and where part of an asset is exchanged or disposed of as mentioned in any of subsections (2) to (7) above, that subsection shall have effect as if that part of the asset and the part not exchanged or disposed of were separate assets.
- (10) For the purposes of this section—
- “the base date”, in relation to an insurance company, means the last day of the financial year of the company which ended next after 7th December 1973;
 - “financial year” has the meaning given by section 96 of the Insurance Companies Act 1982;
 - “long term assets”, in relation to an insurance company, means assets representing the fund or funds maintained by the company in respect of its long term business; and
 - “long term business” has the meaning given by section 1(1) of the Insurance Companies Act 1982.

441 Foreign life assurance funds

- (1) Corporation tax under Cases IV and V on income arising from investments of the foreign life assurance fund of an insurance company shall be computed as in the case mentioned in section 65(4), that is to say, by reference to the amount of income received in the United Kingdom; and this subsection shall apply notwithstanding that that section relates only to income tax.
- (2) Where any of the following securities, namely—
- (a) securities issued by the Treasury with the condition that the interest thereon shall not be liable to income tax so long as it is shown, in manner directed by the Treasury, that the securities are in the beneficial ownership of persons who are not ordinarily resident in the United Kingdom; or
 - (b) securities issued by the Treasury with the condition that—

- (i) so long as the securities are in the beneficial ownership of persons who are not ordinarily resident in the United Kingdom, the interest thereon shall be exempt from income tax, and
 - (ii) so long as the securities are in the beneficial ownership of persons who are neither domiciled nor ordinarily resident in the United Kingdom, neither the capital thereof nor the interest thereon shall be liable to any taxation present or future; or
- (c) securities to which section 581 applies;
for the time being form part of the investments of the foreign life assurance fund of an insurance company, the income arising from those securities, if applied for the purposes of that fund or reinvested so as to form part of that fund, shall not be liable to tax.
- (3) Where any income arising abroad from the investments of the foreign life assurance fund of an insurance company has been remitted to the United Kingdom and invested, as part of the investments of that fund, in any such securities as are mentioned in subsection (2) above, that income shall not be liable to tax and any tax paid thereon shall, if necessary, be repaid to the company on the making of a claim.
- (4) Any securities issued by the Treasury in pursuance of the power conferred by section 60(1) of the Finance Act 1940 with a modified form of the condition specified in subsection (2)(b) above shall, save in so far as the terms of the issue otherwise provide, be deemed for the purposes of subsections (2) and (3) above to be such securities as are mentioned in subsection (2) above.
- (5) Where income arising from the investments of the foreign life assurance fund of an insurance company has been relieved from tax in pursuance of the provisions of this section, a corresponding reduction shall be made—
 - (a) in the relief granted under section 76 in respect of expenses of management; and
 - (b) in any amount on which the company is chargeable to tax by virtue of section 436.
- (6) In this section “foreign life assurance fund”—
 - (a) means any fund representing the amount of the liability of an insurance company in respect of its life assurance business with policy holders and annuitants residing outside the United Kingdom whose proposals were made to, or whose annuity contracts were granted by, the company at or through a branch or agency outside the United Kingdom; and
 - (b) where such a fund is not kept separately from the life assurance fund, means such part of the life assurance fund as represents the liability of the company under such policies and contracts, such liability being estimated in the same manner as it is estimated for the purpose of the company’s periodical return.
- (7) Where this section has effect in relation to income arising from investments of any part of an insurance company’s life assurance fund, it shall have the like effect in relation to chargeable gains accruing from the disposal of any such investments, and losses so accruing shall not be allowable losses.
- (8) For the purposes of this section, an offshore income gain accruing to an insurance company carrying on life assurance business shall, if it accrues in respect of investments held in connection with that business, be treated as if it were income from investments held in connection with that business.

- (9) Where any payment is made by the Export Credits Guarantee Department—
- (a) under any agreement entered into under arrangements made by the Secretary of State in pursuance of section 11 of the Export Guarantees and Overseas Investment Act 1978, and
 - (b) in respect of any income —
 - (i) which cannot be transferred to the United Kingdom, and
 - (ii) which arises from investments of the foreign life assurance fund of an insurance company,
 then, to the extent of the payment, this section shall apply in relation to the income as if it had been received in the United Kingdom (and accordingly cannot be received again in the United Kingdom).

442 Overseas business of U.K. companies

- (1) Subsections (2) and (3) below apply where a company resident in the United Kingdom carries on insurance business outside the United Kingdom through a branch or agency and—
 - (a) that business, or part of it, together with the whole assets of the company used for the purposes of that business or part (or together with the whole of those assets other than cash), is transferred to a company not resident in the United Kingdom;
 - (b) the business or part is so transferred wholly or partly in exchange for shares, or for shares and loan stock, issued by the transferee company to the transferor company; and
 - (c) the shares so issued, either alone or taken together with any other shares in the transferee company already held by the transferor company, amount in all to not less than one quarter of the ordinary share capital of the transferee company.
- (2) In making any computation in accordance with the provisions of this Act applicable to Case I of Schedule D of the profits or losses of the transferor company for the accounting period in which the transfer occurs, there shall be disregarded any profit or loss in respect of any asset transferred which, apart from this subsection, would fall to be taken into account in making that computation.
- (3) Where by virtue of subsection (2) above any profit or loss is disregarded in making any computation otherwise than for the purposes of section 76(2) the profit or loss shall be treated for the purposes of the 1979 Act as a chargeable gain or allowable loss accruing to the transferor company on the transfer.
- (4) Where at any time a company resident in the United Kingdom—
 - (a) which carries on insurance business wholly outside the United Kingdom, and
 - (b) the whole or part of whose ordinary share capital is beneficially owned by one or more companies resident in the United Kingdom,
 ceases to be resident in the United Kingdom, the profits or losses of the company in respect of that business for the accounting period ending at that time shall be computed for tax purposes without regard to the whole, or, as the case may be, a corresponding part of any profit or loss in respect of any asset which, apart from this subsection, would fall to be calculated in accordance with section 100(1)(b) and taken into account in making that computation.

443 Life policies carrying rights not in money

Where any investments or other assets are or have been, in accordance with a policy issued in the course of life assurance business carried on by an insurance company, transferred to the policy holder on or after 6th April 1967, the policy holder's acquisition of the assets, and the disposal of them to him, shall be deemed to be for a consideration equal to the market value of the assets for the purposes of computing income in accordance with Case I or VI of Schedule D.

444 Life policies issued before 5th August 1965

- (1) This section applies in relation to policies of life assurance issued before 5th August 1965 by a company carrying on life assurance business, being policies which—
 - (a) provide for benefits consisting to any extent of investments of a specified description or of a sum of money to be determined by reference to the value of such investments, but
 - (b) do not provide for the deduction from those benefits of any amount by reference to tax chargeable in respect of chargeable gains.
- (2) Where—
 - (a) the investments of the company's life assurance fund, so far as referable to those policies, consist wholly or mainly of investments of the description so specified, and
 - (b) on the company becoming liable under any of those policies for any such benefits (including benefits to be provided on the surrender of a policy), a chargeable gain accrues to the company from the disposal, in meeting or for the purpose of meeting that liability, of investments of that description forming part of its life assurance fund, or would so accrue if the liability were met by or from the proceeds of such a disposal,then the company shall be entitled as against the person receiving the benefits to retain out of those benefits a part not exceeding in amount or value corporation tax, at the rate specified in subsection (3) below, in respect of the chargeable gain referred to in paragraph (b) above, computed without regard to any amount retained under this subsection.
- (3) The amount to be retained under subsection (2) above shall, subject to subsection (4) below, be computed by reference to the rate of corporation tax for the time being in force or, if no rate of corporation tax has yet been fixed for the financial year, the rate last in force.
- (4) In so far as the chargeable gain represents or would represent a gain belonging or allocated to, or reserved for, policy holders, the amount to be retained shall be computed by reference to a rate of tax not exceeding 37.5 per cent.