

SCHEDULES

SCHEDULE 18

Section 169.

INTEREST RATE AND CURRENCY CONTRACTS: INSURANCE AND MUTUAL TRADING COMPANIES

Life assurance business: I minus E

- 1 (1) Subject to sub-paragraph (2) below, sub-paragraph (3) below applies where—
- (a) a qualifying contract was at any time in an accounting period of an insurance company held by the company for the purposes of any life assurance business carried on by it, and
 - (b) the I minus E basis is applied for the period in respect of that business.
- (2) Where the qualifying contract was held partly for the purposes of the life assurance business and partly for other purposes—
- (a) the profit or loss on the contract for the period shall be apportioned on a just and reasonable basis, and
 - (b) any reference in sub-paragraph (3) below to that profit or loss shall be construed as a reference to so much of it as is referable to the life assurance business.
- (3) Notwithstanding anything in section 159 of this Act—
- (a) no part of the profit or loss on the contract for the period shall be treated for the purposes of the Tax Acts as a profit or loss of a trade or part of a trade, and
 - (b) accordingly, the whole of that profit or loss shall be treated for the purposes of this paragraph as a non-trading profit or loss;
- and any reference in the following provisions of this paragraph to a non-trading profit or loss is a reference to a profit or loss which is treated as a non-trading one by virtue of paragraph (b) above.
- (4) Section 432A of the Taxes Act 1988 (insurance companies: apportionment of income and gains) shall have effect as if—
- (a) any reference to income arising from assets of an insurance company's long term business fund or overseas life assurance fund included a reference to any non-trading profit or loss of an insurance company; and
 - (b) any reference to income arising from or attributable to assets linked solely to a particular category of business included a reference to any non-trading profit or loss which derives from a qualifying contract which is so linked.
- (5) Section 438 of the Taxes Act 1988 (pension business: exemption from tax) shall have effect as if the reference in subsection (1) to income from 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 included a reference to so much of any non-trading profit of such a company as is so referable.

- (6) So much of any non-trading loss of an insurance company as is referable to pension business or overseas life assurance business shall not be allowable as a deduction in computing for the purposes of this Chapter the profits or losses of the company; and subsection (5)(a) of section 173 of this Act applies for the purposes of this sub-paragraph as it applies for the purposes of that section.
- (7) Where, as regards an insurance company and an accounting period, one or more non-trading profits or losses of the company for the period are referable to basic life assurance and general annuity business, subsections (5), (6) and (9) of section 129 and sections 130 and 131 of the Finance Act 1993 (non-trading exchange gains and losses) shall apply for the purposes of this paragraph as if—
- (a) any reference to any amount or amounts a company is treated as receiving in the period by virtue of section 129 were a reference to the amount or amounts of any non-trading profit or profits which are referable to that class of business,
 - (b) any reference to the amount or amounts of any loss or losses a company is treated as incurring in the period by virtue of that section were a reference to the amount or amounts of any non-trading loss or losses which are so referable, and
 - (c) for subsections (3) to (14) of section 131 there were substituted the following subsection—

“(3) The relievable amount shall be set off for the purposes of corporation tax against income of the accounting period which is referable to basic life assurance and general annuity business; and that income shall be treated as reduced accordingly.”

Life assurance business: Case I of Schedule D

- 2 (1) Subject to sub-paragraph (2) below, sub-paragraphs (3) and (4) below apply where—
- (a) a qualifying contract was at any time in an accounting period of an insurance company held by the company for the purposes of any life assurance business carried on by it, and
 - (b) the profits of the company in respect of that business are, for the purposes of the Tax Acts, computed in accordance with the provisions of the Taxes Act 1988 applicable to Case I of Schedule D.
- (2) Where the qualifying contract was held partly for the purposes of the life assurance business and partly for other purposes—
- (a) amounts A and B for the period shall be apportioned on a just and reasonable basis, and
 - (b) any reference in sub-paragraph (3) or (4) below to either of those amounts shall be construed as a reference to so much of it as is referable to the life assurance business.
- (3) Notwithstanding anything in sections 159 and 160 of this Act, amount A for the period shall not—
- (a) under or by virtue of this Chapter be chargeable to corporation tax as profits of the company, or
 - (b) be taken into account as a receipt in computing for the purposes of this Chapter the profits or losses of the company.

- (4) Notwithstanding anything in those sections, amount B for the period shall not—
- (a) be allowable as a deduction in computing for the purposes of this Chapter the profits or losses of the company, or
 - (b) under or by virtue of this Chapter be allowable as a deduction in computing any other income or profits or gains or losses of the company for the purposes of the Tax Acts.
- (5) Subsection (5)(a) of section 173 of this Act applies for the purposes of this paragraph as it applies for the purposes of that section.

Non-life mutual business

- 3 (1) Subject to sub-paragraph (2) below, sub-paragraph (3) below applies where a qualifying contract was at any time in an accounting period of a mutual trading company held by the company for the purposes of any non-life mutual business carried on by it.
- (2) Where the qualifying contract was held partly for the purposes of the non-life mutual business and partly for other purposes—
- (a) the profit or loss on the contract for the period shall be apportioned on a just and reasonable basis, and
 - (b) any reference in sub-paragraph (3) below to that profit or loss shall be construed as a reference to so much of it as is referable to the non-life mutual business.
- (3) Notwithstanding anything in section 159 of this Act—
- (a) no part of the profit or loss on the contract for the period shall be treated for the purposes of the Tax Acts as a profit or loss of a trade or part of a trade, and
 - (b) accordingly, the whole of that profit or loss shall be treated for the purposes of section 160 of this Act as a non-trading profit or loss.

Interpretation

- 4 In this Schedule—
- “the I minus E basis” means the basis commonly so called (under which a company carrying on life assurance business is charged to tax on that business otherwise than under Case I of Schedule D);
 - “life assurance business” includes annuity business;
 - “non-life mutual business” means any mutual trading, or any mutual insurance or other mutual business, which (in either case) is not life assurance business.