Finance Act 2010

2010 CHAPTER 13

PART 2

ANTI-AVOIDANCE AND REVENUE PROTECTION

Insurance companies

47 Apportionment of asset value increases

(1) In Chapter 1 of Part 12 of ICTA (insurance companies etc), after section 432C insert—

"432CA Apportionment of asset value increase where line 51 amount decreases

(1) This section applies where—

(a) an insurance company is not a non-profit company in relation to a period of account ("the current period of account"),

(b) in the case of any business with which an account of the company for the current period of account is concerned ("the relevant business"), an amount is a relevant brought into account amount for that period of account (see subsection (2)),

(c) section 432C applies for determining the extent to which the relevant brought into account amount is referable to life assurance business or to gross roll-up business, and

(d) the line 51 reduction condition is met (see subsection (3)).

(2) An amount is a relevant brought into account amount for a period of account if—

(a) it is brought into account as mentioned in subsection (2)(b) of section 83 of the Finance Act 1989 (increases in value of non-linked assets) for that period,

(b) it is deemed to be brought into account for that period by subsection (2B) of that section in consequence of the transfer of non-linked assets, or

(c) it is taken into account under subsection (2) of that section for that period by virtue of section 444AB as being the relevant amount in relation to non-linked assets.

(3) The line 51 reduction condition is met if—

(a) the amount shown in column 1 of line 51 of Form 14 of the company's periodical return in respect of the relevant business for the current period of account, is less than

(b) the amount so shown for the period of account immediately before it;

and the amount of the difference is "the relevant reduction".

(4) Section 432C applies in relation to so much of the relevant brought into account amount as does not exceed the relevant reduction ("the affected amount") as if it were brought into account as an increase in the value of assets in the case of the relevant business for the applicable appropriate period of account of the company.

(5) A period of account is an "appropriate period of account" if it ended before the current period of account and—

(a) the amount shown in column 1 of line 51 of Form 14 of the company's periodical return in respect of the relevant business for it, was more than

(b) the amount so shown for the period of account immediately before it;

and the amount of the difference is "the relevant increase."

(6) The "applicable" appropriate period of account is the one which ended most recently ("the most recent appropriate period of account").

(7) But if the relevant increase in the case of the most recent appropriate period of account is less than the affected amount, the most recent appropriate period of account is the applicable appropriate period of account in relation to only so much of the affected amount as does not exceed that relevant increase.

(8) In that case, the appropriate period of account which ended most recently before the most recent appropriate period of account is the applicable appropriate period of account in relation to so much of the remainder as does not exceed the relevant increase in the case of that appropriate period of account (and, where necessary, so on until the applicable appropriate period of account is established in relation to all of the affected amount or there are no more appropriate periods of account).

(9) If the current period of account is not the first in relation to which this section has applied in the case of the business concerned, the amount of the relevant increase in the case of any appropriate period of account ("the period in question") is to be treated as reduced by the relevant aggregate.

(10) The "relevant aggregate" is the aggregate of so much of the affected amount for any period or periods of account earlier than the current period of account as was an amount to which section 432C applied as if it were brought into account as mentioned in subsection (4) for the period in question.

(11) For the purposes of this section an insurance company which has elected under section 83YA(9) of the Finance Act 1989 (changes in value of assets brought into account: non-profit companies) to be treated as a non-profit company in relation to a period of account is to be regarded as a non-profit company in relation to the period of account.”

(2) The amendment made by subsection (1) has effect if the current period of account is a period of account beginning on or after 9 December 2009.

(3) No period of account beginning before that date counts as an appropriate period of account for the purposes of section 432CA of ICTA.

(4) But where the operation of that section does not establish the applicable appropriate period of account in relation to all or any of the affected amount (“the unallocated amount”), section 432C of ICTA applies in relation to the unallocated amount as if it were brought into account as an increase in the value of assets in the case of the relevant business for the last period of account beginning before 9 December 2009.