Finance Act 2012

2012 CHAPTER 14

PART 1

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER 1

INCOME TAX AND CORPORATION TAX CHARGES AND RATE BANDS

Income tax

1 Charge for 2012-13 and rates for 2012-13 and subsequent tax years

(1) Income tax is charged for the tax year 2012-13, and for that tax year—

(a) the basic rate is 20%,

(b) the higher rate is 40%, and

(c) the additional rate is 50%.

(2) For the tax year 2013-14—

(a) the basic rate is 20%,

(b) the higher rate is 40%, and

(c) the additional rate is 45%.

(3) In Chapter 2 of Part 2 of ITA 2007 (rates at which income tax is charged)—

(a) in section 8(3) (dividend additional rate), for "42.5%" substitute "37.5%",

(b) in section 9(1) (trust rate), for "50%" substitute "45%", and

(c) in section 9(2) (dividend trust rate), for "42.5%" substitute "37.5%".

(4) In section 394 of ITEPA 2003 (charge on relevant benefits provided under employer-financed retirement benefits scheme), in subsection (4) for "50%" substitute "45%".

(5) In section 640 of ITTOIA 2005 (capital sums treated as income of the settlor: grossing-up of deemed income), in subsection (6)(b)—

(a) omit the "and" at the end of sub-paragraph (ii),

(b) in sub-paragraph (iii) for "or any subsequent tax year." substitute ", 2011-12 or 2012-13, and", and

(c) after that sub-paragraph insert—

"(iv) 45%, if the relevant year is the year 2013-14 or any subsequent tax year."

(6) The amendments made by subsections (3) to (5) have effect for the tax year 2013-14 and subsequent tax years.

2 Basic rate limit for 2012-13

(1) For the tax year 2012-13 the amount specified in section 10(5) of ITA 2007 (basic rate limit) is replaced with "£34,370".

(2) Accordingly section 21 of that Act (indexation of limits), so far as relating to the basic rate limit, does not apply for that tax year.

3 Personal allowance for 2012-13 for those aged under 65

(1) For the tax year 2012-13 the amount specified in section 35(1) of ITA 2007 (personal allowance for those aged under 65) is replaced with "£8,105".

(2) Accordingly section 57 of that Act (indexation of allowances), so far as relating to the amount specified in section 35(1) of that Act, does not apply for that tax year.

4 Personal allowances from 2013

(1) Chapter 2 of Part 3 of ITA 2007 (personal allowance etc) is amended in accordance with subsections (2) to (6).

(2) In section 35 (personal allowance for those aged under 65)—

(a) in subsection (1), for paragraph (a) substitute—

"(a) was born after 5 April 1948, and", and

(b) in the heading for "**aged under 65**" substitute "**born after 5 April 1948**".

(3) In section 36 (personal allowance for those aged 65 to 74)—

(a) for subsection (1) substitute—

"(1) An individual who makes a claim is entitled to a personal allowance of £10,500, or (if greater) the section 35 amount, for a tax year if the individual—

(a) was born after 5 April 1938 but before 6 April 1948, and

(b) meets the requirements of section 56 (residence etc).",

(b) in subsection (2)—

(i) for "For" substitute "If the allowance under subsection (1) is greater than the section 35 amount, for",

(ii) in paragraph (a), for "half the excess" substitute "an amount equal to half of that excess income", and

(iii) in paragraph (b), for the words from "amount" to the end substitute "section 35 amount.",

(c) after that subsection insert—

"(2A) In this section "the section 35 amount" means the amount of any allowance to which the individual would be entitled under section 35 for the tax year if the individual had been born after 5 April 1948.", and

(d) in the heading for "**aged 65 to 74**" substitute "**born after 5 April 1938 but before 6 April 1948**".

(4) In section 37 (personal allowance for those aged 75 and over)—

(a) for subsection (1) substitute—

"(1) An individual who makes a claim is entitled to a personal allowance of £10,660, or (if greater) the section 35 amount, for a tax year if the individual—

(a) was born before 6 April 1938, and

(b) meets the requirements of section 56 (residence etc).",

(b) in subsection (2)—

(i) for "For" substitute "If the allowance under subsection (1) is greater than the section 35 amount, for",

(ii) in paragraph (a), for "half the excess" substitute "an amount equal to half of that excess income", and

(iii) in paragraph (b), for the words from "amount" to the end substitute "section 35 amount.",

(c) after that subsection insert—

"(2A) In this section "the section 35 amount" means the amount of any allowance to which the individual would be entitled under section 35 for the tax year if the individual had been born after 5 April 1948.", and

(d) in the heading for "**aged 75 and over**" substitute "**born before 6 April 1938**".

(5) In section 41 (allowances in year of death), omit subsections (2) and (3).

(6) In section 57 (indexation of allowances)—

(a) in subsection (1)—

(i) in paragraph (a) for "aged under 65" substitute "born after 5 April 1948", and

(ii) omit paragraphs (b) and (c), and

(b) in subsection (3)(a), for ", 36(1), 37(1)," substitute "and".

(7) In section 508A of ICTA (contemplative religious communities: profits exempt from corporation tax), in subsections (5) and (9)(b) for "under 65" substitute "born after 5 April 1948".

(8) The amendments made by this section have effect for the tax year 2013-14 and subsequent tax years.

Corporation tax

5 Main rate of corporation tax for financial year 2012

(1) In section 5(2)(a) of FA 2011 (main corporation tax rate for financial year 2012 on profits other than ring fence profits), for "25%" substitute "24%".

(2) The amendment made by this section is treated as having come into force on 1 April 2012.

6 Charge and main rate for financial year 2013

(1) Corporation tax is charged for the financial year 2013.

(2) For that year the rate of corporation tax is—

(a) 23% on profits of companies other than ring fence profits, and

(b) 30% on ring fence profits of companies.

(3) In subsection (2) "ring fence profits" has the same meaning as in Part 8 of CTA 2010 (see section 276 of that Act).

7 Small profits rate and fractions for financial year 2012

(1) For the financial year 2012 the small profits rate is—

(a) 20% on profits of companies other than ring fence profits, and

(b) 19% on ring fence profits of companies.

(2) For the purposes of Part 3 of CTA 2010, for that year—

(a) the standard fraction is 1/100th, and

(b) the ring fence fraction is 11/400ths.

(3) In subsection (1) "ring fence profits" has the same meaning as in Part 8 of that Act (see section 276 of that Act).

CHAPTER 2

INCOME TAX: GENERAL

Child benefit

8 High income child benefit charge

Schedule 1 contains provision for and in connection with a high income child benefit charge.

Anti-avoidance

9 Post-cessation trade or property relief: tax-generated payments or events

(1) Part 4 of ITA 2007 (loss relief) is amended as follows.

(2) In section 96(7) (post-cessation trade relief), after paragraph (b) insert—

"(ba) section 98A (denial of relief for tax-generated payments or events),".

(3) After section 98 insert—

"**98A Denial of relief for tax-generated payments or events**

(1) Post-cessation trade relief is not available to a person in respect of a payment or an event which is made or occurs directly or indirectly in consequence of, or otherwise in connection with, relevant tax avoidance arrangements (and, accordingly, no section 261D claim may be made in respect of the payment or event).

(2) For this purpose "relevant tax avoidance arrangements" means arrangements—

(a) to which the person is a party, and

(b) the main purpose, or one of the main purposes, of which is the obtaining of a reduction in tax liability as a result of the availability of post-cessation trade relief (whether by making a claim for that relief or a section 261D claim).

(3) In this section—

(a) "arrangements" includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable), and

(b) "section 261D claim" means a claim under section 261D of TCGA 1992."

(4) In section 125(6) (post-cessation property relief), after paragraph (b) insert—

"(ba) section 98A (denial of relief for tax-generated payments or events),".

(5) The amendments made by subsections (2) and (3) have effect in relation to—

(a) payments which are made on or after 12 January 2012 except where they are made pursuant to an unconditional obligation in a contract made before that date, or

(b) events which occur on or after that date.

(6) The amendment made by subsection (4) has effect in relation to—

(a) payments which are made on or after 13 March 2012 except where they are made pursuant to an unconditional obligation in a contract made before that date, or

(b) events which occur on or after that date.

(7) In subsections (5)(a) and (6)(a) "an unconditional obligation" means an obligation which may not be varied or extinguished by the exercise of a right (whether under the contract or otherwise).

(8) For the purposes of subsections (5)(b) and (6)(b) section 98 of ITA 2007 applies for determining when an event occurs.

10 Property loss relief against general income: tax-generated agricultural expenses

(1) Chapter 4 of Part 4 of ITA 2007 (losses from property businesses) is amended as follows.

(2) In section 117(3) (overview of Chapter), for "section 127A" substitute "sections 127A and 127B".

(3) In section 120(7) (deduction of property losses from general income), at the end insert "and section 127B (no relief for tax-generated agricultural expenses)".

(4) After section 127A insert—

"**127B No relief for tax-generated agricultural expenses**

(1) This section applies if—

(a) in a tax year a person makes a loss in a UK property business or overseas property business (whether carried on alone or in partnership),

(b) the business has a relevant agricultural connection for the purposes of section 120 (see section 123(3) to (7)), and

(c) any allowable agricultural expenses deducted in calculating the loss arise directly or indirectly in consequence of, or otherwise in connection with, relevant tax avoidance arrangements.

(2) No property loss relief against general income may be given to the person for so much of the applicable amount of the loss as is attributable to expenses falling within subsection (1)(c).

(3) For the purposes of subsection (2), the applicable amount of the loss is to be treated as attributable to expenses falling within subsection (1)(c) before anything else.

(4) In subsection (1) "relevant tax avoidance arrangements" means arrangements—

(a) to which the person is a party, and

(b) the main purpose, or one of the main purposes, of which is the obtaining of a reduction in tax liability by means of property loss relief against general income.

(5) In subsection (4) "arrangements" includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable).

(6) In this section "the applicable amount of the loss" has the meaning given by section 122 and "allowable agricultural expenses" has the meaning given by section 123."

(5) The amendments made by this section have effect in relation to expenses arising directly or indirectly in consequence of, or otherwise in connection with—

(a) arrangements which are entered into on or after 13 March 2012, or

(b) any transaction forming part of arrangements which is entered into on or after that date.

(6) But those amendments do not have effect where the arrangements are, or any such transaction is, entered into pursuant to an unconditional obligation in a contract made before that date.

(7) "An unconditional obligation" means an obligation which may not be varied or extinguished by the exercise of a right (whether under the contract or otherwise).

11 Gains from contracts for life insurance etc

(1) In Chapter 9 of Part 4 of ITTOIA 2005 (gains from contracts for life insurance etc), after section 473 insert—

"**473A Connected policies or contracts treated as single policy or contract**

(1) Policies or contracts which are connected with each other are treated as a single policy or contract for the purposes of this Chapter.

(2) A policy or contract is "connected" with another policy or contract if—

(a) they meet the condition in subsection (3) in relation to each other, and

(b) the terms on which either of them is issued are significantly more or less favourable than would reasonably be expected if the other were ignored or any policy or contract meeting the condition in that subsection in relation to either of them were ignored.

(3) A policy or contract meets the condition in this subsection in relation to another policy or contract if—

(a) they are at any time simultaneously in force, and

(b) either of them is issued with reference to the other or with a view to enabling the other to be issued on particular terms or facilitating its being issued on those terms.

(4) If—

(a) there is a policy or contract ("A") with which two or more other policies or contracts are connected as a result of subsection (2), but

(b) the other policies or contracts are not connected with each other as a result of that subsection,

A and the other policies or contracts are (as a result of this subsection) to be regarded as "connected" with each other."

(2) In section 491(2) of that Act (calculating gains from contracts for life insurance etc: general rules), in the definition of "PG", at the end insert "but only in so far as those gains have been, or fall to be, taken into account in calculating the total income of a person as a result of this Chapter or Chapter 2 of Part 13 of ITA 2007".

(3) In section 552 of ICTA (information: duty of insurers), for subsection (13) substitute—

"(13) For the purposes of this section—

(a) section 491(2) of ITTOIA 2005 is taken to have effect as if, in the definition of "PG", the words from "but" to the end were omitted, and

(b) no account is to be taken of the effect of section 541A of that Act."

(4) The amendments made by this section have effect in relation to—

(a) any policy issued in respect of an insurance made on or after 21 March 2012, or

(b) any contract made on or after that date.

(5) The amendments made by this section also have effect in the case of any insurance or contract made before 21 March 2012 if on or after that date—

(a) the policy or contract is varied with the result that there is an increase in the benefits secured,

(b) there is an assignment of rights, or a share of the rights, conferred by the policy or contract (whether or not for money's worth), or

(c) some or all of the rights conferred by the policy or contract become held as security for a debt.

(6) For the purposes of subsection (5)(a)—

(a) an exercise of rights conferred by a policy or contract is to count as a variation of the policy or contract, and

(b) the reference to an increase in the benefits secured by a policy or contract includes an increase in the benefits secured by another policy or contract with which the policy or contract is connected (within the meaning given by section 473A of ITTOIA 2005, as inserted by subsection (1)).

12 Settlements: income originating from settlors other than individuals

(1) ITTOIA 2005 is amended as follows.

(2) In section 627 (income where settlor retains an interest: exceptions), at the end insert—

"(4) The rule in section 624(1) does not apply in relation to income which—

(a) arises under a settlement, and

(b) originates from any settlor who was not an individual."

(3) In section 645 (property or income originating from settlor), in subsection (2), for "section 644" substitute "sections 627 and 644".

(4) The amendments made by this section have effect in relation to income arising on or after 21 March 2012.

Reliefs

13 Champions League final 2013

(1) No liability to income tax arises in respect of any income from the 2013 Champions League final that arises to a person who is—

(a) an employee or contractor of an overseas team that competes in the final, and

(b) non-UK resident at the time of the final.

(2) The reference in subsection (1) to income from the 2013 Champions League final is to income related to duties or services performed by the person in the United Kingdom in connection with the final.

(3) The exemption under subsection (1) does not apply to—

(a) income that arises as a result of a contract entered into after the final, or of any amendment, after the final, of a contract entered into before the end of the final, or

(b) income that is the subject of tax avoidance arrangements.

(4) Income is the subject of tax avoidance arrangements if—

(a) arrangements have been made which, but for subsection (3)(b), would result in a person obtaining an exemption under subsection (1) for the income, and

(b) those arrangements, or other arrangements of which they form part, have as their main purpose, or one of their main purposes, the obtaining of that exemption.

(5) Section 966 of ITA 2007 (deduction of sums representing income tax) does not apply to any payment or transfer which gives rise to income benefiting from the exemption under subsection (1).

(6) In this section—

"the 2013 Champions League final" means the final of the UEFA Champions League 2012/2013 competition held in England in 2013;

"contractor", in relation to an overseas team, means an individual who is not an employee of the team but who performs services for the team—

(a) under the terms of a contract with the team, or

(b) under the terms of a contract, or that individual's employment, with a company which is a member of the same group of companies as the team (within the meaning given by section 152 of CTA 2010);

"employee" and "employment" are to be read in accordance with section 4 of ITEPA 2003;

"income" means employment income or profits of a trade, profession or vocation (including profits treated as arising as a result of section 13 or 14 of ITTOIA 2005);

"overseas team" means a football club which is not a member of the Football Association, the Scottish Football Association, the Football Association of Wales or the Irish Football Association.

14 Cars: security features not to be regarded as accessories

(1) ITEPA 2003 is amended as follows.

(2) In section 125 (meaning of "accessory" and related terms) after subsection (3) insert—

"(3A) Subsection (2) needs to be read with section 125A (security features not to be regarded as accessories)."

(3) After that section insert—

"**125A Security features not to be regarded as accessories**

(1) This section applies where a car made available to an employee has a relevant security feature.

(2) The relevant security feature is not an accessory for the purposes of this Chapter if it is provided in order to meet a threat to the employee's personal

physical security which arises wholly or mainly because of the nature of the employee's employment.

(3) In this section "relevant security feature" means—

(a) armour designed to protect the car's occupants from explosions or gunfire,

(b) bullet-resistant glass,

(c) any modification to the car's fuel tank designed to protect the tank's contents from explosions or gunfire (including by making the tank self-sealing), and

(d) any modification made to the car in consequence of anything which is a relevant security feature by virtue of paragraph (a), (b) or (c).

(4) The Treasury may by regulations amend the definition of "relevant security feature" in subsection (3)."

(4) In Part 2 of Schedule 1 (index of defined expressions), in the entry for "accessory", in the second column for "section 125(2)" substitute "sections 125(2) and 125A(2)".

(5) The amendments made by this section have effect for the tax year 2011-12 and subsequent tax years.

15 Termination payments to MPs ceasing to hold office

(1) In section 291 of ITEPA 2003 (exemptions: termination payments to MPs and others ceasing to hold office), for subsection (2)(a) substitute—

"(a) made under section 5(1) of the Parliamentary Standards Act 2009 in connection with a person's ceasing to be a member of the House of Commons,".

(2) The amendment made by this section has effect in relation to grants and payments made on or after 1 April 2012.

16 Employment income exemptions: armed forces

(1) Chapter 8 of Part 4 of ITEPA 2003 (exemptions: special kinds of employees) is amended as follows.

(2) In section 297A (exemption for Operational Allowance), in subsection (2), for "by the Secretary of State" substitute "under a Royal Warrant made under section 333 of the Armed Forces Act 2006".

(3) In section 297B (exemption for Council Tax Relief), in subsection (2), for "by the Secretary of State" substitute "under a Royal Warrant made under section 333 of the Armed Forces Act 2006".

(4) After that section insert—

"**297C Armed forces: Continuity of Education Allowance**

(1) No liability to income tax arises in respect of payments of the Continuity of Education Allowance to or in respect of members of the armed forces of the Crown during their employment under the Crown or after their deaths.

(2) The Continuity of Education Allowance is an allowance designated as such under a Royal Warrant made under section 333 of the Armed Forces Act 2006."

(5) The amendments made by this section have effect in relation to payments made on or after 6 April 2012.

Other provisions

17 Taxable benefits: "the appropriate percentage" for cars for 2014-15

(1) In section 139 of ITEPA 2003 (car with a CO_2 emissions figure: the appropriate percentage), for subsections (2) and (3) substitute—

"(2) If the car's CO_2 emissions figure is less than the relevant threshold for the year, the appropriate percentage for the year is—

(a) if the car's CO_2 emissions figure for the year does not exceed 75 grams per kilometre driven, 5%, and

(b) otherwise, 11%.

(3) If the car's CO_2 emissions figure is equal to the relevant threshold for the year, the appropriate percentage for the year is 12% ("the threshold percentage")."

(2) The amendment made by this section has effect for the tax year 2014-15 and subsequent tax years.

18 Qualifying time deposits

(1) In section 866 of ITA 2007 (qualifying time deposits), in subsection (1), after "deposit" insert "made before 6 April 2012".

(2) The amendment made by this section is treated as having come into force on 6 April 2012.

CHAPTER 3

CORPORATION TAX: GENERAL

Support for business

19 Profits arising from the exploitation of patents etc

Schedule 2 contains provision about the treatment for corporation tax purposes of profits arising from the exploitation of patents etc.

20 Relief for expenditure on R&D

Schedule 3 contains provision about corporation tax relief for expenditure on research and development.

21 Real estate investment trusts

Schedule 4 amends Part 12 of CTA 2010 (real estate investment trusts).

Anti-avoidance

22 Treatment of the receipt of manufactured overseas dividends

(1) Part 17 of CTA 2010 (manufactured payments and repos) is amended as follows.

(2) In section 793 (company receiving manufactured overseas dividend from UK resident etc: amount treated as withheld on account of overseas tax), after subsection (7) insert—

"(8) If, in accordance with this section, the amount mentioned in section 792(3)(b) is not the amount deducted under section 922(2) of ITA 2007, nothing in the Tax Acts is to be read as having the effect that, in relation to the persons mentioned in section 792(2) for the purposes mentioned there, the difference between those amounts is to be regarded as an amount on account of income tax."

(3) In section 812 (deemed manufactured payments: stock lending arrangements), after subsection (5) insert—

"(5A) Where section 792 or 794 has effect in accordance with subsection (4) or (5), nothing in the Tax Acts is to be read as having the effect that, in relation to the persons mentioned in section 792(2) or 794(2) for the purposes mentioned there, the amount that would otherwise have been treated as an amount withheld on account of overseas tax is to be regarded as an amount on account of income tax."

(4) The amendments made by this section have effect in relation to overseas dividends (within the meaning of Part 17 of CTA 2010) paid on or after 15 September 2011.

23 Loan relationships: debts becoming held by connected company

(1) Chapter 6 of Part 5 of CTA 2009 (loan relationships: connected companies and impairment losses and releases of debt) is amended as follows.

(2) In section 362 (parties becoming connected where creditor's rights subject to impairment adjustment)—

(a) in subsection (1)—

(i) omit paragraph (c) (impairment in pre-connection carrying value of creditor's loan relationship), and

(ii) omit the "and" before that paragraph and, at the end of paragraph (a), insert "and",

(b) for subsections (3) and (4) substitute—

"(3) The amount treated as released is the amount (if any) by which the pre-connection carrying value in D's accounts exceeds the pre-connection carrying value in C's accounts.

(4) In subsection (3)—

"the pre-connection carrying value in D's accounts" means the amount that would be the carrying value of the liability representing the loan relationship in D's accounts if a period of account had ended immediately before C and D became connected, and

"the pre-connection carrying value in C's accounts" means—

(a) in any case where C was a party to the loan relationship as creditor on the last day of the period of account ending immediately before the one in which C and D became connected, the cost of the asset representing the loan relationship which would be given on that day on an amortised cost basis of accounting, and

(b) in any other case, the amount or value of any consideration given by C for the acquisition of the asset representing the loan relationship.", and"

(c) in subsection (5)—

(i) in the opening words, for "the carrying value is determined taking no account of—" substitute "no account is to be taken of—",

(ii) at the end of paragraph (a) insert "or", and

(iii) omit paragraph (c) (together with the "or" before that paragraph), and

(d) in the heading, at the end insert "**etc**".

(3) After section 363 insert—

"**363A Arrangements for avoiding section 361 or 362**

(1) This section applies in any case where arrangements are entered into and the main purpose, or one of the main purposes, of any party in entering into them (or any part of them) is—

(a) to avoid an amount being treated as released under section 361 or 362, or

(b) to reduce the amount which is treated as released under section 361 or 362.

(2) The arrangements (or part of the arrangements) are not to achieve that effect (so that an amount, or a greater amount, falls to be treated as released under section 361 or 362).

(3) In this section "arrangements" includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable)."

(4) The amendments made by subsection (2) have effect as follows—

(a) the amendments made by paragraphs (a), (b) and (d) have effect in relation to any case where the companies become connected on or after 27 February 2012, but if the companies become connected on or after that date but before 1 April 2012 section 362 of CTA 2009 has effect as if the following were substituted for subsections (3) and (4) of that section—

"(3) The amount treated as released is whichever is the greater of the following amounts—

(a) the amount (if any) that the pre-connection carrying value in C's accounts would have been adjusted for impairment if a period of account had ended immediately before the companies became connected, and

(b) the amount (if any) by which the pre-connection carrying value in D's accounts exceeds the pre-connection carrying value in C's accounts.

(4) In subsection (3) "the pre-connection carrying value", in relation to C's accounts or D's accounts, means the amount that would be the carrying value of the asset or liability representing the loan relationship in the accounts if a period of account had ended immediately before the companies became connected.", and"

(b) the amendments made by paragraph (c) have effect in relation to any case where the companies become connected on or after 1 April 2012,

and section 363 of CTA 2009 applies for the purposes of this subsection as it applies for the purposes of sections 361 to 362 of that Act.

(5) The amendment made by subsection (3) has effect in relation to—

(a) arrangements entered into on or after 27 February 2012, or

(b) arrangements entered into before that date where the amount is treated as released, or would have been treated as released, on or after that date.

(6) But subsection (5)(b) does not apply if the amount is treated as released, or would have been treated as released, pursuant to an unconditional obligation in a contract made before 27 February 2012.

(7) An "unconditional" obligation is one which may not be varied or extinguished by the exercise of a right (whether under the contract or otherwise).

(8) The conditions in section 361(1)(a) to (c) of CTA 2009 are treated as met (and the remaining provisions of that section have effect accordingly) in any case where—

(a) arrangements are entered into by any party at any time,

(b) directly or indirectly in consequence of, or otherwise in connection with, those arrangements a company ("C") becomes a party to a loan relationship as creditor,

(c) the time at which C becomes a party to the loan relationship falls on or after 1 December 2011 but before 27 February 2012,

(d) directly or indirectly in consequence of, or otherwise in connection with, those arrangements C subsequently becomes connected with another company ("D") which is a party to the loan relationship as debtor, and

(e) that subsequent time falls before 27 February 2012.

(9) For the purposes of subsection (8)—

(a) "arrangements" includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable), and

(b) the reference to C becoming connected with D is to be read in accordance with section 363 of CTA 2009.

(10) Subsections (8) and (9) are to have effect as if they were contained in Part 5 of CTA 2009 (and the cases in which section 361 of CTA 2009 has effect in accordance with subsection (8) include any case where C or D is a member of a firm which becomes or is a party to the loan relationship and in that case references to C or D (other than

references to the connection which C or D has with a company) are references to the firm).

(11) For the purpose of applying section 361 of CTA 2009 in accordance with subsection (8) no account is to be taken of anything done on or after 27 February 2012.

(12) If section 361 of CTA 2009 has effect in accordance with subsection (8), section 362 of that Act does not apply.

24 Companies carrying on businesses of leasing plant or machinery

(1) CTA 2010 is amended as follows.

(2) In section 385 (sales of lessors: no carry back of the expense)—

(a) for subsections (2) and (3) substitute—

"(2) No part of a loss may be deducted under section 37(3)(b) (relief for trade losses against total profits of earlier accounting periods) from so much of the company's total profits as derive from the income.

(3) For the purpose of determining how much of those profits derive from the income, those profits are to be calculated on the basis that the income is the final amount to be added.", and

(b) in the heading, for "**No carry back of the expense**" substitute "**No carry back of loss against the income**".

(3) In section 392 (sales of lessors: "relevant change in relationship"), at the end insert "or section 394ZA (company joining tonnage tax group)".

(4) After section 394 insert—

"**394ZA Company joining tonnage tax group**

There is a relevant change in the relationship between A and a principal company of A on any day if—

(a) on that day A becomes a member of a tonnage tax group for the purposes of Schedule 22 to FA 2000 without entering tonnage tax on that day, or

(b) the day ends immediately before the day on which, for the purposes of that Schedule, A both becomes a member of a tonnage tax group and enters tonnage tax."

(5) In section 394A (sales of lessors: "qualifying change of ownership")—

(a) the existing text becomes subsection (1), and

(b) after that subsection insert—

"(2) If the qualifying change of ownership would (but for this subsection) occur on any day as a result of—

(a) section 393 or 394ZA, or

(b) section 394 or 394ZA,

it is treated instead for the purposes of the sales of lessors Chapters as occurring on that day solely as a result of section 394ZA."

(6) In section 427 (sales of lessors: no carry back of the expense)—

(a) for subsections (2) and (3) substitute—

"(2) No part of a loss may be deducted under section 37(3)(b) (relief for trade losses against total profits of earlier accounting periods) from so much of the company's total profits as derive from the income.

(3) For the purpose of determining how much of those profits derive from the income, those profits are to be calculated on the basis that the income is the final amount to be added.", and

(b) in the heading, for "**No carry back of the expense**" substitute "**No carry back of loss against the income**".

(7) In section 950 (transfers of trade without a change of ownership: transfers of trade involving business of leasing plant or machinery), after subsection (3) insert—

"(3A) For the purposes of subsection (2)(a) the principal company or companies of the predecessor immediately before the transfer are not to be regarded as the same as the principal company or companies of the successor immediately afterwards (so far as they would otherwise have been so regarded) if—

(a) there is a relevant change in the relationship between the successor and a principal company of the successor within section 394ZA (company joining tonnage tax group), and

(b) that change occurs on or before the transfer day (whether the change occurs on or after 21 March 2012 or before that date)."

(8) In Schedule 22 to FA 2000 (tonnage tax), after paragraph 79 insert—

"79A (1) This paragraph applies if—

(a) a balancing charge under this Part of this Schedule arises to the company on the disposal of any plant or machinery, and

(b) the plant or machinery is taken into account in calculating income that the company is treated as receiving under section 383 or 417 of the Corporation Tax Act 2010 (sales of lessors) as a result of section 394ZA of that Act (company joining tonnage tax group).

(2) The balancing charge is to be reduced by the relevant part of the sales of lessors expense so far as relief has not previously been given for that expense (whether under this sub-paragraph or otherwise).

(3) "The sales of lessors expense" means—

(a) the expense which the company is treated as incurring under section 383 or 417 of the Corporation Tax Act 2010 as a result of section 394ZA of that Act, or

(b) if section 386 or 419 of that Act applies or has applied, the expense which derives from the expense within paragraph (a).

(4) If the sales of lessors expense is incurred at a time when the company is in tonnage tax, the "relevant part" of that expense is so much of it as, on a just and reasonable basis, is attributable to the matters set out in paragraph 56(1)(a) or (b).

(5) If—

(a) the sales of lessors expense is not incurred at a time when the company is in tonnage tax,

(b) that expense is taken into account in calculating a loss made by the company in a trade, and

(c) the loss is one to which paragraph 56 applies,

the "relevant part" of the sales of lessors expense is so much of the apportioned loss as, on a just and reasonable basis, is derived from the sales of lessors expense.

(6) The reference here to the apportioned loss is to the loss that is attributable to the matters set out in paragraph 56(1)(a) or (b)."

(9) The amendments made by subsections (2) and (6) have effect—

(a) where the income arises as a result of a company becoming a member of a tonnage tax group on or after 21 March 2012 and entering tonnage tax at the same time,

(b) where the income arises as a result of a company becoming a member of a tonnage tax group on or after 23 April 2012 without entering tonnage tax at the same time, or

(c) where the relevant day is on or after 21 March 2012 (in any case not within paragraph (a) or (b)).

(10) The amendments made by subsections (3) to (5) and (8) have effect—

(a) where a company becomes a member of a tonnage tax group on or after 21 March 2012 and enters tonnage tax at the same time, or

(b) where a company becomes a member of a tonnage tax group on or after 23 April 2012 without entering tonnage tax at the same time.

(11) The amendment made by subsection (7) has effect—

(a) except in a case within paragraph (b), where the transfer day is on or after 21 March 2012, and

(b) in a case where the relevant change in the relationship occurs as a result of a company becoming a member of a tonnage tax group without entering tonnage tax at the same time, where the transfer day is on or after 23 April 2012.

Insurance

25 Corporate members of Lloyd's: stop-loss insurance and quota share contracts

(1) In section 225 of FA 1994 (corporate members of Lloyd's: stop-loss and quota share insurance), after subsection (3B) insert—

"(3C) Subsection (3D) applies to any premium which is payable by a corporate member under a stop-loss insurance taken out in respect of its underwriting business and in relation to which section 220(2)(a) does not apply.

(3D) The premium is to be treated for the purposes of the Corporation Tax Acts—

(a) as an amount that arises to the member directly from its membership of the syndicate or syndicates in relation to the activities of which the stop-loss insurance was taken out, and

(b) as if it were payable in the underwriting year in which the profits or losses arising to the member directly from its membership of the syndicate or syndicates concerned are declared.

(3E) If a premium is payable under a stop-loss insurance in respect of two or more underwriting years, the amount of the premium treated, as a result of subsection (3D)(b), as payable in each of those years is to be determined on a just and reasonable basis.

(3F) If—

(a) a corporate member enters into a quota share contract, and

(b) the main purpose, or one of the main purposes, of entering into it was to secure that amounts payable by the member under the contract were not dealt with on the basis set out in subsection (3G),

the contract is treated for the purposes of subsections (3C) to (3E) as if it were a stop-loss insurance (and, accordingly, the amounts payable under it are treated for those purposes as premiums).

(3G) Amounts are dealt with on the basis set out in this subsection if they are treated as payable in the underwriting year in which the profits or losses arising to a corporate member directly from its membership of one or more syndicates are declared."

(2) The amendment made by this section has effect in relation to—

(a) any stop-loss insurance (as defined by section 230(1) of FA 1994) taken out on or after 6 December 2011, or

(b) any quota share contract (as defined by section 225(4) of FA 1994) entered into on or after that date.

(3) If before 6 December 2011 a corporate member enters into a multi-year contract—

(a) insurance is to be regarded for the purposes of subsection (2)(a) as taken out on the anniversary date of the contract which falls on or after the day on which this Act is passed, and

(b) premiums payable under the insurance in respect of an underwriting year beginning on or after that day are premiums falling to be dealt with in accordance with the amendment made by this section.

(4) For this purpose—

"multi-year contract" means a contract which (unless cancelled) operates in respect of successive underwriting years, and

"the anniversary date of the contract" means the date which is the anniversary of the date on which the contract was entered into.

(5) If—

(a) before 6 December 2011 a corporate member enters into a contract for insurance in respect of an underwriting year, and

(b) on or after 6 December 2011 the contract is renewed in respect of a further underwriting year (whether as a result of the exercise of an option conferred by the contract or otherwise),

insurance is to be regarded for the purposes of subsection (2)(a) as taken out on the date of the renewal.

26 Abolition of relief for equalisation reserves: general insurers

(1) Sections 444BA to 444BD of ICTA (equalisation reserves) are repealed.

(2) In consequence of the repeal of those sections, omit—

(a) in TMA 1970, in the second column of the table in section 98, the entry relating to regulations under section 444BB of ICTA and the entry relating to regulations under section 444BD of ICTA,

(b) in FA 1996, section 166 and Schedule 32,

(c) in FA 2003, in section 153(1)(a), the reference "444BB(3)(b),",

(d) in CTA 2009, paragraphs 155 and 156 of Schedule 1, and

(e) in TIOPA 2010, paragraph 9 of Schedule 8.

(3) The amendments made by this section have effect in relation to accounting periods ending on or after such day ("the specified day") as is specified in an order made by the Treasury (and different days may be specified for different cases).

(4) In the case of an insurance company's existing equalisation or equivalent reserve—

(a) an amount equal to one-sixth of the amount of the reserve is to be treated as a receipt of the company's business in the calendar year in which the specified day falls, and

(b) an amount equal to one-sixth of the amount of the reserve is to be treated as a receipt of the company's business in each of the next five calendar years.

(5) If there are different accounting periods falling in a calendar year, a receipt arising as a result of subsection (4) is apportioned between those periods in proportion to the number of days of the calendar year falling in those periods.

(6) If—

(a) the company ceases to carry on the business in a calendar year, and

(b) an amount would otherwise have been treated as a result of subsection (4) as a receipt of the company's business in a later calendar year,

any amount within paragraph (b) is treated instead as a receipt of the company's business in the accounting period in which the company ceased to carry on the business.

(7) For the purposes of this section—

(a) "equalisation reserve", in relation to an insurance company, means the equalisation reserve in respect of a business which the company was required, by virtue of equalisation reserves rules (within the meaning of section 444BA of ICTA), to maintain,

(b) "equivalent reserve" means an equivalent reserve (within the meaning of section 444BD of ICTA) in relation to which section 444BA of ICTA applied,

(c) a company's "existing" equalisation or equivalent reserve means the equalisation or equivalent reserve as it stood immediately before the first accounting period of the company ("the relevant accounting period") in relation to which the amendments made by this section have effect (but see subsection (8)), and

(d) references in this section to the company's business are to the business in respect of which the equalisation or equivalent reserve was maintained.

(8) If—

(a) an insurance company has made an election under section 444BA(4) of ICTA in relation to an accounting period ending before the specified day, and

(b) an amount would, but for this section, have been carried forward to the relevant accounting period of the company as a deductible amount,

that amount is not to be carried forward to that period as a deductible amount but is instead to be deducted from the amount of the equalisation or equivalent reserve as it stood immediately before that period.

(9) References in this section to section 444BA of ICTA include that section as modified by regulations made under section 444BB or 444BC of that Act.

27 Election to accelerate receipts under s.26(4)

(1) An insurance company may make an election in relation to a calendar year ("the relevant year") for all of the amounts that would, as a result of section 26(4), otherwise be treated as arising in later calendar years as receipts of a business carried on by the company to be treated instead as receipts of the business arising in the relevant year.

(2) An election under this section—

(a) must be made by notice to an officer of Revenue and Customs within 2 years from the end of the relevant year, and

(b) is irrevocable.

(3) A company which makes an election under section 29 as the transferor or the transferee may make an election under this section but not in relation to the calendar year in which the transfer takes place.

28 Deemed receipts under s.26(4): double taxation relief

(1) This section applies if—

(a) a receipt is treated as arising to an insurance company's business in an accounting period as a result of section 26(4),

(b) the company carries on business through a permanent establishment outside the United Kingdom by reference to which double taxation relief is afforded in respect of any income or gains, and

(c) the permanent establishment is one in relation to which regulation 10(2) of the Insurance Companies (Reserves) (Tax) Regulations 1996 previously applied.

(2) For the purpose of calculating the profits or losses by reference to which double taxation relief is afforded for the accounting period, only the appropriate proportion (if any) of the receipt is to be taken into account.

(3) The appropriate proportion of the receipt is—

(a) equal to the mean of each proportion found for each relevant period (if any), or

(b) equal to such other proportion as the company may determine on a just and reasonable basis.

(4) For the purposes of subsection (3)(a) a proportion for a relevant period is the proportion which the PE's premium income for the period bears to the company's premium income for the period.

(5) For the purposes of subsections (3)(a) and (4)—

"the company's premium income", in relation to a relevant period, means the amount of net premiums written by reference to which the calculation under section 444BA(2)(a) or (b) of ICTA was made for the period,

"the PE's premium income", in relation to a relevant period, means so much of the company's premium income for the period as is attributable to the permanent establishment, and

a "relevant period" means an accounting period of the company in relation to which each of the following conditions is met—

(a) section 444BA of ICTA has applied in relation to the accounting period,

(b) the business mentioned in subsection (1)(a) has been carried on through the permanent establishment in the accounting period, and

(c) the accounting period is the company's last accounting period in relation to which section 444BA of ICTA applied or is one that falls wholly or partly in the period of six years ending with the day on which that last accounting period ended.

(6) In subsection (5)—

(a) "net premiums written" means gross premiums written net of reinsurance premiums payable under reinsurance ceded, and

(b) references to section 444BA of ICTA include that section as modified by regulations made under that Act.

29 Transfer of whole or part of the business

(1) If—

(a) an insurance company carries on a business,

(b) amounts fall to be treated as receipts of the business as a result of section 26(4) ("deemed receipts"), and

(c) under an insurance business transfer scheme there is a transfer of the whole or part of the business to another insurance company within the charge to corporation tax,

the transferor and the transferee may jointly make an election for those deemed receipts to be allocated between them in accordance with the following provisions.

(2) If the transfer is a transfer of the whole of the business or substantially the whole of the business—

(a) section 26(6) does not apply in relation to the transferor (if it would otherwise have applied),

(b) the deemed receipt which, on the assumption that there had been no transfer, would have arisen in the transfer year is apportioned between the transferor and the transferee in accordance with subsection (5), and

(c) the remaining deemed receipts (if any) which, on that assumption, would have arisen in subsequent calendar years are treated as receipts of the transferee (and not as receipts of the transferor).

(3) If the transfer is a transfer of a part of the business and subsection (2) does not apply—

(a) the appropriate portion of the deemed receipt arising in the transfer year is apportioned between the transferor and the transferee in accordance with subsection (5), and

(b) the appropriate portions of the remaining deemed receipts (if any) are treated as receipts of the transferee (and the receipts of the transferor are reduced accordingly).

(4) The appropriate portion of a deemed receipt is to be determined on a just and reasonable basis.

(5) An apportionment under subsection (2)(b) or (3)(a) is to be made in proportion to the number of days of the calendar year falling before the day of the transfer and the number of days of the calendar year falling on or after the day of transfer.

(6) A deemed receipt which is treated as a receipt of the transferee as a result of this section is treated as a receipt of the business of the transferee which consists of or includes the transferred business, and, accordingly, section 26(4) and (6) have effect in relation to the transferee—

(a) as if references to the company were references to the transferee, and

(b) as if references to the business were references to the business of the transferee which consists of or includes the transferred business.

(7) An election under this section—

(a) must be made by notice to an officer of Revenue and Customs within 28 days from the end of the day on which the transfer takes place,

(b) must be accompanied by an explanation as to the way in which the transferor and the transferee have determined any issue falling to be determined for the purposes of this section, and

(c) is irrevocable.

(8) In this section—

"the transferred business" means so much of the business as is transferred to the transferee, and

"the transfer year" means the calendar year in which the transfer takes place.

(9) If a company makes an election under this section as the transferee, this section has effect for the purposes of any subsequent elections made by the company under this section as the transferor as if references to the business were references to the activities in respect of which deemed receipts are treated as arising to it.

30 Abolition of relief for equalisation reserves: Lloyd's corporate members etc

(1) Regulations made by the Treasury under section 47 of FA 2009 (equalisation reserves for Lloyd's corporate and partnership members) that revoke previous regulations made under that section may include provision corresponding to the provision made by sections 26(4) to (8) and 27, subject to such modifications as may be made in the regulations.

(2) Section 47 of FA 2009 is repealed.

(3) That repeal has effect in relation to accounting periods ending on or after such day ("the specified day") as is specified in an order made by the Treasury (and different days may be specified for different cases).

(4) Subsections (2) and (3) are not to affect the operation of any transitional or saving provision included (whether as a result of this section or otherwise) in regulations made under section 47 of FA 2009 that revoke previous regulations made under that section so far as the provision remains capable of having effect in relation to times falling on or after the specified day.

Miscellaneous

31 Tax treatment of financing costs and income

Schedule 5 contains provision about the tax treatment of financing costs and income.

32 Group relief: meaning of "normal commercial loan"

(1) CTA 2010 is amended as follows.

(2) In section 162(2)(c) (meaning of "normal commercial loan"), after "securities in" insert "a quoted unconnected company (see section 164(2A)) or in".

(3) In section 164 (sections 160 and 162: supplementary), in subsection (2)(c), after "securities in" insert "a quoted unconnected company (see subsection (2A)) or in".

(4) After subsection (2) of that section insert—

"(2A) For the purposes of this section and section 162 a company is a quoted unconnected company if (and only if)—

(a) its ordinary shares are listed on a recognised stock exchange, and

(b) it is not connected with the relevant company."

(5) In subsection (4) of that section—

(a) for "If the candidate company's" substitute "In the case of a company whose", and

(b) for "subsection (3)(c) is" substitute "subsections (2A)(a) and (3)(c) are".

(6) In subsection (5) of that section, for "subsections (3) and (4)" substitute "this section".

(7) The amendments made by this section have effect in relation to loans made on or after 21 March 2012.

33 Company distributions

(1) Part 23 of CTA 2010 (company distributions) is amended as follows.

(2) Section 1002 (exceptions for certain transfers of assets or liabilities between a company and its members) is repealed.

(3) In section 1020 (transfers of assets or liabilities treated as distributions)—

(a) in subsection (2), omit from "But" to the end, and

(b) after that subsection insert—

"(2A) But the company is not treated as making a distribution under subsection (2) if the transfer of assets or liabilities—

(a) is a distribution by virtue of paragraph B in section 1000(1), or

(b) would be such a distribution in the absence of sub-paragraph (a) of that paragraph (distribution representing repayment of capital on the shares)."

(4) Section 1021 (transfers of assets or liabilities treated as distributions: exceptions) is repealed.

(5) In consequence of the repeal made by subsection (2)—

(a) omit section 194(2) of CTA 2010,

(b) in section 998(3) of that Act, for "1002" substitute "1003",

(c) in section 1001 of that Act, in the third column of the table, omit "Section 1002 (exception for certain transfers of assets and liabilities)", and

(d) omit paragraph 1(2) of Schedule 3 to F(No.3)A 2010.

(6) The amendments made by this section have effect in relation to distributions made on or after the day on which this Act is passed.

CHAPTER 4

CAPITAL GAINS

34 Annual exempt amount

(1) TCGA 1992 is amended as follows.

(2) In section 3 (annual exempt amount), for the figure specified in subsection (2) substitute "£10,600".

(3) In that section—

(a) in each of subsections (3), (3A), (3B) and (4), for "RPI" substitute "CPI", and

(b) in subsection (3A), for "retail prices index" substitute "consumer prices index".

(4) In section 288 (interpretation), after subsection (2) insert—

"(2A) In this Act "consumer prices index" means the all items consumer prices index published by the Statistics Board."

(5) The amendment made by subsection (2) has effect for the tax year 2012-13 and subsequent tax years.

(6) Section 3(3) of TCGA 1992 (indexation) does not apply in relation to the tax year 2012-13.

(7) The amendments made by subsections (3) and (4) have effect for the tax year 2013-14 and subsequent tax years.

35 Foreign currency bank accounts

(1) TCGA 1992 is amended as follows.

(2) In section 13 (attribution of gains to members of non-resident companies), in subsection (5), omit paragraph (c).

(3) In section 251 (debts: general provisions), after subsection (5) insert—

"(5A) References in this section to the disposal of a debt include the disposal of an interest in a debt (and, in the case of an interest in a debt, the reference in subsection (3) to the amount of the debt is to the amount of the person's interest in the debt)."

(4) For section 252 substitute—

"**252 Foreign currency bank accounts**

(1) Section 251(1) does not apply in relation to a gain accruing to a person on a disposal of a foreign currency debt (or an interest in such a debt) unless that person is—

(a) an individual,

(b) the trustees of a settlement, or

(c) the personal representatives of a deceased person.

(2) A "foreign currency debt" is a debt—

(a) owed by a bank in a currency other than sterling, and

(b) represented by a sum standing to the credit of an account-holder in an account in that bank."

(5) Omit section 252A and Schedule 8A (foreign currency bank accounts).

(6) The amendments made by this section have effect in relation to disposals occurring on or after 6 April 2012.

36 Collective investment schemes: chargeable gains

(1) TCGA 1992 is amended as follows.

(2) In section 99A(2) (treatment of umbrella schemes), after "subsection (1)" insert "and section 103C".

(3) After section 103B insert—

"**103C Power to make regulations about collective investment schemes**

(1) The Treasury may by regulations make provision about the treatment of participants in collective investment schemes for the purposes of this Act.

(2) The regulations may, in particular, specify descriptions of collective investment scheme in relation to which they are to apply.

(3) Regulations under this section may make different provision for different cases or different purposes.

(4) Regulations under this section—

(a) may modify this Act or any other enactment or instrument (whenever passed or made), and

(b) may include incidental, consequential, supplementary or transitional provision.

(5) A statutory instrument containing regulations under this section must be laid before the House of Commons after being made.

(6) The regulations cease to have effect at the end of the period of 40 days beginning with the day on which the instrument is made unless before the end of that period the instrument is approved by a resolution of the House of Commons.

(7) After an instrument containing regulations under this section has been approved under subsection (6), subsections (5) and (6) do not apply to any subsequent such instrument (and accordingly section 287(3) applies to any such instrument).

(8) If regulations cease to have effect as a result of subsection (6), that does not—

(a) affect anything previously done under the regulations, or

(b) prevent the making of new regulations to the same or similar effect.

(9) In calculating the period of 40 days for the purposes of subsection (6), no account is to be taken of any time during which Parliament is dissolved or prorogued or during which the House of Commons is adjourned for more than 4 days.

(10) In this section—

"modify" includes amend, repeal or revoke, and

"participant", in relation to a collective investment scheme, is to be read in accordance with section 235 of the Financial Services and Markets Act 2000."

37 Roll-over relief

(1) In section 155 of TCGA 1992 (roll-over relief: relevant classes of assets), in the entry for Class 7A, for "Council Regulation (EC) No. 1782/2003" substitute "Council Regulation (EC) No 73/2009".

(2) In section 86 of FA 1993, for subsection (2) (power to add to classes specified in section 155 of TCGA 1992) substitute—

"(2) The Treasury may by order made by statutory instrument amend section 155 of the Taxation of Chargeable Gains Act 1992 (roll-over relief: relevant classes of assets) so as to add to or amend the classes of assets specified in that section.

(2A) But an order under subsection (2) may not restrict the assets which fall within a class listed in that section (whether by virtue of subsection (2) or otherwise).

(2B) An order under subsection (2) may make such consequential amendments of section 156ZB of, or Schedule 7AB to, the Taxation of Chargeable Gains Act 1992 as appear to the Treasury to be appropriate."

(3) Accordingly, section 43(3) of FA 2002 is repealed.

(4) The amendment made by subsection (1) has effect where the disposal of the old assets (or an interest in them) or the acquisition of the new assets (or an interest in them) is on or after 1 January 2009.

CHAPTER 5

MISCELLANEOUS

Enterprise incentives

38 Seed enterprise investment scheme

Schedule 6 contains provision for and in connection with the seed enterprise investment scheme (including provision for re-investment relief under TCGA 1992).

39 Enterprise investment scheme

Schedule 7 contains provision about the enterprise investment scheme (including provision about deferral relief under Schedule 5B to TCGA 1992).

40 Venture capital trusts

Schedule 8 contains provision about venture capital trusts.

Capital allowances

41 Plant and machinery: restricting exception for manufacturers and suppliers

(1) In section 230 of CAA 2001 (exception for manufacturers and suppliers), in subsection (1), for "restrictions in sections 217 and 218 do" substitute "restriction in section 218 does".

(2) The amendment made by subsection (1) has effect in relation to expenditure of B's that is incurred on or after 12 August 2011 (regardless of when the relevant transaction was entered into).

(3) But, in relation to any such expenditure that is incurred before the next amendment date, the restriction in section 217 of CAA 2001 does not apply (despite subsection (1)) if B can show that the condition in subsection (4) is met.

(4) The condition is that, had the amendments made by paragraphs 1 to 7 of Schedule 9 had effect in relation to the expenditure, the restriction in section 217 would not have applied.

(5) "The next amendment date" means the date defined in paragraph 9 of Schedule 9 as the start date.

42 Plant and machinery allowances: anti-avoidance

Schedule 9 contains provision to counter abuse of Part 2 of CAA 2001.

43 Plant and machinery allowances: fixtures

Schedule 10 contains provision about plant and machinery allowances in respect of fixtures.

44 Expenditure on plant and machinery for use in designated assisted areas

Schedule 11 contains provision about first-year allowances in respect of expenditure on plant and machinery for use in designated assisted areas.

45 Allowances for energy-saving plant and machinery

(1) Part 2 of CAA 2001 (plant and machinery allowances) is amended as follows.

(2) In section 45A (expenditure on energy-saving plant or machinery), after subsection (1) insert—

"(1A) This section is subject to section 45AA (payments under Energy Act 2008 schemes)."

(3) After that section insert—

"**45AA Section 45A exclusion: payments under Energy Act 2008 schemes**

(1) Expenditure incurred on or after the relevant date on plant or machinery is to be treated as never having been first-year qualifying expenditure under section 45A if—

(a) a payment is made, or another incentive is given, under a scheme established by virtue of section 41 of the Energy Act 2008 (feed-in tariffs) in respect of electricity generated by the plant or machinery, or

(b) a payment is made, or another incentive is given, under a scheme established by regulations under section 100 of that Act (renewable heat incentives) in respect of heat generated, or gas or fuel produced, by the plant or machinery.

(2) All such assessments and adjustments of assessments are to be made as are necessary to give effect to subsection (1).

(3) If a person who has made a tax return becomes aware that, after making it, anything in it has become incorrect because of the operation of this section, the person must give notice to an officer of Revenue and Customs specifying how the return needs to be amended.

(4) The notice must be given within 3 months beginning with the day on which the person first became aware that anything in the return had become incorrect because of the operation of this section.

(5) Except as provided by subsection (6), the relevant date is—

(a) for corporation tax purposes, 1 April 2012, and

(b) for income tax purposes, 6 April 2012.

(6) In the case of expenditure incurred on a combined heat and power system, the relevant date in relation to subsection (1)(b) is—

(a) for corporation tax purposes, 1 April 2014, and

(b) for income tax purposes, 6 April 2014."

(4) In section 104A (special rate expenditure)—

(a) in subsection (1), omit the "and" after paragraph (e), and after paragraph (f) insert ", and

(g) expenditure incurred on or after the third relevant date on the provision of solar panels.", and

(b) after subsection (3) insert—

"(3A) The third relevant date is—

(a) for corporation tax purposes, 1 April 2012, and

(b) for income tax purposes, 6 April 2012."

46 Plant and machinery: long funding leases

(1) Section 70E of CAA 2001 (disposal events and disposal values) is amended as follows.

(2) In subsection (2A), for the definition of "R" substitute—

"R is the sum of—

(a) any relevant rebate (see subsections (2F) and (2G)), and

(b) any other relevant lease-related payment (see subsections (2FA) and (2G))."

(3) After subsection (2F) insert—

"(2FA) Relevant lease-related payment" means any payment which—

(a) is payable at any time for the benefit (directly or indirectly) of the lessee or a person connected with the lessee,

(b) is connected with the long funding lease, or with any arrangement connected with that lease, and

(c) is not—

(i) an initial payment or any other payment made to the lessor by the lessee under the lease,

(ii) a payment made to the lessor by the lessee under a guarantee of any residual amount (as defined in section 70YE),

(iii) an initial payment or any other payment made under a relevant superior lease to the person who is the lessor under that lease by the person who is the lessee under that lease, or

(iv) a payment to the seller of the proceeds of a sale of the plant or machinery to which subsection (2FC) applies,

if, and to the extent that, the payment is not otherwise brought into account for tax purposes as income or a disposal receipt by the person for whom the benefit is payable (or would not be if that person were within the charge to tax).

(2FB) For the purposes of subsection (2FA)—

"payment" includes the provision of any benefit, the assumption of any liability and any other transfer of money's worth (and "payable" is to be construed accordingly);

"relevant superior lease" means any lease of the plant or machinery to which the long funding lease mentioned in subsection (1)(a) is inferior.

(2FC) This subsection applies to a sale of the plant or machinery if—

(a) a person has entered into a relevant transaction with another person in respect of the plant or machinery for the purposes of Chapter 17 of this Part (see section 213) and the sale is within section 213(1)(a),

(b) the plant or machinery is within section 216(1)(b) (sale and lease back), and

(c) the conditions in section 227(2) are met."

(4) For subsection (2G) substitute—

"(2G) In the case of a lease that is not a transaction at arm's length, "relevant rebate" and "relevant lease-related payment" include any amount that would reasonably be expected to have fallen within subsection (2F) or, as the case may be, (2FA) if the lease had been such a transaction."

(5) The amendments made by this section have effect in relation to cases where the relevant event occurs on or after 21 March 2012.

Foreign income and gains

47 Foreign income and gains

Schedule 12 contains provision about the taxation of foreign income and gains.

Pensions

48 Employer asset-backed pension contributions etc

Schedule 13 contains—

(a) provision relating to employers who pay contributions under registered pension schemes and arrangements for which their contributions are used (directly or indirectly), and

(b) provision amending Chapter 5B of Part 13 of ITA 2007 and Chapter 2 of Part 16 of CTA 2010 (finance arrangements).

Charitable giving etc

49 Gifts to the nation

Schedule 14 contains provision for a person's tax liability to be reduced in return for giving pre-eminent property to the nation.

50 Gift aid: giving through self-assessment return

(1) Section 429 of ITA 2007 (gift aid: giving through self-assessment return) is repealed.

(2) The following repeals are made in consequence of subsection (1)—

(a) in section 426 of ITA 2007 (election by donor: gift treated as made in previous tax year), omit subsection (8),

(b) in section 538 of that Act (requirement to make claim), omit subsection (3),

(c) in section 133 of FA 2008 (set-off etc where right to be paid a sum has been transferred), in subsection (8)(a), omit the words from "except" to the end,

(d) in section 472 of CTA 2010 (gifts qualifying for gift aid relief: corporation tax liability and exemption), omit subsection (5), and

(e) in section 475 of that Act (gifts qualifying for gift aid relief: income tax treated as paid and exemption), omit subsection (7).

(3) Accordingly, the following provisions are also repealed—

(a) section 130(9) of FA 2008, and

(b) paragraph 3(4) of Schedule 8 to FA 2010.

(4) The repeals made by this section are treated as having come into force on 6 April 2012.

51 Relief for gift aid and other income of charities etc

Schedule 15 contains provision about relief in respect of gifts qualifying for gift aid relief and other income of charities and other bodies.

52 Meaning of "community amateur sports club"

(1) In section 658 of CTA 2010 (meaning of "community amateur sports club"), for subsection (1) substitute—

"(1) A club is entitled to be registered as a community amateur sports club if conditions A and B are met.

(1A) Condition A is that the club is, and is required by its constitution to be, a club which—

(a) is open to the whole community (see section 659),

(b) is organised on an amateur basis (see section 660), and

(c) has as its main purpose the provision of facilities for, and the promotion of participation in, one or more eligible sports (see section 661).

(1B) Condition B is that the club meets—

(a) the location condition (see section 661A), and

(b) the management condition (see section 661B)."

(2) In consequence of the amendment made by subsection (1), omit paragraph 31 of Schedule 6 to FA 2010.

(3) The amendments made by this section are treated as having come into force on 6 April 2010.

Other provisions

53 Site restoration payments

(1) In section 168 of ITTOIA 2005 (site restoration payments), at the beginning of subsection (2) insert "Subject to subsection (3A),".

(2) For subsection (3) of that section substitute—

"(3) The deduction is allowed—

(a) (if the payment is made, whether directly or indirectly, to a connected person) for the period of account in which that part of the restoration work to which the payment relates is completed, or

(b) (in any other case) for the period of account in which the payment is made.

(3A) But no deduction is allowed if the payment arises from arrangements—

(a) to which the person carrying on the trade is a party, and

(b) the main purpose, or one of the main purposes, of which is to obtain a deduction under this section."

(3) At the end of that section insert—

"(7) Arrangements" includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable)."

(4) In section 145 of CTA 2009 (site restoration payments), at the beginning of subsection (2) insert "Subject to subsection (3A),".

(5) For subsection (3) of that section substitute—

"(3) The deduction is allowed—

(a) (if the payment is made, whether directly or indirectly, to a connected person) for the period of account in which that part of the restoration work to which the payment relates is completed, or

(b) (in any other case) for the period of account in which the payment is made.

(3A) But no deduction is allowed if the payment arises from arrangements—

(a) to which the company carrying on the trade is a party, and

(b) the main purpose, or one of the main purposes, of which is to obtain a deduction under this section."

(6) At the end of that section insert—

"(7) Arrangements" includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable)."

(7) The amendments made by this section have effect in relation to any site restoration payment made on or after 21 March 2012, other than a payment made pursuant to an unconditional obligation in a contract made before 21 March 2012.

(8) An unconditional obligation is an obligation which may not be varied or extinguished by the exercise of a right (whether or not under the contract).

54 Changes of accounting policy

(1) In section 227 of ITTOIA 2005 (adjustment on change of accounting basis: income tax)—

(a) in subsection (3)(a) for "relevant change of accounting approach" substitute "change of accounting policy", and

(b) for subsection (4) substitute—

"(4) A "change of accounting policy" includes, in particular—

(a) a change from using UK generally accepted accounting practice to using generally accepted accounting practice with respect to accounts prepared in accordance with international accounting standards, and

(b) a change from using generally accepted accounting practice with respect to accounts prepared in accordance with international accounting standards to using UK generally accepted accounting practice."

(2) In section 180 of CTA 2009 (adjustment on change of accounting basis: corporation tax)—

(a) in subsection (3)(a) for "relevant change of accounting approach" substitute "change of accounting policy", and

(b) for subsection (4) substitute—

"(4) A "change of accounting policy" includes, in particular—

(a) a change from using UK generally accepted accounting practice to using generally accepted accounting practice with respect to accounts prepared in accordance with international accounting standards, and

(b) a change from using generally accepted accounting practice with respect to accounts prepared in accordance with international accounting standards to using UK generally accepted accounting practice."

(3) Corresponding amendments are to be treated as having been made in section 64 of FA 2002.

(4) In consequence of the amendment made by subsection (1)(b), omit paragraph 2 of Schedule 6 to F(No.2)A 2005.

(5) The amendments made by this section have effect in relation to a change of basis if the new basis—

(a) is adopted for a period of account which begins on or after 1 January 2012, or

(b) is adopted for a period of account which begins before 1 January 2012 and the adoption is in consequence of the issue, revocation, amendment or recognition of, or withdrawal of recognition from, an accounting standard by an accounting body on or after 1 January 2012.

(6) In this section—

"accounting body" means the International Accounting Standards Board, the Accounting Standards Board, or a successor body to either of those Boards;

"accounting standard" includes any statement of practice, guidance or other similar document.

PART 2

INSURANCE COMPANIES CARRYING ON LONG-TERM BUSINESS

CHAPTER 1

INTRODUCTORY

Outline of provisions of Part

55 Overview

(1) This Part makes special provision for corporation tax purposes in relation to life assurance business and other long-term business carried on by insurance companies.

(2) Chapter 1 explains some of the key concepts for the purposes of this Part, including the concept of basic life assurance and general annuity business (abbreviated to "BLAGAB").

(3) Chapter 2—

(a) provides for the profits of BLAGAB to be subject to a charge to corporation tax on the I - E basis as the profits of a separate business, and

(b) provides for the profits of other long-term business to be charged to corporation tax under section 35 of CTA 2009 as the profits of a single trade.

(4) Chapter 3 sets out the rules applicable to the I - E charge (which operate in part by reference to the calculation of an insurance company's BLAGAB trade profit or loss).

(5) Chapter 4 sets out rules for determining for the purposes of the I - E charge how to apportion items to an insurance company's basic life assurance and general annuity business.

(6) Chapter 5—

(a) provides for the policyholders' share of the I - E profit to be charged at the policyholders' rate (the basic rate of income tax), and

(b) provides for policyholder tax to be taken into account in calculating an insurance company's BLAGAB trade profit or loss.

(7) Chapter 6 contains special rules that are to apply for the purpose of calculating an insurance company's BLAGAB trade profit or loss or the profits of an insurance company's other long-term business.

(8) Chapter 7 sets out rules for determining for the purposes of that calculation how to allocate items between BLAGAB and other long-term business.

(9) The remainder of the Part contains—

(a) provision in relation to assets held for the purposes of an insurance company's long-term business (see Chapter 8),

(b) provision for relieving BLAGAB trade losses and restrictions in relation to the policyholders' share of an I - E profit (see Chapter 9),

(c) provision in relation to the transfer of BLAGAB or other long-term business (see Chapter 10), and

(d) definitions and other supplementary material (see Chapters 11 and 12).

Meaning of "life assurance business"

56 Meaning of "life assurance business"

(1) This section defines for the purposes of this Part what is meant by "life assurance business".

(2) Business is "life assurance business" if—

(a) it consists of the effecting or carrying out of contracts of insurance which fall within paragraph I, II, III or VII(b) of Part 2 of Schedule 1 to the FISMA (Regulated Activities) Order 2001, or

(b) it is capital redemption business (see subsection (3)).

(3) Business is "capital redemption business" if it consists of the effecting on the basis of actuarial calculations, and the carrying out, of contracts under which, in return for one or more fixed payments, a sum of a specified amount (or a series of sums of a specified amount) become payable at a future time or over a period.

Meaning of "basic life assurance and general annuity business"

57 Meaning of "basic life assurance and general annuity business"

(1) This section defines for the purposes of this Part what is meant by "basic life assurance and general annuity business".

(2) "Basic life assurance and general annuity business" means life assurance business other than—

(a) pension business (which is defined for the purposes of this section by section 58),

(b) child trust fund business (which is defined for the purposes of this section by section 59),

(c) individual savings account business (which is defined for the purposes of this section by section 60),

(d) business which consists of the effecting or carrying out of immediate needs annuities (within the meaning of section 725 of ITTOIA 2005),

(e) re-insurance of life assurance business other than excluded business,

(f) overseas life assurance business (which is defined for the purposes of this section by section 61), or

(g) protection business (which is defined for the purposes of this section by section 62).

(3) In subsection (2)(e) "excluded business" means business of any description excluded for the purposes of this section by regulations made by HMRC Commissioners.

58 Section 57: meaning of "pension business"

(1) This section defines for the purposes of the definition of "basic life assurance and general annuity business" given by section 57 what is meant by "pension business".

(2) Life assurance business is "pension business" if—

(a) it consists of the effecting or carrying out of contracts entered into for the purposes of a registered pension scheme, or

(b) it is the re-insurance of business within paragraph (a).

(3) Subsection (4) applies if the pension scheme ceases to be a registered pension scheme as a result of the withdrawal of its registration under section 157 of FA 2004.

(4) The company's life assurance business that was pension business when the scheme was a registered pension scheme is treated as ceasing to be pension business at the beginning of the company's period of account in which the scheme so ceases to be a registered pension scheme.

(5) If—

(a) immediately before 6 April 2006 an annuity contract fell within any of the descriptions of contracts specified in section 431B(2) of ICTA as it had effect immediately before that date, but

(b) the contract does not fall to be regarded for the purposes of this section as having been entered into for the purposes of a registered pension scheme,

the contract is treated for the purposes of this section as having been entered into for those purposes.

59 Section 57: meaning of "child trust fund business"

(1) This section defines for the purposes of the definition of "basic life assurance and general annuity business" given by section 57 what is meant by "child trust fund business".

(2) Life assurance business is "child trust fund business" if it consists of the effecting or carrying out of child trust fund policies.

(3) But the re-insurance of business consisting of the effecting or carrying out of child trust fund policies is not "child trust fund business".

(4) In this section "child trust fund policy" means a policy of life insurance which is an investment under a child trust fund (within the meaning of the Child Trust Funds Act 2004).

60 Section 57: meaning of "individual savings account business"

(1) This section defines for the purposes of the definition of "basic life assurance and general annuity business" given by section 57 what is meant by "individual savings account business".

(2) Life assurance business is "individual savings account business" if it consists of the effecting or carrying out of individual savings account policies.

(3) But the re-insurance of business consisting of the effecting or carrying out of individual savings account policies is not "individual savings account business".

(4) In this section "individual savings account policy" means a policy of life insurance which is an investment of a kind specified in regulations made as a result of section 695(1) of ITTOIA 2005.

61 Section 57: meaning of "overseas life assurance business"

(1) This section defines for the purposes of the definition of "basic life assurance and general annuity business" given by section 57 what is meant by "overseas life assurance business".

(2) Life assurance business is "overseas life assurance business" if—

(a) it consists of the effecting or carrying out of contracts with policyholders or annuitants who are not resident in the United Kingdom, and

(b) it does not consist of excluded business,

but the re-insurance of business that meets the conditions in paragraphs (a) and (b) is not "overseas life assurance business".

(3) For this purpose "excluded business" means—

(a) business which is pension business within the meaning of section 58,

(b) business which is child trust fund business within the meaning of section 59,

(c) business which is individual savings account business within the meaning of section 60, or

(d) business of any description excluded by regulations made by HMRC Commissioners.

(4) HMRC Commissioners may by regulations—

(a) make provision as to the circumstances in which a trustee who is a policyholder or annuitant residing in the United Kingdom is to be treated for the purposes of this section as not residing there, and

(b) provide that nothing in Chapter 9 of Part 4 of ITTOIA 2005 is to apply to a policy or contract which constitutes overseas life assurance business as a result of provision made under paragraph (a).

(5) HMRC Commissioners may by regulations make provision for giving effect to this section.

(6) Regulations under subsection (5) may—

(a) provide that, in prescribed circumstances, any prescribed issue as to whether business is, or is not, overseas life assurance business (or overseas life assurance business of a particular kind) is to be determined by reference to prescribed matters,

(b) require companies to obtain certificates, undertakings, information or declarations from any person for the purposes of the regulations,

(c) make provision for dealing with cases where any issue within paragraph (a) is (for any reason) wrongly determined, including provision allowing for charges to tax to be imposed (with or without limits on time) on the insurance company concerned or on the policyholders or annuitants concerned,

(d) require companies to supply information and make available books, documents and other records for inspection by officers of Revenue and Customs, and

(e) make provision (including provision imposing penalties) for contravention of, or non-compliance with, the regulations.

(7) The matters that may be prescribed under subsection (6)(a) include—

(a) the giving of certificates or undertakings,

(b) the giving or possession of information, and

(c) the making of declarations.

(8) Regulations under this section may—

(a) make different provision for different cases or circumstances, and

(b) contain incidental, supplementary, consequential, transitional, transitory or saving provision (including provision amending any enactment or instrument made under any enactment).

62 Section 57: meaning of "protection business"

(1) This section defines for the purposes of the definition of "basic life assurance and general annuity business" given by section 57 what is meant by "protection business".

(2) Life assurance business is "protection business" if it consists of the effecting or carrying out of any contract of long-term insurance in relation to which the following conditions are met—

(a) the benefits payable cannot exceed the amount of premiums paid except on death or in respect of incapacity due to injury, sickness or other infirmity, and

(b) the contract is made on or after 1 January 2013.

(3) For the purposes of subsection (2)(a) ignore—

(a) any benefit (other than a payment of money) that, when the contract is entered into, is provided as an inducement for entering into the contract and that is not repayable (to any extent) in any circumstances,

(b) any case where the amount by which the benefits can exceed the amount of premiums paid is an insignificant proportion of those premiums, and

(c) any case which a reasonable person, as the policyholder under the policy effected by the contract, can reasonably regard as highly unlikely to arise.

(4) If at any time—

(a) a contract is varied otherwise than as a result of the operation of, or the exercise of rights conferred by, provisions forming part of the contract or a connected arrangement, and

(b) as a result of the variation the contract becomes, or ceases to be, one in respect of which the condition in subsection (2)(a) is met,

the contract is to be treated for the purposes of this section as ending at that time and a new contract (on the varied terms) is to be treated for those purposes as being made immediately after that time.

(5) For this purpose a "connected arrangement", in relation to a contract, means any agreement or other arrangement entered into in connection with the making of the contract.

(6) If—

(a) a contract ("the new contract") is made on or after 1 January 2013 as a result of the operation of, or the exercise of rights conferred by, provisions of a contract ("the old contract") made before that date, and

(b) the provisions of the new contract were (or could have been) determined by reference to provisions of the old contract when the old contract was made,

the new contract is to be regarded for the purposes of this section as if it were made before 1 January 2013.

Meaning of "long-term business" and "PHI business"

63 Meaning of "long-term business" and "PHI business"

(1) For the purposes of this Part "long-term business" means—

(a) life assurance business, or

(b) other business which consists of the effecting or carrying out of contracts of long-term insurance.

(2) For the purposes of this Part "PHI business" means the other business mentioned in subsection (1)(b).

Meaning of contract of "insurance" or "long-term insurance" and "insurance company"

64 Meaning of "contract of insurance" and "contract of long-term insurance"

For the purposes of this Part—

"contract of insurance" has the meaning given by article 3(1) of the FISMA (Regulated Activities) Order 2001, and

"contract of long-term insurance" means a contract which falls within Part 2 of Schedule 1 to that Order.

65 Meaning of "insurance company"

(1) This section defines for the purposes of this Part what is meant by an "insurance company".

(2) A person who carries on the activity of effecting or carrying out contracts of insurance is an "insurance company" if—

(a) the person has permission under Part 4 of FISMA 2000 to carry on that activity,

(b) the person is of the kind mentioned in paragraph 5(d) or (da) of Schedule 3 to FISMA 2000 (EEA passport rights) and carries on that activity in the United Kingdom through a permanent establishment there, or

(c) the person qualifies for authorisation under Schedule 4 to FISMA 2000 (Treaty rights) and carries on that activity in the United Kingdom through a permanent establishment there.

(3) The above definition is subject to the following qualifications—

(a) a friendly society within the meaning of Part 3 is not an insurance company, and

(b) an insurance special purpose vehicle (see section 139) is an insurance company only if, in addition to falling within subsection (2)(a), (b) or (c), it is a BLAGAB group re-insurer.

(4) A person is a "BLAGAB group re-insurer" if for an accounting period—

(a) the person carries on basic life assurance and general annuity business,

(b) it is not the case that substantially all of the person's long-term business is long-term business other than basic life assurance and general annuity business, and

(c) all of its life assurance business is re-insurance business of a description which is excluded business for the purposes of section 57(2)(e).

CHAPTER 2

CHARGE TO TAX ON I - E BASIS ETC

Separate businesses etc

66 Separate businesses for BLAGAB and other long-term business

(1) If an insurance company carries on—

(a) basic life assurance and general annuity business, and

(b) other long-term business,

the general rule is that business within paragraphs (a) and (b) is to be treated for corporation tax purposes as two separate businesses carried on by the company.

(2) One of the separate businesses is to consist of the basic life assurance and general annuity business.

(3) The other separate business is to be regarded for corporation tax purposes as a single trade consisting of the other long-term business.

(4) If an insurance company carries on—

(a) life assurance business none of which is basic life assurance and general annuity business, and

(b) PHI business,

the company is to be treated for corporation tax purposes as carrying on a single trade consisting of the businesses within paragraphs (a) and (b).

(5) For the purposes of this Part "non-BLAGAB long-term business" means—

(a) a single trade within subsection (3) or (4), or

(b) in a case where an insurance company carries on life assurance business none of which is basic life assurance and general annuity business but does not carry on other long-term business, that life assurance business.

(6) If an insurance company carries on short-term insurance business, that business is to be regarded for corporation tax purposes as a separate trade.

(7) For this purpose "short-term insurance business" means any insurance business which is not long-term business.

67 Exception where BLAGAB small part of long-term business

(1) There is an exception to the general rule set out in section 66(1) if for an accounting period of an insurance company substantially all of its long-term business is not basic life assurance and general annuity business.

(2) In that case, there is for the accounting period to be no separate business consisting of the company's basic life assurance and general annuity business.

(3) There is instead to be one business that is to be regarded for corporation tax purposes as a single trade of the company consisting of its long-term business.

(4) That single trade is to be regarded as "non-BLAGAB long-term business" for the purposes of this Part.

(5) Accordingly, references in this Part (apart from in section 66 and this section) to a company's basic life assurance and general annuity business do not include any business which, as a result of this section, is regarded as non-BLAGAB long-term business.

BLAGAB taxed on I - E basis

68 Charge to tax on I - E profit

(1) The charge to corporation tax applies to the I - E profit of the basic life assurance and general annuity business carried on by an insurance company.

(2) For the meaning of "I - E profit", see section 73.

69 Exclusion of charge under s.35 of CTA 2009 etc

The charge to corporation tax under section 68 has effect instead of—

(a) the charge to corporation tax on income under section 35 of CTA 2009 (charge to tax on trade profits),

(b) any other charge to corporation tax on income under any other provision of the Corporation Tax Acts that would otherwise have applied, and

(c) the charge to corporation tax on chargeable gains so far as referable, in accordance with Chapter 4, to the company's basic life assurance and general annuity business.

70 Rules for calculating I - E profit or excess BLAGAB expenses

(1) The rules set out in Chapter 3 determine whether for an accounting period an insurance company carrying on basic life assurance and general annuity business has an I - E profit or excess BLAGAB expenses (and, if so, the amount of the profit or expenses).

(2) Those rules are referred to in this Part as "the I - E rules".

(3) The calculation of the I - E profit or excess BLAGAB expenses is to operate by reference to the amounts that are credited or debited in the accounts of the company for a period of account drawn up in accordance with generally accepted accounting practice.

(4) But, in the case of amounts of a particular description, that is subject to any provision which (whether expressly or by implication) provides for that calculation to operate by reference to something else.

(5) For the meaning of "excess BLAGAB expenses", see section 73.

Non-BLAGAB long-term business

71 Charge to tax on profits of non-BLAGAB long-term business

(1) The charge to corporation tax on income under section 35 of CTA 2009 (charge to tax on trade profits) applies to the profits of non-BLAGAB long-term business carried on by an insurance company.

(2) The rules for calculating those profits are subject to the provision made by—

(a) Chapter 6 (trade calculation rules applying to long-term business),

(b) Chapter 7 (trading apportionment rules), and

(c) section 131 (transfers of business).

(3) Subsection (1) does not apply if the business is mutual business, and in that case no other provision of the Corporation Tax Acts has effect to charge the income of the business to corporation tax.

PHI only business

72 Companies carrying on only PHI business

Nothing in—

(a) this Part, or

(b) any other provision of the Corporation Tax Acts that makes special provision in relation to, or by reference to, long-term business carried on by insurance companies,

is to apply in relation to a company which carries on long-term business which consists wholly of PHI business.

CHAPTER 3

THE I - E BASIS

Introduction

73 The I - E basis

This section sets out rules, in relation to the basic life assurance and general annuity business carried on by an insurance company, for determining whether the company has an I - E profit or excess BLAGAB expenses for an accounting period (and, if so, the amount of the profit or expenses).

Step 1

Calculate the income chargeable for the accounting period that is referable, in accordance with Chapter 4, to the company's basic life assurance and general annuity business.

The meaning here of "income" is given by section 74.

Step 2

Calculate the BLAGAB chargeable gains of the company for the accounting period as adjusted for allowable losses (see section 75).

Step 3

Calculate so much of the amount (or the total amount) of any I - E receipt under section 92 or 93(5)(a) as is not taken into account in the calculation required by step 1 or 2.

Step 4

Add together the amounts given by the calculations required by steps 1 to 3.

Reduce the total of those amounts (but not below nil) by the amount of any non-trading deficit which the company has for the accounting period under section 388 of CTA 2009 (loan relationships and derivative contracts).

The result is "I".

Step 5

Calculate the adjusted BLAGAB management expenses of the company for the accounting period (see section 76).

The result is "E".

Step 6

Subtract E from I (which, if E is a negative figure, would have the effect of increasing the result of the calculation).

If the result is a positive amount, that is (subject to section 95) the amount for the accounting period chargeable to corporation tax under section 68.

That amount is referred to in this Part as an "I - E profit".

If the result is a negative amount, that amount is to be carried forward by the company as an expense to its next accounting period to be used in accordance with step 5 of section 76.

That amount is referred to in this Part as "excess BLAGAB expenses"

Definitions of expressions comprising "I"

74 Meaning of "income"

(1) In section 73 "income", in relation to an insurance company, means the following income or credits so far as arising from the company's long-term business—

(a) income of the company chargeable under Chapter 3 of Part 4 of CTA 2009 in respect of any separate UK property business or overseas property business within section 86(4),

(b) credits in respect of any loan relationships of the company,

(c) credits in respect of any derivative contracts of the company,

(d) credits brought into account by the company under Part 8 of CTA 2009 (intangible fixed assets),

(e) income of the company chargeable under Part 9A of CTA 2009 (company distributions),

(f) income of the company chargeable under Chapter 5 of Part 10 of CTA 2009 (distributions from unauthorised unit trusts),

(g) income of the company chargeable under Chapter 6 of Part 10 of CTA 2009 (sale of foreign dividend coupons),

(h) income of the company chargeable under Chapter 7 of Part 10 of CTA 2009 (annual payments not otherwise charged),

(i) income of the company arising from a source outside the United Kingdom which is chargeable under Chapter 8 of Part 10 of CTA 2009 (income not otherwise charged), and

(j) income of the company chargeable under any provision to which section 1173 of CTA 2010 (miscellaneous charges) applies other than section 752 of CTA 2009 (non-trading gains on intangible fixed assets).

(2) The reference in subsection (1)(a) to income chargeable under Chapter 3 of Part 4 of CTA 2009 includes income chargeable under that Chapter in respect of distributions treated by section 548(5) of CTA 2010 as profits of a UK property business carried on by the company.

(3) References in subsection (1)(b) to (d) to credits need to be read with section 88(3) and (4).

(4) The reference in subsection (1)(j) to income chargeable as mentioned there needs to be read with section 89(1).

(5) For the purposes of this section references to income or credits that are chargeable or brought into account under any provision are to income or credits that, but for sections 68 and 69, would be chargeable or brought into account under that provision.

(6) For the purposes of this section no account is to be taken of income which arises from an asset forming part of the long-term business fixed capital of the company (see section 137).

75 Meaning of "BLAGAB chargeable gains" etc

(1) This section explains for the purposes of section 73 how to calculate the BLAGAB chargeable gains of the company for the accounting period as adjusted for allowable losses.

Step 1

First, calculate the chargeable gains—

(a) that accrue to the company in the accounting period from the disposal of assets held for the purposes of the company's long-term business, and

(b) that are referable, in accordance with Chapter 4, to its basic life assurance and general annuity business.

Step 2

Then, deduct from the amount of those gains—

(a) any allowable losses that accrue to the company in the accounting period from the disposal of assets held for the purposes of the company's long-term business and that are so referable, and

(b) so far as not previously deducted from any chargeable gains, any allowable losses that accrued to the company in a previous accounting period from the disposal of assets held for the purposes of the company's long-term business and that were so referable.

The resulting amount is the amount of the BLAGAB chargeable gains of the company for the accounting period as adjusted for allowable losses.

(2) The deduction at step 2 may reduce an amount to nil but no further.

(3) For the purposes of this section no account is to be taken of a chargeable gain or allowable loss accruing to the company on a disposal for the purposes of TCGA 1992 of an asset that forms part of the long-term business fixed capital of the company.

(4) References in this section to chargeable gains or allowable losses are references to those gains or losses as calculated in accordance with the rules contained in TCGA 1992.

Definitions of expressions comprising "E"

76 Meaning of "adjusted BLAGAB management expenses"

This section explains for the purposes of section 73 how to calculate the adjusted BLAGAB management expenses of the company for the accounting period.

Step 1

Calculate the ordinary BLAGAB management expenses of the company referable to the accounting period (see sections 77, 81 and 82).

In making the calculation ignore so much of those expenses as is deductible under other relevant rules (see section 78(2)).

If the company is an overseas life insurance company, see also section 96.

Step 2

If the expenses calculated in accordance with step 1 include acquisition expenses for the purposes of section 79, reduce the amount given by step 1 in accordance with the rules in that section (which, in the typical case, provide for six-sevenths of the adjusted amount of those expenses to be disallowed for the accounting period and relieved instead as deemed BLAGAB management expenses for the next six accounting periods).

Step 3

Calculate the total amount of any deemed BLAGAB management expenses for the accounting period (see section 78(3)).

For this purpose ignore any amounts that have already been included in step 1.

Step 4

Find the basic amount by adding together the amount given by the calculation required by step 1 (adjusted, where relevant, in accordance with step 2) and the amount given by the calculation required by step 3.

Adjust the basic amount by deducting from it any expenses reversed in the accounting period (see section 78(4)) and any BLAGAB trade loss relieved for the accounting period (see section 78(5)).

Step 5

Add together any amounts carried forward as expenses from the previous accounting period to the accounting period as a result of section 73 or 93 to give the carried-forward amount.

Add the carried-forward amount to the basic amount or, as the case may be, the basic amount adjusted in accordance with step 4.

The resulting amount is the amount of adjusted BLAGAB management expenses of the company for the accounting period.

77 Section 76: meaning of "ordinary BLAGAB management expenses" etc

(1) This section explains for the purposes of section 76 what is meant by the "ordinary BLAGAB management expenses of the company referable to the accounting period".

(2) Amounts are "ordinary BLAGAB management expenses" of the company if—

(a) they are, in accordance with generally accepted accounting practice, debited in accounts drawn up by the company for a period of account (but see subsection (3)),

(b) they are expenses of management of the company's long-term business that are referable, in accordance with Chapter 4, to its basic life assurance and general annuity business, and

(c) they are not excluded amounts (see subsections (4) to (7)).

(3) In a case where acquisition expenses (within the meaning of section 80) incurred in the accounting period fall to be debited in successive accounts drawn up for successive periods of account, those expenses are treated instead as if they were all debited in the accounts drawn up for the first of those periods of account.

(4) The following are "excluded amounts"—

(a) amounts of a capital nature,

(b) re-insurance premiums,

(c) refunds of premiums,

(d) profit commissions and profit participations (however described),

(e) a liability of the company to pay an amount of commission or other expenses so far as exceeding the amount which it could reasonably be expected to pay if sections 68 and 69 were not applicable,

(f) non-commercial amounts payable by the company,

(g) amounts payable in connection with a policy or contract to a policyholder or annuitant under the policy or contract or to any other person entitled to receive benefits under the policy or contract.

(5) For the purposes of subsection (4)(f) expenses or other amounts are "non-commercial amounts" payable by the company so far as the company's purpose in incurring the liability to make the payment is not a business or other commercial purpose of the company.

(6) Amounts payable as mentioned in paragraph (g) of subsection (4) include—

(a) amounts payable to any person acting on behalf of a person within that paragraph, and

(b) amounts payable to the personal representatives of a deceased person who was (or acted on behalf of a person who was) within that paragraph.

(7) Amounts payable as mentioned in subsection (4)(g) do not include amounts payable to an insurance company which is a policyholder under the policy.

(8) In the case of ordinary BLAGAB management expenses in respect of a period of account which coincides with or falls wholly in an accounting period of the company, all of those expenses are "referable to" the accounting period.

(9) In the case of ordinary BLAGAB management expenses in respect of any other period of account—

(a) those expenses are to be apportioned to the accounting period of the company in accordance with section 1172 of CTA 2010, and

(b) the apportioned amount of those expenses is "referable to" the accounting period.

78 Section 76: meaning of other expressions

(1) This section explains for the purposes of section 76 what is meant by—

"other relevant rules",

"deemed BLAGAB management expenses for the accounting period",

"expenses reversed in the accounting period", and

"BLAGAB trade loss relieved for the accounting period".

(2) An expense is deductible under another "relevant rule" if—

(a) it is deductible as a result of section 92(3),

(b) it is deductible in calculating, for corporation tax purposes, the profits of a property business, or

(c) it is deductible as a result of section 272 of CTA 2009 in calculating income from the letting of rights to work minerals in the United Kingdom.

(3) An amount is a "deemed BLAGAB management expense for the accounting period" if it is treated as such for the purposes of section 76 as a result of—

section 79 or paragraph 33(2) of Schedule 17 (spreading of acquisition expenses),

section 83 (general annuity business),

section 87(3) (losses from property businesses where land held for purposes of long-term business),

section 88(6) (excess of debits in respect of intangible fixed assets),

section 89(2) (excess of miscellaneous losses),

paragraph 16(1) of Schedule 7 to FA 1991 (transitional relief for old general annuity contracts),

section 256(2)(a) of CAA 2001 (allowances in respect of plant or machinery consisting of management asset),

section 391(3) of CTA 2009 (loan relationships: carry forward of surplus to next accounting period),

section 1080(2) of CTA 2009 (additional relief for expenditure on research and development),

section 1162 of CTA 2009 (additional relief for remediation of contaminated or derelict land), or

section 783(6), 785(4) or 791(6) of CTA 2010 (manufactured dividends).

(4) "Expenses reversed in the accounting period" means the total amount of the expenses—

(a) which were relieved in any previous accounting period in accordance with step 1 (as read with step 2) or step 3 of section 76, but

(b) which are subsequently reversed in the accounting period.

(5) A "BLAGAB trade loss relieved for the accounting period" means so much of a BLAGAB trade loss of the company for the accounting period for which relief is given under—

(a) section 37 of CTA 2010 (relief for trade losses against total income), as applied by section 123, or

(b) Chapter 4 of Part 5 of that Act (group relief), as applied by section 125.

79 Spreading of acquisition expenses

(1) This section applies if the ordinary BLAGAB management expenses of an insurance company referable to an accounting period for the purposes of section 76 include acquisition expenses (as defined by section 80) incurred in the accounting period.

(2) In the case of the acquisition expenses—

(a) a reduction is to be made at step 2 in section 76 so as to secure that only one-seventh of the adjusted amount of those expenses counts as ordinary BLAGAB management expenses of the company referable to the accounting period, and

(b) the remainder of that adjusted amount is to be relieved as deemed BLAGAB management expenses for succeeding accounting periods in accordance with the following provisions.

(3) References in this section to the adjusted amount of the acquisition expenses are to—

(a) the amount of those expenses calculated as mentioned in step 1 of section 76 (and see, in particular, section 77(3)), less

(b) any amount of re-insurance commission or any repayment or refund (in whole or in part) that forms part of an I - E receipt of the company for the accounting period as a result of section 92.

(4) The remainder of the adjusted amount of the acquisition expenses is relieved as follows.

(5) One-seventh of the adjusted amount of the acquisition expenses is treated for the purposes of section 76 as a deemed BLAGAB management expense for each succeeding accounting period.

(6) But, if a succeeding accounting period is less than a year, the fraction of that amount to be relieved for that period is proportionately reduced.

(7) The reliefs operate until the whole of the adjusted amount of the acquisition expenses has been used up (and, accordingly, the rules in subsections (5) and (6) have effect subject to this subsection).

(8) The treatment of any part of the adjusted amount of the acquisition expenses as a deemed BLAGAB management expense for an accounting period ("the period concerned") as set out in subsections (5) to (7) is subject to the following restriction.

(9) If expenses are reversed in the period concerned or any preceding accounting period, any acquisition expenses included in those expenses are not to count as deemed BLAGAB management expenses for the period concerned.

80 Section 79: meaning of "acquisition expenses"

(1) This section explains for the purposes of section 79 what is meant by "acquisition expenses".

(2) The following are "acquisition expenses"—

(a) commissions (however described) other than commissions for persons who collect premiums from house to house,

(b) any other expenses payable solely for the purpose of the acquisition of business, and

(c) so much of any other expenses payable partly for that purpose, and partly for other purposes, as are properly attributable to the acquisition of business.

(3) The exclusion from paragraph (a) of subsection (2) of commissions for persons who collect premiums from house to house does not prevent their counting as expenses under another paragraph of that subsection.

(4) For the purposes of that subsection "the acquisition of business" includes—

(a) the securing of the payment of increased or additional premiums in respect of a policy of insurance issued in respect of an insurance already made, and

(b) the securing of the payment of increased or additional consideration in respect of an annuity contract already made.

81 Amounts treated as ordinary BLAGAB management expenses

(1) This section applies in relation to amounts which meet the conditions in section 77(2)(a) and (b).

(2) The relevant permissive rules apply for the purpose of treating the amounts as ordinary BLAGAB management expenses for the purposes of section 76 as they apply for the purpose of treating amounts as expenses of management for the purposes of Chapter 2 of Part 16 of CTA 2009 (companies with investment business).

(3) The following provisions of CTA 2009 are "relevant permissive rules"—

(a) section 1000 (costs of setting up employee share ownership trust),

(b) section 1234 (payments for restrictive undertakings),

(c) section 1235 (employees seconded to charities and educational establishments),

(d) section 1237 (counselling and other outplacement expenses),

(e) section 1238(1) to (3) (retraining courses),

(f) sections 1239 to 1242 (redundancy payments and approved contractual payments),

(g) section 1243 (payments made by the Government), and

(h) section 1244 (contributions to local enterprise organisations or urban regeneration companies).

(4) If—

(a) an employer's liability to corporation tax for an accounting period is determined on the assumption that a deduction for expenditure is allowed as a result of the application by this section of section 1238(1) to (3) of CTA 2009, and

(b) the deduction would not otherwise have been allowed,

section 75(2) to (4) of CTA 2009 (retraining courses: recovery of tax) apply.

(5) If—

(a) an amount is treated as an ordinary BLAGAB management expense as a result of the application by this section of section 1242 of CTA 2009, and

(b) the amount would otherwise be regarded as an acquisition expense for the purposes of section 79,

the expense is not to be so regarded.

(6) Section 1253 of CTA 2009 (contributions to local enterprise organisations or urban regeneration companies: disqualifying benefits) applies in the case of amounts treated, as a result of the application by this section of section 1244 of that Act, as ordinary BLAGAB management expenses as it applies in the case of amounts for which a deduction has been made under section 1219 of that Act as a result of section 1244 of that Act.

(7) For the purposes of this section—

(a) references in any relevant permissive rule to a company carrying on business that consists wholly or partly of making investments or to a company with investment business are to be read as references to a company carrying on basic life assurance and general annuity business,

(b) references in any relevant permissive rule to an amount being deductible under section 1219 of CTA 2009 are to be read as references to an amount being deductible as an ordinary BLAGAB management expense,

(c) section 1239 of CTA 2009 is to be treated as having effect with the omission of subsection (1)(c),

(d) the reference in section 1240(4) of CTA 2009 to sections 1224 to 1227 of that Act is to be read as a reference to section 77(8) and (9) of this Act, and

(e) section 1243 of CTA 2009 is to be treated as having effect with the omission of subsection (1)(c).

(8) An amount is treated as an ordinary BLAGAB management expense as a result of this section only so far as it would not otherwise be regarded as an ordinary BLAGAB management expense.

82 Restrictions in relation to ordinary BLAGAB management expenses

(1) This section applies in relation to an amount which is (or, but for this section, would be) regarded for the purposes of section 76 as an ordinary BLAGAB management expense of an insurance company.

(2) Section 1249(1) and (2) of CTA 2009 (unpaid remuneration) apply for the purpose of determining the period of account for which the amount is debited in the accounts of the company for the purposes of section 77; but this subsection is subject to the operation of section 79.

(3) Section 1249(1) and (3) of CTA 2009 apply for the purpose of determining whether the amount is to be regarded as an ordinary BLAGAB management expense of the company.

(4) Section 1251(1) and (2) of CTA 2009 (car hire) apply for the purpose of determining the amount of the ordinary BLAGAB management expense of the company.

(5) For the purposes of subsections (2) to (4)—

(a) references in section 1249 or 1251 of CTA 2009 to a company with investment business are to be read as references to a company carrying on basic life assurance and general annuity business (and, accordingly, the reference in section 1251(1) to total profits is to be read as a reference to profits of basic life assurance and general annuity business), and

(b) references in section 1249 or 1251 of CTA 2009 to an amount being deductible under section 1219 of CTA 2009 are to be read as references to an amount being deductible as an ordinary BLAGAB management expense.

(6) If—

(a) an amount is reduced as a result of subsection (4) or a corresponding rule,

(b) subsequently there is a rebate (however described) of the hire charges, and

(c) an amount representing the rebate is deductible as a reversed expense or taken into account in calculating the amount of an I - E receipt under section 92,

the amount that would otherwise be so deductible or taken into account is reduced by 15%.

(7) If—

(a) an amount is reduced as a result of subsection (4) or a corresponding rule,

(b) subsequently a debt in respect of any of the hire charges is released otherwise than as part of a statutory insolvency arrangement, and

(c) an amount representing the release is deductible as a reversed expense,

the amount that would otherwise be so deductible is reduced by 15%.

(8) For the purposes of subsections (6) and (7)—

"corresponding rule" means section 56(2) or 1251(2) of CTA 2009 or section 48(2) of ITTOIA 2005,

"deductible as a reversed expense" means deductible at step 4 in section 76 as an expense reversed in an accounting period, and

"statutory insolvency arrangement" has the meaning given by section 1319(1) of CTA 2009.

83 General annuity business

(1) This section applies if an insurance company pays qualifying BLAGAB annuities in an accounting period.

(2) An amount equal to the difference between—

(a) the total amount of those annuities paid by the company in the accounting period, and

(b) the total of the amounts exempt under section 717 of ITTOIA 2005 (exemption for part of purchased life annuity payments) contained in those annuities so paid,

is treated for the purposes of section 76 as a deemed BLAGAB management expense for the accounting period.

(3) An annuity is a "qualifying BLAGAB annuity" if—

(a) it is referable to the company's basic life assurance and general annuity business, and

(b) it is paid under a contract made by the company in an accounting period beginning on or after 1 January 1992 (but see section 85).

(4) For the purposes of this section the amounts exempt under section 717 of ITTOIA 2005 are so much of the payments under the qualifying BLAGAB annuities as would be within the exemption under that section if—

(a) section 718 of ITTOIA 2005 were omitted, and

(b) the exemption under section 717 of ITTOIA 2005 applied in relation to companies as well as individuals.

(5) If a qualifying BLAGAB annuity ("the actual annuity") is a steep-reduction annuity, the calculations required by subsection (2)(a) and (b) are to be made as if—

(a) the contract for the actual annuity provided instead for the annuities identified below ("the deemed annuities"), and

(b) the consideration for each of the deemed annuities were equal to an apportionment of the consideration for the actual annuity on a just and reasonable basis.

(6) The deemed annuities are—

(a) an annuity the payments in respect of which are confined to payments in respect of the actual annuity that fall to be made at the earliest time for the making in respect of that annuity of a reduced payment within section 84(1)(c), and

(b) an annuity the payments in respect of which are all the payments in respect of the actual annuity other than those mentioned in paragraph (a).

(7) If a deemed annuity within subsection (6)(b) ("the later annuity") would itself be a steep-reduction annuity, the deemed annuities—

(a) do not include the later annuity, but

(b) include instead the annuities which would be identified by subsection (6) (with as many further applications of this subsection as may be necessary for securing that none of the deemed annuities is a steep-reduction annuity) if references in that subsection to the actual annuity were to the later annuity.

(8) This section needs to be read with section 84 (meaning of "steep-reduction annuity" etc).

84 General annuity business: meaning of "steep-reduction annuity" etc

(1) For the purposes of section 83 an annuity is a "steep-reduction annuity" if—

(a) the amount of any payment in respect of it (but not its term) depends on a contingency other than the duration of a human life or lives,

(b) the annuitant is entitled to payments of different amounts at different times, and

(c) the payments include a payment ("a reduced payment") of an amount which is substantially smaller than the amount of at least one of the earlier payments.

(2) If there are different intervals between the payments, it is to be assumed for the purposes of subsection (1)(b) and (c)—

(a) that the annuitant's entitlement, after the first payment, to payments is an entitlement to payments at yearly intervals on the anniversary of the first payment, and

(b) that the amount to which the annuitant is assumed to be entitled is equal to the annuitant's assumed entitlement for the year ending with the anniversary in question.

(3) For this purpose the annuitant's assumed entitlement for a year is determined as follows—

(a) the annuitant's entitlement to each payment is taken to accrue at a constant rate during the interval between the previous payment and that payment, and

(b) the annuitant's assumed entitlement for a year is taken to be equal to the total amount which, in accordance with paragraph (a), is treated as accruing in the year.

(4) In the case of an annuity to which subsection (2) applies, the reference in section 83(6)(a) to the making of a reduced payment is to be read as a reference to the making of a payment which (applying subsection (3)(a)) is taken to accrue at a rate that is substantially less than the rate at which at least one of the earlier payments is taken to accrue.

(5) If—

(a) a question arises whether a payment is substantially smaller than, or accrues at a rate substantially less than, an earlier payment, and

(b) the annuitant or (as the case may be) every annuitant is an individual who is beneficially entitled to all the rights conferred on him or her as such an annuitant,

the question is determined without regard to so much of the difference between the amounts or rates as is referable to a reduction falling to be made as a result of a death.

(6) If the amount of any one or more of the payments depends on a contingency, the annuitant's entitlement to the payments is determined for the purposes of section 83 and this section according to whatever is the most likely outcome in relation to the contingency (applying any relevant actuarial principles).

(7) If an agreement or other arrangement has effect for varying the rights of the annuitant in relation to a payment, the payment is taken for the purposes of section 83 and this section to be a payment of the amount to which the annuitant is entitled in accordance with the agreement or other arrangement.

(8) For the purposes of this section references to a contingency include a contingency consisting wholly or partly in the exercise of an option.

85 General annuity business: payments made in pre-1992 accounting periods

(1) If—

(a) a payment in respect of an annuity is made by an insurance company under a group annuity contract made in a pre-1992 accounting period, and

(b) the company's liabilities first include an amount in respect of that annuity in a post-1992 accounting period,

the payment is treated for the purposes of section 83(3)(b) as if the contract had been made in a post-1992 accounting period.

(2) If—

(a) a payment in respect of an annuity is made by a re-insurer under a re-insurance treaty made in a pre-1992 accounting period, and

(b) the re-insurer's liabilities first include an amount in respect of that annuity in a post-1992 accounting period,

the payment is, as respects the re-insurer, treated for the purposes of section 83(3)(b) as if the treaty had been made in a post-1992 accounting period.

(3) In this section—

"a pre-1992 accounting period" means an accounting period beginning before 1 January 1992,

"a post-1992 accounting period" means an accounting period beginning on or after 1 January 1992,

"group annuity contract" means a contract under which the insurance company undertakes to become liable to pay annuities to or in respect of persons who may subsequently be specified or otherwise ascertained under or in accordance with the contract (whether or not annuities under the contract are also payable to or in respect of persons who are specified or ascertained at the time the contract is made), and

"re-insurance treaty" means a contract under which one insurance company is obliged to cede, and another (referred to in this section as a "re-insurer") to accept, the whole or part of a risk of a class or description to which the contract relates.

Special rules applying to I - E basis

86 Separate property businesses for BLAGAB etc

(1) This section modifies the rules in sections 208 and 209 of CTA 2009 (basic meaning of UK and overseas property business) for the purpose of applying the I - E rules in relation to an insurance company.

(2) The company is treated as carrying on separate UK property businesses or overseas property businesses in accordance with the following provisions.

(3) The exploitation of land held otherwise than for the purposes of the company's long-term business is treated as a separate business from the exploitation of land held for those purposes.

(4) In the case of the exploitation of land held for the purposes of the company's long-term business, each of the following is treated as a separate business—

(a) the exploitation of land which is matched to BLAGAB liabilities of the company,

(b) the exploitation of land which is matched to other long-term business liabilities of the company, and

(c) the exploitation of land so far as it is not matched to long-term business liabilities of the company.

(5) In the case of land part of which is matched to a BLAGAB liability or other long-term business liability, only the part of the land in question is to count for the purposes of this section as matched to the liability in question.

(6) In this section "land" means any estate, interest or right in or over land.

87 Losses from property businesses where land held for long-term business

(1) This section applies for the purpose of applying the I - E rules in relation to an insurance company if, in an accounting period, the company makes a loss in any of its separate UK property businesses or overseas property businesses within section 86(4).

(2) The provisions of Chapter 4 of Part 4 of CTA 2010 (loss relief: property businesses) do not apply to the loss.

(3) So far as the loss is referable, in accordance with Chapter 4, to the company's basic life assurance and general annuity business, it is treated for the purposes of section 76 as a deemed BLAGAB management expense for the accounting period.

(4) If the company has two or more separate property businesses within section 86(4), then for the purposes of subsection (3) the loss in question is taken to be the total net loss after—

(a) setting the losses from the businesses which are referable, in accordance with Chapter 4, to the company's basic life assurance and general annuity business, against

(b) the profits from the businesses which are so referable.

88 Loan relationships, derivative contracts and intangible fixed assets

(1) This section applies if an insurance company has—

(a) credits or debits in respect of any loan relationships,

(b) credits or debits in respect of any derivative contracts, or

(c) credits or debits brought into account by the company under Part 8 of CTA 2009 (intangible fixed assets),

that are referable, in accordance with Chapter 4, to its basic life assurance and general annuity business.

(2) In the application of the I - E rules in relation to the company's basic life assurance and general annuity business—

(a) the loan relationship rules,

(b) the derivative contract rules, and

(c) the intangible fixed asset rules,

have effect as if the activities carried on by the company in the course of its basic life assurance and general annuity business did not constitute the whole or any part of a trade or of a property business.

(3) In the application of the I - E rules for an accounting period in relation to the company's basic life assurance and general annuity business—

(a) BLAGAB credits in respect of its loan relationships for the period are to count as income for the purposes of those rules only in so far as they exceed BLAGAB debits in respect of its loan relationships for the period, and

(b) BLAGAB credits brought into account by the company under Part 8 of CTA 2009 for the period are to count as income for the purposes of those rules only in so far as they exceed BLAGAB debits brought into account by the company under that Part for the period.

(4) References in subsection (3)(a) to BLAGAB credits or BLAGAB debits in respect of a company's loan relationships include, as a result of subsection (2) and section 574 of CTA 2009, BLAGAB credits or BLAGAB debits in respect of the company's derivative contracts.

(5) If for an accounting period the BLAGAB debits mentioned in subsection (3)(a) exceed the BLAGAB credits mentioned there, the excess is dealt with in accordance with sections 388 to 391 of CTA 2009.

(6) If for an accounting period the BLAGAB debits mentioned in subsection (3)(b) exceed the BLAGAB credits mentioned there, the excess—

(a) is carried forward to the next accounting period, and

(b) is treated for the purposes of section 76 as a deemed BLAGAB management expense for that period.

(7) In this section—

"BLAGAB credits", in relation to a company, means credits arising from the company's long-term business that are referable, in accordance with Chapter 4, to its basic life assurance and general annuity business,

"BLAGAB debits", in relation to a company, means debits arising from the company's long-term business that are referable, in accordance with Chapter 4, to its basic life assurance and general annuity business,

"the loan relationship rules" means the rules set out in Part 5 of CTA 2009 (including provisions of other enactments by reference to which amounts are to be brought into account for the purposes of that Part),

"the derivative contract rules" means the rules set out in Part 7 of CTA 2009, and

"the intangible fixed asset rules" means the rules set out in Part 8 of CTA 2009.

89 Miscellaneous income and losses

(1) In the application of the I - E rules for an accounting period in relation to an insurance company's basic life assurance and general annuity business, BLAGAB miscellaneous income of the company for the period is to count as income for the purposes of those rules only in so far as it exceeds BLAGAB miscellaneous losses of the company for the period.

(2) If for an accounting period the BLAGAB miscellaneous losses exceed the BLAGAB miscellaneous income, the excess—

(a) is carried forward to the next accounting period, and

(b) is treated for the purposes of section 76 as a deemed BLAGAB management expense for that period.

(3) In this section—

"BLAGAB miscellaneous income", in relation to a company, means income of the company arising from its long-term business which—

(a) is chargeable under any provision to which section 1173 of CTA 2010 (miscellaneous charges) applies other than section 752 of CTA 2009 (non-trading gains on intangible fixed assets), and

(b) is referable, in accordance with Chapter 4, to the company's basic life assurance and general annuity business, and

"BLAGAB miscellaneous losses", in relation to a company, means losses of the company arising from its long-term business which—

(a) arise from miscellaneous transactions, and

(b) are referable, in accordance with Chapter 4, to the company's basic life assurance and general annuity business.

(4) For the purposes of subsection (3) a transaction is a "miscellaneous transaction" if income arising from it would be chargeable under any provision to which section 1173 of CTA 2010 applies other than—

(a) section 752 of CTA 2009, or

(b) regulation 18(4) of the Offshore Funds (Tax) Regulations 2009 (offshore income gains).

(5) For the purposes of this section references to income that is chargeable under any provision to which section 1173 of CTA 2010 applies are to income that, but for sections 68 and 69, would be chargeable under that provision.

90 Investment return where risk in respect of policy or contract re-insured

(1) This section applies if an insurance company re-insures any risk in respect of a policy or contract attributable to its basic life assurance and general annuity business.

(2) For the purposes of the I - E rules the investment return on the policy or contract is treated as accruing to the company while the risk remains re-insured by the company under the re-insurance arrangement.

(3) The investment return that is treated as accruing to the company—

(a) is treated for the purposes of those rules as income that is referable, in accordance with Chapter 4, to the company's basic life assurance and general annuity business, and

(b) is, accordingly, brought into account for the purposes of those rules at step 1 in section 73.

(4) HMRC Commissioners may make provision by regulations as to the amount of investment return that is treated as accruing in each accounting period during which the re-insurance arrangement is in force.

(5) HMRC Commissioners may by regulations exclude from the operation of this section—

(a) such descriptions of insurance company,

(b) such descriptions of policies or contracts, and

(c) such descriptions of re-insurance arrangement,

as may be prescribed by the regulations.

(6) Nothing in this section applies in relation to the re-insurance of a policy or contract where the policy or contract was made, and the re-insurance arrangement effected, before 29 November 1994.

91 Regulations under section 90(4): supplementary provision

(1) This section applies to regulations under section 90(4).

(2) The regulations may provide for the calculation of the investment return treated as accruing to a company in respect of a policy or contract in an accounting period to be made by reference to—

(a) the total amount of sums paid (by way of premium or otherwise) by the company to the re-insurer during the accounting period and any earlier accounting periods,

(b) the total amount of sums paid (by way of commission or otherwise) by the re-insurer to the company during the accounting period and any earlier accounting periods,

(c) the total amount of the net investment return treated as accruing to the company in any earlier accounting periods, that is to say, net of tax at such rate as may be prescribed by the regulations, and

(d) such percentage rate of return as may be prescribed by the regulations.

(3) The regulations may make provision dealing with the transfer of the re-insurance arrangement from one insurance company to another.

(4) The regulations must provide that the amount of investment return treated as accruing in respect of a policy or contract in the final accounting period during which the policy or contract is in force is the amount, ascertained in accordance with the regulations, by which the overall profit exceeds the total amount treated as accruing in earlier accounting periods.

(5) "The overall profit" means the profit over the whole period during which the policy or contract, and the re-insurance arrangement, were in force.

(6) If the overall profit is less than the total amount treated as accruing in earlier accounting periods, the difference—

(a) must be set off against amounts treated as a result of section 90 as accruing in the final accounting period from other policies or contracts, and

(b) if not fully set off as mentioned in paragraph (a), may be carried forward for set-off against amounts treated as a result of that section as accruing in subsequent accounting periods.

(7) The regulations may—

(a) make different provision for different cases or circumstances, and

(b) contain incidental, supplementary, consequential, transitional, transitory or saving provision.

(8) An example of the kind of supplementary provision within subsection (7)(b) is provision requiring payments made during an accounting period to be treated as made on such date or dates as may be prescribed by the regulations.

Deemed I - E receipts

92 Certain BLAGAB trading receipts to count as deemed I - E receipts

(1) This section applies if—

(a) an insurance company has receipts that are taken into account in calculating its BLAGAB trade profit or loss (see section 136) for an accounting period,

(b) the receipts would not fall within the charge to corporation tax apart from this section, and

(c) the receipts are not excluded receipts.

(2) The appropriate amount of the receipts is an I - E receipt of the company for the accounting period.

(3) The "appropriate amount" of the receipts is found by deducting expenses from the receipts so far as is necessary for calculating the full amount of the profits.

(4) Chapter 1 of Part 20 of CTA 2009 (general rules for restricting deductions) is to apply to that calculation.

(5) The following receipts are "excluded" receipts—

(a) premiums,

(b) sums received under re-insurance contracts (but see subsection (6) for exceptions),

(c) sums which do not fall within the charge to corporation tax because of an exemption,

(d) payments received under the Financial Services Compensation Scheme, and

(e) payments received from other insurance companies to enable the company to meet its obligations to policyholders.

(6) A sum received under a re-insurance contract is not an excluded receipt if—

(a) it is a re-insurance commission (however described), or

(b) it is a sum calculated to any extent by reference to the ordinary BLAGAB management expenses of the company referable to the accounting period (within the meaning of section 77).

Minimum profits charge

93 Minimum profits test

(1) This section applies if an insurance company has a BLAGAB trade profit for an accounting period.

(2) A comparison must be made between—

(a) the I - E profit or excess BLAGAB expenses for the accounting period, and

(b) the BLAGAB trade profit for the accounting period,

adjusted as need be in accordance with sections 94 and 124.

(3) In making the calculation required by subsection (2)(a), it is to be assumed that this Chapter has effect with the omission of subsection (5)(a) (but, apart from that, all the other rules in this Chapter have effect for the purposes of that calculation).

(4) If there are excess BLAGAB expenses for the accounting period, the amount of the excess is treated for the purposes of this section as a negative figure equal to that amount.

(5) If, for the accounting period, the adjusted BLAGAB trade profit exceeds the adjusted I - E profit or excess BLAGAB expenses—

(a) an amount equal to the difference is an I - E receipt of the company for the accounting period (see section 73), and

(b) the same amount is carried forward to the company's next accounting period as an expense (see section 76).

94 Adjustment of I - E profit or excess BLAGAB expenses

(1) This section applies if the BLAGAB trade profit for the accounting period includes non-taxable distributions receivable by the company in that period that are referable, in accordance with Chapter 7, to the company's basic life assurance and general annuity business.

(2) For the purposes of section 93(5) (the comparison of the BLAGAB trade profit with the I - E profit or excess BLAGAB expenses), the calculation required by section 73 is performed again but adding to the amount of "I" found by step 4 the total amount of the non-taxable distributions receivable by the company in the accounting period that are so referable.

(3) Accordingly, once an adjustment is made in accordance with subsection (2), an amount of excess BLAGAB expenses for the accounting period might become an adjusted I - E profit for that period.

(4) For the purposes of this Part "non-taxable distributions" means distributions that are exempt for the purposes of Part 9A of CTA 2009 (company distributions).

(5) For the purposes of this Part the amount of a non-taxable distribution does not include any amount withheld from it on account of tax payable under the laws of a territory outside the United Kingdom.

Non-BLAGAB allowable losses

95 Use of non-BLAGAB allowable losses to reduce I - E profit

(1) This section applies if—

(a) an insurance company has an I - E profit for an accounting period, and

(b) non-BLAGAB allowable losses have accrued to the company that are available for deduction in accordance with section 210A(2) of TCGA 1992 from the shareholders' share of BLAGAB chargeable gains that have accrued to the company.

(2) Those losses may be deducted from those gains in accordance with that provision so as to reduce the amount of the I - E profit for the accounting period to nil but no further.

(3) For the purposes of subsection (1)(a), assume that non-BLAGAB allowable losses cannot be deducted from any BLAGAB chargeable gains (and, accordingly, ignore the effect of this section).

Overseas life insurance companies

96 Expenses referable to exempt FOTRA profits

(1) This section applies if the profits for an accounting period of the basic life assurance and general annuity business carried on by an overseas life insurance company in the United Kingdom consist of or include exempt FOTRA profits.

(2) In making the calculation required by step 1 of section 76 for the accounting period, ignore so much of the ordinary BLAGAB management expenses of the company as are referable to exempt FOTRA profits.

(3) The relevant proportion of those expenses is to be regarded for the purposes of this section as referable to exempt FOTRA profits.

(4) The relevant proportion is—

$$\frac{\text{FOTRA}}{\text{FOTRA} + \text{I}}$$

where—

FOTRA is the amount of the exempt FOTRA profits arising in the accounting period, and

I is the amount of I found by the calculations required by step 4 in section 73 in relation to the company's basic life assurance and general annuity business for the accounting period.

(5) In this section "exempt FOTRA profits" means profits in respect of which no liability to corporation tax arises as a result of section 1279 of CTA 2009.

CHAPTER 4

APPORTIONMENT RULES FOR I - E CHARGE

Introduction

97 Application of Chapter

(1) This Chapter applies in the case of an insurance company that carries on—

(a) basic life assurance and general annuity business, and

(b) other business.

(2) This Chapter contains rules for determining for the purposes of Chapter 3—

(a) the credits or other income, the debits or other losses and the expenses that are referable to the company's basic life assurance and general annuity business, and

(b) the chargeable gains and allowable losses accruing on the disposal of assets (or parts of assets) that are referable to the company's basic life assurance and general annuity business.

Allocation of income, losses and expenses

98 Commercial allocation

(1) This section makes provision for determining—

(a) the credits or other income and the debits or other losses arising from the company's long-term business, and

(b) the expenses incurred in the course of the company's long-term business,

that, for the purposes of Chapter 3, are to be regarded as referable to its basic life assurance and general annuity business.

(2) Those items are to be determined in accordance with an acceptable commercial method adopted by the company for the period of account in which the income or losses arise or the expenses are incurred.

(3) A method is an "acceptable commercial method" if, in all the circumstances, it can reasonably be regarded as providing a fair method for the purposes of Chapter 3 for

determining for a period of account what is referable to the company's basic life assurance and general annuity business.

(4) The Treasury may make regulations for the purposes of this section—

(a) prescribing cases in which a method is, or is not, to be regarded as an acceptable commercial method, and

(b) prescribing cases in which the only acceptable commercial method is to be a method prescribed, or of a description prescribed, in the regulations.

(5) Subject to any provision made by regulations under subsection (4), the method adopted for the purposes of this section for a period of account—

(a) must be consistent with the method adopted for the purposes of section 115 for that period, and

(b) in the case of an overseas life insurance company, must also be consistent with the method for that period for attributing assets in accordance with the provision made by or under Chapter 4 of Part 2 of CTA 2009 to its permanent establishment in the United Kingdom.

(6) In this section "debits or other losses" means—

(a) losses in any separate UK property business carried on by the company which is within section 86(4),

(b) losses in any separate overseas business carried on by the company which is within section 86(4),

(c) debits in respect of any loan relationships of the company,

(d) debits in respect of any derivative contracts of the company,

(e) debits brought into account by the company under Part 8 of CTA 2009 (intangible fixed assets), and

(f) losses of the company which arise from miscellaneous transactions (as defined by section 89(4)).

Allocation of chargeable gains and allowable losses on disposals of assets

99 Application of sections 100 and 101

(1) Sections 100 and 101 apply for determining the chargeable gains or allowable losses that, for the purposes of Chapter 3, are to be regarded as referable to a company's basic life assurance and general annuity business whenever it disposes of assets held for the purposes of its long-term business (including cases where, as a result of Chapter 8 or any other provision of the Corporation Tax Acts, it is deemed to make a disposal).

(2) Expressions that are used in sections 100 and 101 and in TCGA 1992 have the same meaning in those sections as they have for the purposes of that Act.

100 Assets wholly or partly matched to BLAGAB liabilities

(1) If, immediately before the disposal, the whole of the asset was matched to a BLAGAB liability, the whole of the gain or loss is referable to the company's basic life assurance and general annuity business.

(2) If, immediately before the disposal, a part of the asset was matched to a BLAGAB liability, the appropriate portion of the gain or loss is referable to the company's basic life assurance and general annuity business.

(3) "The appropriate proportion" means the proportion equal to the proportion of the asset matched to the BLAGAB liability.

(4) If, as a result of Chapter 8, there is a disposal of a part of an asset where the part concerned is matched to a BLAGAB liability, the whole of the gain or loss is referable to the company's basic life assurance and general annuity business.

(5) The concept of the whole or a part of an asset being matched to a BLAGAB liability is explained by section 138.

101 Commercial allocation for disposals not wholly dealt with by section 100

(1) This section applies if, in the case of the disposal—

(a) no part of the gain or loss is dealt with by section 100, or

(b) section 100 deals with only a proportion of the gain or loss.

(2) The gain or loss, or (as the case may be) the remaining proportion of the gain or loss, which is referable to the company's basic life assurance and general annuity business is determined in accordance with an acceptable commercial method adopted by the company for the period of account in which the disposal is made.

(3) A method is an "acceptable commercial method" if it secures that gains or losses are referable to the company's basic life assurance and general annuity business in a way that fairly represents the contribution that the assets in question have made to that business during the period in which they have been held for the purposes of the company's long-term business.

(4) The Treasury may make regulations for the purposes of this section—

(a) prescribing cases in which a method is, or is not, to be regarded as an acceptable commercial method, and

(b) prescribing cases in which the only acceptable commercial method is to be a method prescribed, or of a description prescribed, in the regulations.

(5) Subject to any provision made by regulations under subsection (4), the method adopted for the purposes of this section for a period of account—

(a) must be consistent with the method adopted for the purposes of section 98 for that period and the method adopted for the purposes of section 115 for that period, and

(b) in the case of an overseas life insurance company, must also be consistent with the method for that period for attributing assets in accordance with the provision made by or under Chapter 4 of Part 2 of CTA 2009 to its permanent establishment in the United Kingdom.

CHAPTER 5

I - E PROFIT: POLICYHOLDERS' RATE OF TAX

Tax rate on policyholders' share of I - E profit

102 Policyholders' rate of tax on policyholders' share of I - E profit

(1) This section applies if an insurance company has an I - E profit for an accounting period.

(2) The rate of corporation tax chargeable for a financial year on the policyholders' share (if any) of the I - E profit is the policyholders' rate of tax.

(3) The policyholders' rate of tax is the rate at which income tax at the basic rate is charged for the tax year that begins on 6 April in the financial year.

(4) The policyholders' share of the I - E profit is determined in accordance with section 103.

(5) The policyholders' share of the I - E profit for an insurance company's accounting period is to be left out of account in determining for the purposes of Part 3 of CTA 2010 (companies with small profits)—

(a) the augmented profits of the company for the accounting period, and

(b) the taxable total profits of the company for the accounting period.

103 Rules for determining policyholders' share of I - E profit

(1) This section determines for the purposes of section 102 the policyholders' share of the I - E profit of an insurance company for an accounting period.

(2) If the basic life assurance and general annuity business of the company carried on by the company in the accounting period is mutual business, the policyholders' share of the I - E profit is the whole of that profit.

(3) In any other case, the policyholders' share of the I - E profit is determined as follows.

(4) The first step is to calculate whether the company has a BLAGAB trade profit for the accounting period, and, if so, its amount.

(5) If the company does not have a BLAGAB trade profit for that period, the policyholders' share of the I - E profit is the whole of that profit.

(6) If—

(a) the company has a BLAGAB trade profit for that period, and

(b) the adjusted amount of the BLAGAB trade profit is less than the amount of the I - E profit for that period,

the difference between those amounts represents the policyholders' share of the I - E profit.

(7) If—

(a) the company has a BLAGAB trade profit for that period, and

(b) the adjusted amount of the BLAGAB trade profit is equal to or more than the amount of the I - E profit,

there is no policyholders' share of the I - E profit.

(8) References to the adjusted amount of the BLAGAB trade profit are to be read in accordance with section 104.

104 Meaning of "the adjusted amount"

(1) This section explains for the purposes of section 103 what is meant by the adjusted amount of the BLAGAB trade profit.

(2) The following adjustments are to be made to the amount of the BLAGAB trade profit.

(3) If relief is available under section 124 (carry forward of BLAGAB trade losses against subsequent profits), the BLAGAB trade profit is to be reduced as mentioned in that section.

(4) If, as a result of relief given under that section, the BLAGAB trade profit is reduced to nil, then the adjusted amount of the BLAGAB trade profit for the purposes of section 103 is nil.

(5) If—

(a) the BLAGAB trade profit is not reduced to nil as a result of relief given under section 124 or no relief is available under that section, and

(b) in the accounting period BLAGAB non-taxable distributions are receivable by the company,

the BLAGAB trade profit is reduced or further reduced (but not below nil) by subtracting from it an amount equal to the shareholders' share of those distributions.

(6) The BLAGAB trade profit as so reduced or further reduced is the adjusted BLAGAB trade profit for the purposes of section 103.

105 Meaning of "BLAGAB non-taxable distributions" and "shareholders' share"

(1) This section explains for the purposes of section 104 what is meant by—

"BLAGAB non-taxable distributions", and

"the shareholders' share" of BLAGAB non-taxable distributions.

(2) Non-taxable distributions are "BLAGAB" non-taxable distributions if they are referable, in accordance with Chapter 7, to the company's basic life assurance and general annuity business.

(3) The "shareholders' share" of the BLAGAB non-taxable distributions receivable by the company in the accounting period is the relevant proportion of those distributions.

(4) The relevant proportion is—

$$\frac{\text{BTP}}{\text{BNTD} + \text{I}}$$

where—

BTP is the amount of the BLAGAB trade profit of the company for the accounting period,

BNTD is the amount of the BLAGAB non-taxable distributions receivable by the company in the accounting period, and

I is the total of the amounts given by the calculations required by steps 1 to 3 in section 73 (I - E basis: income referable to BLAGAB) in relation to the company's basic life assurance and general annuity business for the accounting period.

(5) If BTP exceeds BNTD + I, the shareholders' share of the BLAGAB non-taxable distributions receivable by the company in the accounting period is the whole of those distributions.

Policyholder tax and calculation of BLAGAB trade profit or loss

106 Deduction for current policyholder tax

(1) This section applies for the purpose of calculating the BLAGAB trade profit or loss for an accounting period of any basic life assurance and general annuity business carried on by an insurance company in a case where the company has an I - E profit for that period.

(2) In calculating the profit or loss for the accounting period, a deduction is allowed for an amount equal to the amount of corporation tax charged at the policyholders' rate of tax on the policyholders' share of the company's I - E profit for that period.

107 Expenses or receipts for deferred policyholder tax

(1) This section applies for the purpose of calculating the BLAGAB trade profit or loss for a period of account of any basic life assurance and general annuity business carried on by an insurance company.

(2) In calculating the profit or loss, an amount is brought into account that is equal to—

(a) the closing deferred policyholder tax balance for the period of account, less

(b) the closing deferred policyholder tax balance for the previous period of account.

(3) The amount—

(a) is brought into account as an expense, if it is a negative figure, and

(b) is brought into account as a receipt, if it is a positive figure.

(4) The amount is brought into account under this section only if, in accordance with generally accepted accounting practice, it is debited or credited in accounts drawn up by the company for the period of account.

(5) If the closing deferred policyholder tax balance for a period of account is a liability, the amount of the balance is taken to be a negative figure for the purposes of this section.

(6) If the closing deferred policyholder tax balance for a period of account is an asset, the amount of the balance is taken to be a positive figure for the purposes of this section.

(7) Section 108 applies for determining the closing deferred policyholder tax balance for a period of account.

108 Meaning of "the closing deferred policyholder tax balance" etc

(1) For the purposes of section 107 "the closing deferred policyholder tax balance for a period of account" means so much of the closing amount shown, in accordance with

generally accepted accounting practice, in the accounts of the company for that period in respect of deferred tax as is wholly attributable to policyholder tax.

(2) Provision forming part of the closing amount is "wholly attributable to policyholder tax" if—

(a) the provision is made in respect of a BLAGAB matter (see subsection (3)), and

(b) anything included in the closing amount in respect of that matter is calculated wholly by reference to the policyholders' rate of tax chargeable on the policyholders' share of the company's I - E profit for any accounting period.

(3) A "BLAGAB matter" means—

(a) an amount of excess BLAGAB expenses,

(b) an amount of acquisition expenses falling to be relieved in the future in accordance with section 79,

(c) an amount of expenses otherwise falling to be taken into account in the future under the I - E rules,

(d) an amount of BLAGAB allowable loss (within the meaning of section 210A of TCGA 1992) carried forward for future use,

(e) an amount to which section 213 of TCGA 1992 applies (spreading of gains and losses under section 212), or

(f) an amount in respect of the future disposal (or part disposal) of an asset which would fall to be taken into account in accordance with section 75.

(4) If—

(a) for a period of account of the company the provision made in respect of a BLAGAB matter is taken into account for the purposes of section 107, and

(b) for a subsequent period of account of the company the provision made in respect of that matter is no longer wholly attributable to policyholder tax because the condition in subsection (2)(b) ceases to be met,

there is to be a reversal in the subsequent period of account in respect of the provision (so far as section 107 does not otherwise apply in relation to the case).

(5) The reversal in the subsequent period of account is to be made as follows—

(a) if the provision was an amount which for accounting purposes was regarded as an asset, a negative amount equal to that amount is to be taken into account in calculating the closing deferred policyholder tax balance for that period for the purposes of section 107, and

(b) if the provision was an amount which for accounting purposes was regarded as a liability, a positive amount equal to that amount is to be taken into account in calculating the closing deferred policyholder tax balance for that period for the purposes of section 107.

(6) The Treasury may by order amend the definition of a "BLAGAB matter".

(7) An order under subsection (6) may contain incidental, supplementary, consequential, transitional, transitory or saving provision.

CHAPTER 6

TRADE CALCULATION RULES APPLYING TO LONG-TERM BUSINESS

109 Application of Chapter

(1) The rules contained in this Chapter have effect for the purpose of—

(a) calculating the BLAGAB trade profit or loss of any basic life assurance and general annuity business carried on by an insurance company, and

(b) calculating for corporation tax purposes the profits of any non-BLAGAB long-term business carried on by an insurance company,

but, in the case of section 112, see also subsection (6) of that section.

(2) In this Chapter references to the calculation of the profits are, in the case of the calculation of the BLAGAB trade profit or loss, to be read as references to the calculation of that profit or loss.

(3) See also section 47 of CTA 2009 (losses calculated on same basis as profits).

(4) In the case of the calculation of the BLAGAB trade profit or loss, see also sections 106 to 108.

110 Allocations to policyholders

(1) In calculating the profits for an accounting period, a deduction is allowed for any amount which is allocated to policyholders or annuitants in respect of the accounting period.

(2) But there is no deduction for an amount of a capital nature that—

(a) is allocated to holders of with-profits policies, and

(b) has not been funded from an amount credited in accounts of the business drawn up in accordance with generally accepted accounting practice (whether drawn up by the company or another company).

(3) For this purpose a payment made in connection with the reattribution of inherited estate is to be regarded as an amount of a capital nature.

(4) "With-profits policies" means policies under which the holders are eligible to participate in surplus.

111 Dividends and other distributions

(1) Dividends or other distributions—

(a) which are receivable by the company, and

(b) which are referable, in accordance with Chapter 7, to the business concerned,

are to be brought into account as receipts in calculating the profits.

(2) This rule—

(a) applies whether or not the distributions are exempt for the purposes of Part 9A of CTA 2009 or would otherwise be dealt with under that Part, but

(b) does not apply in the case of distributions that are of a capital nature.

112 Index-linked gilt-edged securities

(1) If, for an accounting period, a company has a loan relationship which is represented by an index-linked gilt-edged security, sections 400 to 400C of CTA 2009 (adjustments for changes in index) are not to apply in calculating the profits for the accounting period.

(2) But subsection (1) does not apply to loan relationships of the company that are qualifying PHI loan relationships.

(3) A loan relationship is a "qualifying PHI loan relationship" if

(a) the loan relationship is identified in the records of the company as an asset held for the purposes of index-linked PHI business carried on by the company, and

(b) none of the credits or debits in respect of the loan relationship are referable to BLAGAB,

but see subsection (5) for a case in which a loan relationship meeting the conditions in paragraphs (a) and (b) is not a qualifying PHI loan relationship.

(4) Credits or debits are referable to BLAGAB if—

(a) they are referable, in accordance with Chapter 4, to any basic life assurance and general annuity business of the company, or

(b) they are taken into account in calculating the profit or loss that is, in accordance with Chapter 7, allocated to any basic life assurance and general annuity business of the company.

(5) A loan relationship which, but for this subsection, would be a qualifying PHI loan relationship of the company is not a qualifying PHI loan relationship if the value of the loan relationship when added to the value of qualifying PHI loan relationships of the company exceeds the value of the liabilities incurred by the company for the purposes of its index-linked PHI business.

(6) A loan relationship of the company which at any time is a qualifying PHI loan relationship is to be regarded for the purposes of this Part as an asset which is held at that time for the purposes of the company's long-term business but which is not matched to its long-term business liabilities or held by it for the purposes of any with-profits funds.

(7) In this section—

"index-linked gilt-edged security" has the same meaning as it has in sections 400 to 400C of CTA 2009 (see section 399(4) of that Act), and

"index-linked PHI business" means PHI business so far as consisting of the effecting or carrying out of contracts of long-term insurance under which the benefits payable are linked to an index of prices published by the Statistics Board.

113 Receipts or expenses relating to long-term business fixed capital

Receipts or expenses which arise from an asset forming part of the long-term business fixed capital of the company are to be left out of account in calculating the profits.

CHAPTER 7

TRADING APPORTIONMENT RULES

114 Application of Chapter

(1) This Chapter applies in the case of an insurance company which, as a result of section 66, has—

(a) a business consisting of basic life assurance and general annuity business, and

(b) a non-BLAGAB long-term business.

(2) The rules contained in this Chapter determine—

(a) how to allocate between those two businesses the profits or loss of the long-term business calculated in accordance with generally accepted accounting practice, and

(b) how to allocate the tax adjustments in making the calculations mentioned in subsection (5)(a) and (b).

(3) The amount of the profits or loss mentioned in subsection (2)(a) is referred to in this Chapter as the "accounting profit or loss".

(4) For the purposes of this Chapter "the tax adjustments" means the adjustments required or authorised by law in calculating for corporation tax purposes the profits of the long-term business (applying the same rules as apply to the calculation for those purposes of the profits of non-BLAGAB long-term business).

(5) The rules contained in this Chapter have effect for the purpose of—

(a) calculating the BLAGAB trade profit or loss of the company, and

(b) calculating for corporation tax purposes the profits of the non-BLAGAB long-term business carried on by the company.

115 Commercial allocation of accounting profit or loss and tax adjustments

(1) The accounting profit or loss, and the tax adjustments, are to be allocated between the two separate businesses in accordance with an acceptable commercial method adopted by the company.

(2) A method is an "acceptable commercial method" if it secures that the accounting profit or loss, and the tax adjustments, are allocated to the two separate businesses in a way that fairly represents the contribution made by those businesses to the accounting profit or loss as adjusted to take into account the tax adjustments.

(3) The Treasury may make regulations for the purposes of this section—

(a) prescribing cases in which a method is, or is not, to be regarded as an acceptable commercial method, and

(b) prescribing cases in which the only acceptable commercial method is to be a method prescribed, or of a description prescribed, in the regulations.

(4) Subject to any provision made by regulations under subsection (3), the method adopted for the purposes of this section for a period of account—

(a) must be consistent with the method adopted for the purposes of section 98 for that period, and

(b) in the case of an overseas life insurance company, must also be consistent with the method for that period for attributing assets in accordance with the provision made by or under Chapter 4 of Part 2 of CTA 2009 to its permanent establishment in the United Kingdom.

CHAPTER 8

ASSETS HELD FOR PURPOSES OF LONG-TERM BUSINESS

Transfers of assets from different categories

116 UK life insurance companies

(1) If, at any time in a period of account of a UK life insurance company, an asset (or a part of an asset) held by the company—

(a) ceases to be within one of the long-term business categories, and

(b) comes within another of those categories,

the company is treated for the purposes of corporation tax on chargeable gains as if it had disposed of and immediately re-acquired the asset (or part) at that time for a consideration equal to the fair value of the asset (or part) at that time.

(2) The long-term business categories in question are—

(a) assets which are matched to BLAGAB liabilities of the company,

(b) assets which are matched to other long-term business liabilities of the company,

(c) assets which are held by the company for the purposes of any with-profits fund but which are not matched to its long-term business liabilities, and

(d) assets which are held for the purposes of the company's long-term business but which are not matched to its long-term business liabilities or held by it for the purposes of any with-profits funds.

(3) If the company has more than one with-profits fund within subsection (2)(c), the assets which are held by it for the purposes of a particular fund but which are not matched to its long-term business liabilities are treated as assets within a separate long-term business category.

(4) Subsection (1) does not apply if all the income of the company's long-term business is chargeable to corporation tax on income under section 35 of CTA 2009.

(5) If, at any time in a period of account of a UK life insurance company, an asset (or a part of an asset) held by the company—

(a) ceases to be within a category set out in subsection (6), and

(b) comes within the other category set out there,

the company is treated for the purposes of corporation tax as if it had disposed of and immediately re-acquired the asset (or part) for a consideration equal to the fair value of the asset (or part) at that time.

(6) The categories in question are—

(a) assets which are held for the purposes of the company's long-term business, and

(b) other assets.

117 Overseas life insurance companies: rule corresponding to s.116

(1) If, at any time in a period of account of an overseas life insurance company, an asset (or a part of an asset) held by the company—

(a) ceases to be within one of the UK long-term business categories, and

(b) comes within another of those categories,

the company is treated for the purposes of corporation tax on chargeable gains as if it had disposed of and immediately re-acquired the asset (or part) at that time for a consideration equal to the fair value of the asset (or part) at that time.

(2) The UK long-term business categories in question are—

(a) UK assets which are matched to BLAGAB liabilities of the company,

(b) UK assets which are matched to other long-term business liabilities of the company,

(c) UK assets which are held by the company for the purposes of any with-profits fund but which are not matched to its long-term business liabilities, and

(d) UK assets which are held for the purposes of the company's long-term business but which are not matched to its long-term business liabilities or held by it for the purposes of any with-profits funds.

(3) If the company has more than one with-profits fund within subsection (2)(c), the UK assets which are held by it for the purposes of a particular fund but which are not matched to its long-term business liabilities are treated as assets within a separate UK long-term business category.

(4) Subsection (1) does not apply if all the income of the company's long-term business is chargeable to corporation tax on income under section 35 of CTA 2009.

(5) If, at any time in a period of account of an overseas life insurance company, an asset (or a part of an asset) held by the company—

(a) ceases to be within a category set out in subsection (6), and

(b) comes within another category set out there,

the company is treated for the purposes of corporation tax as if it had disposed of and immediately re-acquired the asset (or part) for a consideration equal to the fair value of the asset (or part) at that time.

(6) The categories in question are—

(a) UK assets which are held for the purposes of the company's long-term business,

(b) other UK assets, and

(c) assets which are held by the company but which are not UK assets.

(7) For the purposes of this section and section 118, assets (whether situated in the United Kingdom or elsewhere) are "UK assets" of an overseas life insurance company if, in accordance with the provision made by or under Chapter 4 of Part 2 of CTA 2009, they fall to be attributed to the permanent establishment in the United Kingdom through which the company carries on life assurance business.

118 Transfers of business and transfers within a group

(1) If—

(a) as a result of an insurance business transfer scheme transferring long-term business, a UK life insurance company or an overseas life insurance company acquires an asset, and

(b) the asset (or part of it) is within one of the applicable categories at the time immediately before the acquisition but is not within that category immediately after that time,

the transferor is treated for the purposes of corporation tax on chargeable gains as if it had disposed of and immediately re-acquired the asset (or part) at the time immediately before the acquisition.

(2) The consideration for this deemed disposal and re-acquisition is equal to the fair value of the asset (or part) at that time.

(3) If the transferor or the transferee is an overseas life insurance company, an asset (or part of an asset) is taken as being in the same category immediately before and after the acquisition if the asset (or part)—

(a) was within one category immediately before the acquisition, and

(b) was within a corresponding category immediately after the acquisition.

(4) Subsections (1) to (3) do not apply if all the income of the long-term business of either the transferor or the transferee is chargeable to corporation tax on income under section 35 of CTA 2009.

(5) For the purposes of subsections (1) to (3) "the applicable categories" means—

(a) in the case of a UK life insurance company, the long-term business categories or a category of assets which are not held for the purposes of its long-term business, and

(b) in the case of an overseas life insurance company, the UK long-term business categories, a category of UK assets which are not held for the purposes of its long-term business or a category of assets which are held by it but which are not UK assets.

(6) If—

(a) a UK life insurance company or an overseas life insurance company disposes of or acquires an asset (or part of an asset),

(b) immediately before or after doing so, the asset (or part) is within the applicable category, and

(c) section 171 or 173 of TCGA 1992 (transfers within a group) would, but for this subsection, apply to the disposal or acquisition,

that section does not apply to the disposal or acquisition.

(7) For the purposes of subsection (6) "the applicable category" means—

(a) in the case of a UK life insurance company, the category of assets which are held for the purposes of its long-term business, and

(b) in the case of an overseas life insurance company, the category of UK assets which are held for the purposes of its long-term business.

Share pooling rules

119 UK life insurance companies

(1) If the assets of a UK life insurance company include securities of a class all of which would, but for this section, be regarded as one holding for the purposes of corporation tax on chargeable gains, the following pooling rules apply instead for those purposes—

(a) so many of the securities so far as matched to BLAGAB liabilities of the company are treated as a separate holding,

(b) so many of the securities so far as matched to other long-term business liabilities of the company are treated as a separate holding,

(c) so many of the securities as are held by the company for the purposes of any with-profits fund but are not matched to its long-term business liabilities are treated as a separate holding,

(d) so many of the securities as are held for the purposes of the company's long-term business but are not matched to its long-term business liabilities or held by it for the purposes of any with-profits funds are treated as a separate holding, and

(e) any remaining securities are treated as a separate holding which is held otherwise than for the purposes of the company's long-term business.

(2) If the company has more than one with-profits fund within subsection (1)(c), so many of the securities as are held by it for the purposes of a particular fund but are not matched to its long-term business liabilities are treated as a separate holding for the purposes of corporation tax on chargeable gains.

(3) Subsection (1) does not apply if all the income of the company's long-term business is chargeable to corporation tax on income under section 35 of CTA 2009.

(4) In that case, if the company's assets include securities of a class all of which would, but for this section, be regarded as one holding for the purposes of corporation tax on chargeable gains, the following pooling rules apply instead for those purposes—

(a) so many of the securities as are held for the purposes of its long-term business are treated as a separate holding, and

(b) any remaining securities are treated as a separate holding which is held otherwise than for the purposes of its long-term business.

120 Overseas life insurance companies: rule corresponding to s.119

(1) If the assets of an overseas life insurance company include securities of a class all of which would, but for this section, be regarded as one holding for the purposes of corporation tax on chargeable gains, the following pooling rules apply instead for those purposes—

(a) so many of the securities so far as UK securities matched to BLAGAB liabilities of the company are treated as a separate holding,

(b) so many of the securities so far as UK securities matched to other long-term business liabilities of the company are treated as a separate holding,

(c) so many of the securities as are UK securities held by the company for the purposes of any with-profits fund but not matched to its long-term business liabilities are treated as a separate holding,

(d) so many of the securities as are UK securities held for the purposes of the company's long-term business but not matched to its long-term business

liabilities or held by it for the purposes of any with-profits funds are treated as a separate holding,

(e) any remaining UK securities are treated as a separate holding which is held otherwise than for the purposes of the company's long-term business, and

(f) any securities which are held by the company but which are not UK securities are treated as a separate holding.

(2) If the company has more than one with-profits fund within subsection (1)(c), so many of the securities as are UK securities held by it for the purposes of a particular fund but are not matched to its long-term business liabilities are treated as a separate holding for the purposes of corporation tax on chargeable gains.

(3) Subsection (1) does not apply if all the income of the company's long-term business is chargeable to corporation tax on income under section 35 of CTA 2009.

(4) In that case, if the company's assets include securities of a class all of which would, but for this section, be regarded as one holding for the purposes of corporation tax on chargeable gains, the following pooling rules apply instead for those purposes—

(a) so many of the securities as are UK securities held for the purposes of its long-term business are treated as a separate holding,

(b) any remaining UK securities are treated as a separate holding which is held otherwise than for the purposes of its long-term business, and

(c) any securities which are held by the company but which are not UK securities are treated as a separate holding.

(5) For the purposes of this section, securities (whether situated in the United Kingdom or elsewhere) are "UK securities" of an overseas life insurance company if, in accordance with the provision made by or under Chapter 4 of Part 2 of CTA 2009, they fall to be attributed to the permanent establishment in the United Kingdom through which the company carries on life assurance business.

121 Sections 119 and 120: supplementary

(1) The applicable pooling rules also apply if the assets of the company in question include securities of a class and but for this section—

(a) some of them would be regarded as a 1982 holding for the purposes of corporation tax on chargeable gains, and

(b) the rest of them would be regarded as a section 104 holding for those purposes.

(2) "The applicable pooling rules" means—

(a) the pooling rules set out in section 119(1)(a) to (e) and (4)(a) and (b), or

(b) the pooling rules set out in section 120(1)(a) to (f) and (4)(a) to (c).

(3) In applying the applicable pooling rules in a case within subsection (1)—

(a) the reference in any of the paragraphs in section 119(1) or (4) or 120(1) or (4) to a separate holding is to be read, where necessary, as a reference to a separate 1982 holding and a separate section 104 holding, and

(b) the questions whether that reading is necessary for a paragraph and, if it is, how many securities falling within the paragraph constitute each of the two holdings are determined in accordance with paragraph 12 of Schedule 6 to FA 1990 and the identification rules applying on any subsequent acquisitions and disposals.

(4) If the applicable pooling rules apply, section 105 of TCGA 1992 has effect as if securities regarded as included in different holdings as a result of those rules were securities of different classes.

(5) In this section—

"1982 holding" has the same meaning as in section 109 of TCGA 1992, and

"section 104 holding" has the same meaning as in section 104(3) of TCGA 1992.

(6) In this section and sections 119 and 120 "securities" means—

(a) shares,

(b) securities of a company, and

(c) any other assets where they are of a nature to be dealt in without identifying the particular assets disposed of or acquired.

Long-term business fixed capital

122 Assets forming part of long-term business fixed capital

For the purposes of this Chapter assets that form part of the long-term business fixed capital of an insurance company are to be regarded as assets held by the company otherwise than for the purposes of its long-term business.

CHAPTER 9

RELIEF FOR BLAGAB TRADE LOSSES ETC

The reliefs

123 Relief for BLAGAB trade losses against total profits

(1) Section 37 of CTA 2010 (relief for trade losses against total profits) is to apply in relation to a BLAGAB trade loss for an accounting period as it applies in relation to any other loss made in a trade for an accounting period.

(2) Subsection (1) applies despite the fact that, had there been a BLAGAB trade profit for the accounting period, that profit would not have been charged to tax under section 35 of CTA 2009 and the I - E rules would have been applicable instead.

124 Carry forward of BLAGAB trade losses against subsequent profits

(1) This section applies if an insurance company carrying on basic life assurance and general annuity business makes a BLAGAB trade loss for an accounting period.

(2) Relief is available under this section for that part of the BLAGAB trade loss ("the unrelieved loss") for which no relief is given under section 37 of CTA 2010 (as applied by section 123).

(3) The relief for the unrelieved loss is to be given as follows.

(4) The unrelieved loss is to be carried forward to subsequent accounting periods (so long as the company continues to carry on basic life assurance and general annuity business).

(5) For the purposes of—

(a) section 93 (minimum profits charge), and

(b) section 104 (policyholders' rate of tax),

the BLAGAB trade profit of any such period is reduced by the unrelieved loss so far as that loss cannot be used under this subsection to reduce the BLAGAB trade profit of an earlier period.

(6) Relief under this section is subject to restriction or modification in accordance with section 137(7) of CTA 2010 and other applicable provisions of the Corporation Tax Acts.

125 Group relief

(1) Part 5 of CTA 2010 (group relief) is to apply in relation to a BLAGAB trade loss for an accounting period as it applies in relation to any other loss made in a trade for an accounting period.

(2) Subsection (1) applies despite the fact that, had there been a BLAGAB trade profit for the accounting period, that profit would not have been charged to tax under section 35 of CTA 2009 and the I - E rules would have been applicable instead.

(3) If for an accounting period an insurance company has—

(a) an I - E profit, and

(b) losses or other amounts within section 99(1)(d) to (g) of CTA 2010,

the company's gross profits of the accounting period for the purposes of section 105 of that Act (restriction on surrender of those amounts) are not to include the policyholders' share of the I - E profit (as determined for the purposes of section 102).

Restrictions

126 Restrictions in respect of non-trading deficit

(1) The amount of a BLAGAB trade loss for an accounting period of an insurance company that is available for relief under—

(a) section 37 of CTA 2010 (as applied by section 123), or

(b) Part 5 of CTA 2010 (group relief) (as applied by section 125),

is to be reduced by the amount of any relevant non-trading deficit which the company has for the accounting period.

(2) The reference to a relevant non-trading deficit for an accounting period is a reference to the non-trading deficit which the company would have under section 388 of CTA 2009 (loan relationships and derivative contracts) if credits and debits given in respect of the company's creditor relationships (within the meaning of Part 5 of that Act) were ignored.

127 No relief against policyholders' share of I - E profit

(1) This section applies in the case of an insurance company carrying on basic life assurance and general annuity business.

(2) None of the following reliefs are to be given against the policyholders' share of any I - E profit of the company for any accounting period (as determined for the purposes of section 102).

(3) The reliefs in question are—

(a) relief under section 37 of CTA 2010 (including as applied by section 123),

(b) relief under Chapter 2 or 4 of Part 4 of CTA 2010 (loss relief),

(c) relief under Part 5 of CTA 2010 (group relief) (including as applied by section 125),

(d) relief in respect of any qualifying charitable donation,

(e) relief in respect of any amount representing a non-trading deficit on the company's loan relationships calculated otherwise than by reference to debits and credits referable, in accordance with Chapter 4, to its basic life assurance and general annuity business.

(4) If the company's basic life assurance and general annuity business is mutual business, subsection (3)(d) does not apply.

CHAPTER 10

TRANSFERS OF LONG-TERM BUSINESS

Transfers of BLAGAB

128 Relief for transferee in respect of transferor's BLAGAB expenses

(1) This section applies if, under an insurance business transfer scheme, there is a transfer of basic life assurance and general annuity business (or any part of that business) from one insurance company to another.

(2) Acquisition expenses relief is to be given to the transferee for any acquisition expenses for which, on the assumptions set out below, that relief would have been given to the transferor for an accounting period starting after the date of the transfer.

(3) "Acquisition expenses relief" means relief given, in accordance with section 79 (spreading of acquisition expenses), at step 3 in section 76.

(4) For the transferee's first accounting period ending after the date of the transfer, acquisition expenses relief for the acquisition expenses within subsection (2) is to be determined as if that period had started with the date after the date of the transfer.

(5) Relief at step 5 in section 76 is to be given to the transferee for any excess BLAGAB expenses for which, on the assumptions set out below, that relief would have been given to the transferor for an accounting period starting after the date of the transfer.

(6) For the purposes of this section it is to be assumed that—

(a) the transferor had continued to carry on the transferred business after the transfer, and

(b) the transferor had an accounting date ending with the date of the transfer (if that would not otherwise be the case).

(7) If the transfer is a transfer of part of the business, references in this section to any expenses are to be read as references to the appropriate part of the expenses.

(8) Any relief given to the transferee as a result of this section is instead of any relief that would otherwise have been given to the transferor.

129 Intra-group transfers and demutualisation

(1) This section applies if—

(a) under an insurance business transfer scheme, there is a transfer of basic life assurance and general annuity business (or any part of that business) from one insurance company to another, and

(b) the transfer is a relevant intra-group transfer or is in connection with a demutualisation.

(2) A transfer is a "relevant intra-group transfer" if—

(a) the transferor and transferee are members of the same group of companies when the transfer occurs, and

(b) the transferee is within the charge to corporation tax in relation to the transfer.

(3) A transfer is "in connection with a demutualisation" if—

(a) it is for the purposes of the conversion of a company (under the law of any territory) from one without share capital to one with share capital (without any change of legal personality), or

(b) it is a transfer by a mutual life insurance company of all, or substantially all, of its basic life assurance and general annuity business to an insurance company which is not a mutual life insurance company,

and for the purposes of paragraph (b) a "mutual life insurance company" means an insurance company which carries on mutual life assurance business.

(4) For the purpose of calculating the BLAGAB trade profit or loss of the transferor for any accounting period, any amount in respect of the transfer that is debited or credited in accounts drawn up by the transferor in accordance with generally accepted accounting practice is to be ignored.

(5) For the purpose of calculating the BLAGAB trade profit or loss of the transferee for any accounting period, any amount in respect of the transfer that is debited or credited in accounts drawn up by the transferee in accordance with generally accepted accounting practice is to be ignored.

(6) But if there is a difference between—

(a) the net amount recognised by the transferee in respect of the transfer of contracts of long-term insurance or contracts made in the course of capital redemption business, and

(b) the net amount recognised by the transferor in respect of the transfer of those contracts,

the amount of the difference is to be taken into account for the purpose of calculating the BLAGAB trade profit or loss of the transferee for the accounting period in which those contracts are transferred.

(7) The difference is to be taken into account—

(a) as a receipt (if, when added to the net amount in subsection (6)(b), the result is the net amount in subsection (6)(a)), and

(b) as an expense (if, when subtracted from the net amount in subsection (6)(b), the result is the net amount in subsection (6)(a)).

(8) The net amount recognised by an insurance company in respect of the transfer of the contracts is determined by subtracting—

(a) the total amount in respect of liabilities relating to the contracts that is or would be recognised for the purposes of a balance sheet drawn up at the relevant time by the company in accordance with generally accepted accounting practice, from

(b) the total amount in respect of assets relating to the contracts that is or would be recognised for those purposes,

and "the relevant time" means the time immediately before the transfer (in the case of the transferor) and the time immediately after it (in the case of the transferee).

(9) The Treasury may by order amend any of subsections (6) to (8).

(10) This section does not apply to any amount that arises in respect of a transfer so far as the transfer consists of a with-profits fund transfer.

The reference here to a with-profits fund transfer is a reference to—

(a) a transfer of business from a with-profits fund to a fund that is not a with-profits fund, or

(b) a transfer of business from a fund that is not a with-profits fund to a with-profits fund.

(11) If this section applies, the provisions of Part 4 of TIOPA 2010 (transfer pricing) do not apply.

130 Transfers between non-group companies: present value of in-force business

(1) This section applies if—

(a) under an insurance business transfer scheme, there is a transfer of basic life assurance and general annuity business (or any part of that business) from one insurance company to another,

(b) either the transferor and transferee are not members of the same group of companies when the transfer occurs or, if they are, the transfer consists of or includes a with-profits fund transfer within the meaning of section 129(10),

(c) the accounts of the transferee drawn up in accordance with generally accepted accounting practice include an asset that represents, as at the time of the transfer, the value of future profits arising from the relevant transferred business, and

(d) the asset is not one to which Part 8 of CTA 2009 (intangible fixed assets) applies.

(2) Amounts in respect of the asset that are debited or credited in accounts drawn up by the transferee in accordance with generally accepted accounting practice are to be taken into account in calculating the BLAGAB trade profit or loss of the transferee.

(3) In subsection (1)(c) "the relevant transferred business" means—

(a) if the transferor and transferee are not members of the same group of companies when the transfer occurs, the business (or part of the business) transferred under the insurance business transfer scheme, and

(b) if the transfer consists of or includes a with-profits fund transfer, the business transferred by the with-profits fund transfer.

(4) For the purposes of subsection (1)(c) no account is to be taken of an asset so far as it is regarded for accounting purposes as internally-generated.

(5) This section does not apply so far as section 129(5) applies in relation to the transfer.

(6) Nothing in this section is to apply in relation to transfers taking place before 1 January 2013.

Transfers of non-BLAGAB long-term business

131 Application of ss. 129 and 130 to transfers of non-BLAGAB long-term business

(1) This section applies if, under an insurance business transfer scheme, there is a transfer of non-BLAGAB long-term business (or any part of that business) from one insurance company to another.

(2) If, for the purposes of section 129, the transfer—

(a) is a relevant intra-group transfer, or

(b) is in connection with a demutualisation,

section 129 applies for the purpose of calculating for corporation tax purposes the profits of the non-BLAGAB long-term business of the transferor or transferee for any accounting period.

(3) If the conditions in section 130(1)(b) to (d) are met in the case of the transfer, section 130 applies for the purpose of calculating for corporation tax purposes the profits of the non-BLAGAB long-term business of the transferee for any accounting period.

Transfers of long-term business: anti-avoidance

132 Anti-avoidance

(1) This section applies if—

(a) under an insurance business transfer scheme, there is a transfer on or after 1 January 2013 from one insurance company to another of basic life assurance and general annuity business (or any part of that business) or non-BLAGAB long-term business (or any part of that business), and

(b) the main purpose, or one of the main purposes, of a company ("C") in entering into one or more of the arrangements included in the insurance business transfer arrangements is an unallowable purpose.

(2) The "insurance business transfer arrangements" consist of—

(a) the insurance business transfer scheme under which the transfer is made, and

(b) any arrangement entered into on or after 1 January 2013 with a connection (direct or indirect) to that scheme.

(3) A purpose is an "unallowable purpose" if—

(a) it consists of securing a tax advantage for C or any other company, or

(b) it is not amongst C's business or other commercial purposes.

(4) There are to be made such adjustments of any income or gains chargeable to corporation tax as are required to negate any tax advantage arising to C or any other company so far as referable to the unallowable purpose on a just and reasonable apportionment.

(5) For the purposes of this section—

(a) "arrangement" includes any agreement, scheme, transaction or understanding (whether or not legally enforceable), and

(b) section 1139 of CTA 2010 (meaning of "tax advantage") applies, but reading references to tax as references to corporation tax.

(6) If C is not within the charge to corporation tax in respect of a part of its activities, C's business or other commercial purposes for the purposes of this section do not include the purposes of that part of its activities.

133 Clearance procedure

(1) Section 132 does not apply if, on an application by C, HMRC Commissioners give a notice under this section stating that they are satisfied—

(a) that C's main purpose in entering into the arrangements included in the insurance business transfer arrangements is not an unallowable purpose or none of C's main purposes in entering into those arrangements is an unallowable purpose, or

(b) that the transferor and the transferee are members of the same group of companies when the transfer occurs and that the transfer produces no tax advantage for the group.

(2) For this purpose the transfer produces no tax advantage for the group if—

(a) as a result of the insurance business transfer arrangements, there is an increase in the liability to corporation tax of one or more companies which are members of the group, and

(b) the amount (or total amount) of that increase is at least equal to the amount (or total amount) of the reduction in the liability to corporation tax of the transferor or the transferee that arises as a result of those arrangements.

134 Section 133: supplementary

(1) An application under section 133 must—

(a) be in writing, and

(b) contain particulars of the insurance business transfer arrangements.

(2) HMRC Commissioners may by notice require C to provide further particulars in order to enable them to determine the application.

(3) A requirement may be imposed under subsection (2) within 30 days of the receipt of the application or of any further particulars required under that subsection.

(4) If a notice under that subsection is not complied with within 30 days or such longer period as HMRC Commissioners may allow, they need not proceed further on the application.

(5) HMRC Commissioners must give notice to C of their decision on an application under section 133—

(a) within 30 days of receiving the application, or

(b) if they give a notice under subsection (2), within 30 days of that notice being complied with.

(6) If any particulars provided under this section do not fully and accurately disclose all facts and considerations material for the decision of HMRC Commissioners, any resulting notice under section 133 is void.

Interpretation

135 Meaning of "group" of companies

For the purposes of this Chapter whether or not at any time companies are members of the same group of companies is to be determined in accordance with section 170(2) to (11) of TCGA 1992.

CHAPTER 11

DEFINITIONS

136 Meaning of "BLAGAB trade profit" and "BLAGAB trade loss"

(1) In relation to the carrying on by an insurance company of basic life assurance and general annuity business, this section explains for the purposes of this Part what is meant by—

(a) the "BLAGAB trade profit" of the company, and

(b) the "BLAGAB trade loss" of the company.

(2) The company has a "BLAGAB trade profit" for an accounting period if, calculated in accordance with the ordinary trading rules, there are profits of that business for the accounting period that, but for sections 68 and 69, would be chargeable to corporation tax on income under section 35 of CTA 2009 (charge to tax on trade profits).

(3) The amount of the BLAGAB trade profit is the amount of those profits that, but for those sections, would be so chargeable.

(4) The company has a "BLAGAB trade loss" for an accounting period if, calculated in accordance with the ordinary trading rules, the company makes a loss in that business for the accounting period in a case where, had there been profits, they would, but for those sections, have been so chargeable.

(5) The ordinary trading rules have effect for the purpose of calculating the company's BLAGAB trade profit or loss subject to the provision made by—

(a) sections 106 to 108 (policyholder tax),

(b) Chapter 6 (trade calculation rules applying to long-term business),

(c) Chapter 7 (trading apportionment rules), and
(d) sections 129 and 130 (transfers of BLAGAB).

(6) For the purposes of this section "the ordinary trading rules" means the rules for calculating the profits of a trade for the purposes of the charge to corporation tax on income under section 35 of CTA 2009.

137 Meaning of "the long-term business fixed capital"

(1) This section explains for the purposes of this Part what is meant by an asset forming part of "the long-term business fixed capital" of an insurance company.

(2) An asset forms part of "the long-term business fixed capital" of the company if—
(a) it is held for the purposes of its long-term business, and
(b) it is a structural asset of that business.

(3) The reference to a structural asset of a company's long-term business includes shares, debts and loans which—
(a) are held by the company in a fund that is not a with-profits fund, and
(b) are of a kind that, if they had been held on 31 December 2012, their value would have been required to be entered in lines 21 to 24 of Form 13 in the periodical return of the company for the period ending immediately before 1 January 2013 (UK insurance dependants and other insurance dependants).

(4) For the purposes of subsection (3)(b) "periodical return" has the same meaning as it has in Chapter 1 of Part 12 of ICTA.

(5) The Treasury may make regulations providing for assets of a company's long-term business which are of a description specified in the regulations to be regarded for the purposes of this section as being, or as not being, structural assets of that business.

138 Meaning of assets that are "matched to" liabilities

(1) This section—
(a) defines for the purposes of this Part what is meant by an asset that is matched to a BLAGAB liability or other long-term business liability and what is meant by the whole or a part of an asset being matched, and
(b) explains for those purposes how to work out the part of an asset that is matched to a BLAGAB liability or other long-term business liability.

(2) An asset is matched to a BLAGAB liability if, in accordance with the applicable method, some or all of the income or other return arising from that particular asset is specifically referable to the company's basic life assurance and general annuity business.

(3) An asset is matched to another long-term business liability if, in accordance with the applicable method, some or all of the income or other return arising from that particular asset is specifically referable to the company's non-BLAGAB long-term business.

(4) The whole of an asset is matched to a BLAGAB liability if, in accordance with the applicable method, the whole of the income or other return arising from that particular asset is specifically referable to the company's basic life assurance and general annuity business.

(5) A part of an asset is matched to a BLAGAB liability or other long-term business liability if, in accordance with the applicable method, part of the income or other return arising from that particular asset is specifically referable to the company's basic life assurance and general annuity business or (as the case may be) its non-BLAGAB long-term business.

(6) A part of an asset is matched to a BLAGAB liability or other long-term business liability in proportion to the income or other return arising from that particular asset that, in accordance with the applicable method, is specifically referable to the company's basic life assurance and general annuity business or (as the case may be) its non-BLAGAB long-term business.

(7) For the purposes of this section "the applicable method"—

(a) in relation to the company's basic life assurance and general annuity business, means the method adopted for the purposes of section 98 which has effect in relation to the period of account in which the income or other return arises, and

(b) in relation to the company's non-BLAGAB long-term business, means the method adopted for the purposes of section 115 which has effect in relation to the period of account in which the income or other return arises.

(8) For the purposes of this section any income or other return arising from an asset is to be regarded as specifically referable to a category of business in accordance with the applicable method in so far as that method is adopted in relation to the income or other return in consequence of a contractual requirement imposed on the company relating to the category of business in question.

139 Minor definitions

(1) In this Part—

"closing", in relation to a period of account, means the position at the end of the period of account,

"derivative contract" has the same meaning as in Part 7 of CTA 2009,

"fair value"—

(a) in relation to money, means its amount, and

(b) in relation to other assets, means the amount which an independent person selling the assets would get,

"HMRC Commissioners" means the Commissioners for Her Majesty's Revenue and Customs,

"insurance business transfer scheme" means—

(a) a scheme falling within section 105 of FISMA 2000, including an excluded scheme falling within Case 2, 3, 4 or 5 of subsection (3) of that section, or

(b) a scheme which would fall within that subsection but for subsection (1) (b) of that section,

"insurance special purpose vehicle" means an undertaking which—

(a) assumes risks from insurance or re-insurance undertakings, and

(b) fully funds its exposures to those risks through the proceeds of a debt issue or other financing mechanism where the repayment rights of the providers of the mechanism are subordinated to the re-insurance obligations of the undertaking,

"liabilities", in relation to an insurance company, means—

(a) the mathematical reserves of the company as determined in accordance with section 1.2 of the Insurance Prudential Sourcebook, and

(b) liabilities of the company (whose value falls to be determined in accordance with section 1.3 of the General Prudential Sourcebook) which arise from deposit back arrangements,

"overseas life insurance company" means an insurance company which is not resident in the United Kingdom but which carries on life assurance business in the United Kingdom through a permanent establishment there,

"re-insurance" includes retrocession,

"UK life insurance company" means an insurance company other than an overseas life insurance company,

"with-profits fund" has the meaning given by the Prudential Sourcebook (Insurers).

(2) In this Part any reference to the debiting or crediting of an amount in accounts drawn up by an insurance company is a reference to bringing in the amount as a debit or credit in—

(a) the company's profit and loss account, income statement or statement of comprehensive income (or other comprehensive income),

(b) a statement of total recognised gains and losses, or

(c) any other statement of items used in calculating the company's income or gains, or its losses or expenses, for accounting purposes,

irrespective of how any account or statement within any of paragraphs (a) to (c) is described or otherwise referred to.

(3) For this purpose—

"credit" means an amount which for accounting purposes increases or creates a profit, or reduces a loss, for a period of account, and

"debit" means an amount which for accounting purposes reduces a profit, or increases or creates a loss, for a period of account.

(4) In this section—

"deposit back arrangements" means arrangements by which an amount is deposited by the re-insurer under a contract of re-insurance with the cedant,

"the Insurance Prudential Sourcebook" means the Insurance Prudential Sourcebook made by the Financial Services Authority under FISMA 2000,

"the General Prudential Sourcebook" means the General Prudential Sourcebook made by the Financial Services Authority under FISMA 2000, and

"the Prudential Sourcebook (Insurers)" means the Interim Prudential Sourcebook for Insurers made by the Financial Services Authority under FISMA 2000.

140 Abbreviations

(1) In this Part—

"FISMA 2000" means the Financial Services and Markets Act 2000, and

"FISMA (Regulated Activities) Order 2001" means the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001.

(2) For abbreviations of other Acts, see section 228.

141 Index of defined terms, etc

(1) In this Part the following expressions are defined or otherwise explained by the provisions indicated—

Expression	*Where explained*
basic life assurance and general annuity business (abbreviated to "BLAGAB")	sections 57 and 67(5)
BLAGAB trade loss	section 136
BLAGAB trade profit	section 136
closing	section 139(1)
contract of insurance	section 64
contract of long-term insurance	section 64
debiting or crediting an amount in accounts drawn up by a company	section 139(2) and (3)
derivative contract	section 139(1)
excess BLAGAB expenses	section 73
fair value	section 139(1)
HMRC Commissioners	section 139(1)
I - E profit	section 73
the I - E rules	section 70(1) and (2)
insurance business transfer scheme	section 139(1)
insurance company	section 65
insurance special purpose vehicle	section 139(1)
liabilities	section 139(1)
life assurance business	section 56
long-term business	section 63(1)
long-term business fixed capital	section 137
matched (in case of assets matched to a BLAGAB liability or other long-term business liability)	section 138
non-BLAGAB long-term business	sections 66 and 67
non-taxable distributions	section 94(4) and (5)
overseas life insurance company	section 139(1)
PHI business	section 63(2)
re-insurance	section 139(1)
UK life insurance company	section 139(1)

Expression	*Where explained*
with-profits fund	section 139(1)

(2) The expressions in the above table have the same meaning in any other provision of the Corporation Tax Acts that makes special provision in relation to—

(a) insurance companies,

(b) any category of life assurance business carried on by insurance companies, or

(c) long-term business carried on by insurance companies.

CHAPTER 12

SUPPLEMENTARY

Powers conferred on Treasury or HMRC Commissioners

142 Power to amend Part 2 etc

(1) If, in consequence of the exercise of any power under FISMA 2000, they consider it expedient to do so, the Treasury may by order amend—

(a) this Part, or

(b) any other provision of the Corporation Tax Acts that makes special provision in relation to insurance companies, any category of life assurance business carried on by insurance companies or long-term business carried on by insurance companies.

(2) An order under subsection (1) may be made so as to have effect in relation to—

(a) any period ending on or before the day on which the order is made, or

(b) any period beginning before and ending after that day,

but only if the power under FISMA 2000 is exercised so as to have effect in relation to the period.

(3) An order under subsection (1) may—

(a) make different provision for different cases or circumstances, and

(b) contain incidental, supplementary, consequential, transitional, transitory or saving provision.

143 Power to amend definition of "insurance business transfer scheme" etc

(1) If, in consequence of any amendment of section 105 of FISMA 2000 (insurance business transfer schemes), they consider it expedient to do so, the Treasury may by order amend—

(a) the definition of "insurance business transfer scheme" given by section 139, or

(b) any other provision of the Corporation Tax Acts that makes special provision in relation to insurance companies, any category of life assurance business carried on by insurance companies or long-term business carried on by insurance companies.

(2) An order under subsection (1) may be made so as to have effect in relation to—

(a) any period ending on or before the day on which the order is made, or

(b) any period beginning before and ending after that day,

but only if the amendment of section 105 of FISMA 2000 has effect in relation to that period.

(3) An order under subsection (1) may—

(a) make different provision for different cases or circumstances, and

(b) contain incidental, supplementary, consequential, transitional, transitory or saving provision.

144 Power to modify provisions applying to overseas life insurance companies

(1) The Treasury may by regulations provide for the Corporation Tax Acts to have effect in relation to overseas life insurance companies subject to such exceptions and other modifications as may be prescribed by the regulations.

(2) The power under subsection (1) includes power to make provision in place of, and in consequence to repeal or revoke, any provision in relation to overseas life insurance companies which is made by or under—

(a) this Part, or

(b) any other provision of the Corporation Tax Acts.

(3) Regulations under subsection (1) may be made so as to have effect in relation to any period ending on or after the day on which the regulations are made.

(4) Regulations under subsection (1) may—

(a) make different provision for different cases or circumstances, and

(b) contain incidental, supplementary, consequential, transitional, transitory or saving provision.

(5) The power to make consequential provision conferred by subsection (4)(b) includes power to amend any provision made by or under any Act.

145 Orders and regulations

(1) Any power of the Treasury or HMRC Commissioners to make any order or regulations under this Part is exercisable by statutory instrument.

(2) Any statutory instrument containing any order or regulations made by the Treasury or HMRC Commissioners under this Part is subject to annulment in pursuance of a resolution of the House of Commons.

(3) Nothing in this Part that authorises the inclusion of any particular kind of provision in any order or regulations under this Part is to be read as restricting the generality of the provision that may be included in the order or regulations.

Minor and consequential amendments and transitional provision

146 Minor and consequential amendments

Schedule 16 contains minor and consequential amendments.

147 Transitional provision

Schedule 17 contains transitional provision in connection with the coming into force of this Part.

Commencement etc

148 Commencement

(1) The provisions of this Part (other than section 149) have effect in relation to accounting periods of companies beginning on or after 1 January 2013.

(2) Subsection (1) is subject to the operation of any provision of Schedule 17 in relation to times before that date.

149 Accounting periods straddling 1 January 2013

(1) If, apart from this section, an insurance company would have had an accounting period beginning before 1 January 2013 and ending on or after that date, the accounting period of the company is to end instead on 31 December 2012.

(2) Accordingly, the rules in section 10 of CTA 2009 (end of accounting period) are subject to this section.

PART 3

FRIENDLY SOCIETIES CARRYING ON LONG-TERM BUSINESS

Outline of provisions of Part

150 Overview

(1) This Part makes special provision for corporation tax purposes in relation to long-term and other business carried on by friendly societies.

(2) Sections 151 and 152 contain provision for applying provisions of the Corporation Tax Acts relating to insurance companies so that they also apply to friendly societies, subject to provision made by regulations.

(3) Sections 153 to 163 make provision for, and in connection with, a special exemption from corporation tax for BLAGAB or eligible PHI business.

(4) Sections 164 to 169 make provision for, and in connection with, a further exemption from corporation tax for other business.

(5) The remainder of the Part contains—

(a) provision in relation to certain transfer schemes (see section 170),

(b) provision for an exemption from corporation tax for unregistered friendly societies (see section 171), and

(c) definitions and other supplementary material (see sections 172 to 179).

Long-term business rules to apply to friendly societies

151 Friendly societies subject to same basic rules as mutual insurers

(1) The Corporation Tax Acts apply to—

(a) life assurance business carried on by friendly societies, and

(b) other long-term business carried on by friendly societies,

in the same way as they apply respectively to mutual life assurance business carried on by insurance companies and other long-term business carried on by insurance companies.

(2) Subsection (1) does not apply to business which is exempt BLAGAB or eligible PHI business.

(3) The Treasury may by regulations provide that the Corporation Tax Acts as applied by subsection (1) have effect subject to such exceptions or other modifications as may be prescribed by the regulations.

(4) The regulations may require any part of any business to be treated as a separate business.

(5) The regulations may make provision having retrospective effect.

(6) The regulations may—

(a) make different provision for different cases or circumstances, and

(b) contain incidental, supplementary, consequential, transitional, transitory or saving provision.

152 Friendly societies subject to transfer of business rules

(1) In this section "the transfer of business rules" means—

(a) Chapter 10 of Part 2, and

(b) any other provisions of the Corporation Tax Acts that apply on the transfer from an insurance company to another insurance company of the whole or part of its life assurance business or of its other long-term business.

(2) The transfer of business rules apply in the same way—

(a) on the transfer of the whole or part of the business of a friendly society to another friendly society,

(b) on the amalgamation of friendly societies,

(c) on the transfer of the whole or part of the business of a friendly society to a company which is not a friendly society,

(d) on the conversion of a friendly society into a company which is not a friendly society, and

(e) on the transfer of the whole or part of the business of an insurance company to a friendly society.

(3) The Treasury may by regulations provide that the transfer of business rules as applied by subsection (2) have effect subject to such exceptions or other modifications as may be prescribed by the regulations.

(4) The regulations may make provision having retrospective effect.

(5) The regulations may—

(a) make different provision for different cases or circumstances, and

(b) contain incidental, supplementary, consequential, transitional, transitory or saving provision.

Exempt BLAGAB or eligible PHI business

153 Exemption for certain BLAGAB or eligible PHI business

(1) A friendly society is not liable to pay corporation tax (whether on income or chargeable gains) on its profits arising from exempt BLAGAB or eligible PHI business.

(2) The exemption applies only if the society makes a claim.

(3) For the meaning of "BLAGAB or eligible PHI business", see section 154.

(4) For the meaning of "exempt" BLAGAB or eligible PHI business, see section 155.

154 Meaning of "BLAGAB or eligible PHI business"

(1) In this Part "BLAGAB or eligible PHI business" means—

(a) basic life assurance and general annuity business, and

(b) any PHI business so far as consisting of the effecting or carrying out of qualifying contracts,

but see subsections (3) and (4) for some qualifications.

(2) A contract is a "qualifying" contract if—

(a) it is made before 1 September 1996, or

(b) it is made on or after that date and it also falls within paragraph I, II or III of Part 2 of Schedule 1 to the FISMA (Regulated Activities) Order 2001.

(3) A contract made before 1 September 1996 which effects a policy affording provision for injury, sickness or other infirmity is to be regarded for the purposes of this Part as forming part of "BLAGAB or eligible PHI business" only if—

(a) the policy also affords assurance for a gross sum independent of injury, sickness or other infirmity,

(b) at least 60% of the total premiums are attributable to the provision afforded during injury, sickness or other infirmity, and

(c) there is no bonus or addition which may be declared or accrue upon the assurance of the gross sum.

(4) Business is not to be regarded as "BLAGAB or eligible PHI business" of a friendly society for the purposes of this Part so far as it consists of the assurance of any annuity the consideration for which consists of sums obtainable—

(a) on the maturity, or

(b) on the surrender,

of any other policy of assurance issued by the society which forms part of its exempt BLAGAB or eligible PHI business.

155 Meaning of "exempt" BLAGAB or eligible PHI business

(1) In this Part "exempt" BLAGAB or eligible PHI business means BLAGAB or eligible PHI business other than non-qualifying business.

(2) Business is "non-qualifying" so far as it consists of—

(a) the assurance of gross sums, or the granting of annuities, which meet the conditions set out in the following table (which vary according to the date on which the contracts in question were made), or

(b) the effecting or carrying out of contracts for the assurance of gross sums which are made on or after 20 March 1991 and which are expressed at the outset not to be made in the course of exempt BLAGAB or eligible PHI business.

(3) This is the table mentioned above—

Contracts to which assurance or annuities relate	*Applicable limit for premiums or gross sums*	*Applicable limit for annuities*
Contracts made on or after 1 May 1995	Assurance of gross sums under contracts under which the total premiums payable in any period of 12 months exceed £270	Granting of annuities of annual amounts exceeding £156
Contracts made on or after 25 July 1991 but before 1 May 1995	Assurance of gross sums under contracts under which the total premiums payable in any period of 12 months exceed £200	Granting of annuities of annual amounts exceeding £156
Contracts made on or after 1 September 1990 but before 25 July 1991	Assurance of gross sums under contracts under which the total premiums payable in any period of 12 months exceed £150	Granting of annuities of annual amounts exceeding £156
Contracts made on or after 1 September 1987 but before 1 September 1990	Assurance of gross sums under contracts under which the total premiums payable in any period of 12 months exceed £100	Granting of annuities of annual amounts exceeding £156
Contracts made on or after 14 March 1984 but before 1 September 1987	Assurance of gross sums exceeding £750	Granting of annuities of annual amounts exceeding £156
Contracts made before 14 March 1984	Assurance of gross sums exceeding £500	Granting of annuities of annual amounts exceeding £104

(4) In applying the limits in the above table in relation to the total premiums payable in any period of 12 months (in the case of contracts made on or after 1 September 1987)—

(a) if the premiums are payable more frequently than annually, ignore an amount equal to 10% of the premiums, and

(b) ignore so much of any premium as is charged on the ground that an exceptional risk of death or disability is involved.

(5) In applying the limits in the above table in the case of contracts made on or after 1 September 1987, ignore any bonus or addition declared upon an annuity.

(6) In applying the limits in the above table in the case of contracts made before 1 September 1987, ignore any bonus or addition which—

(a) is declared upon the assurance of a gross sum or annuity, or

(b) accrues upon the assurance of a gross sum or annuity by reference to an increase in the value of any investments.

(7) In the case of a contract for the assurance of a gross sum under exempt BLAGAB or eligible PHI business made on or after 1 September 1987 but before 1 May 1995, there is a special rule if the amount payable by way of premium under the contract is increased as a result of a variation made—

(a) in the period beginning with 25 July 1991 and ending with 31 July 1992, or

(b) in the period beginning with 1 May 1995 and ending with 31 March 1996.

(8) The rule is that, in relation to any profits relating to the contract as varied, the contract is to be treated for the purposes of the above table as made at the time of the variation.

156 Societies with no provision for assuring gross sums exceeding £2,000 etc

(1) This section applies to a friendly society if its rules make no provision for it to carry on BLAGAB or eligible PHI business, or other long-term business, consisting of—

(a) the assurance of gross sums exceeding £2,000, or

(b) the granting of annuities of annual amounts exceeding £416.

(2) The table in section 155 applies in relation to a friendly society to which this section applies as if, in the final row of that table—

(a) the reference to £500 were a reference to £2,000, and

(b) the reference to £104 were a reference to £416.

(3) If at any time a friendly society to which this section applies amends its rules so as to cease to be such a friendly society, any part of its BLAGAB or eligible PHI business which—

(a) relates to contracts made before that time, and

(b) immediately before that time was exempt BLAGAB or eligible PHI business,

continues to be exempt BLAGAB or eligible PHI business for the purposes of this Part.

(4) If at any time a friendly society to which this section does not apply amends its rules so as to become a friendly society to which this section applies, any part of its BLAGAB or eligible PHI business which—

(a) relates to contracts made before that time, and

(b) immediately before that time was not exempt BLAGAB or eligible PHI business,

continues not to be exempt BLAGAB or eligible PHI business for the purposes of this Part.

(5) If at any time a friendly society to which this section does not apply acquires by way of transfer of engagements or amalgamation from another friendly society any BLAGAB or eligible PHI business which—

(a) relates to contracts made before that time, and

(b) immediately before that time was exempt BLAGAB or eligible PHI business,

that business continues to be exempt BLAGAB or eligible PHI business for the purposes of this Part.

(6) If at any time a friendly society to which this section applies acquires by way of transfer of engagements or amalgamation from another friendly society any BLAGAB or eligible PHI business which—

(a) relates to contracts made before that time, and

(b) immediately before that time was not exempt BLAGAB or eligible PHI business,

that business continues not to be exempt BLAGAB or eligible PHI business for the purposes of this Part.

157 Transfers to friendly societies

(1) If at any time an insurance business transfer scheme transfers any long-term business to a friendly society, any BLAGAB or eligible PHI business which relates to contracts included in the transfer is subsequently not to be capable of being exempt BLAGAB or eligible PHI business for the purposes of this Part.

(2) This rule does not apply in relation to business relating to contracts to which section 158 applied immediately before the transfer had effect.

158 Transfers from friendly societies to insurance companies etc

(1) If at any time an insurance company acquires by way of transfer of engagements from a friendly society any BLAGAB or eligible PHI business which—

(a) relates to contracts made before that time, and

(b) immediately before that time was exempt BLAGAB or eligible PHI business,

that business continues to be exempt from corporation tax (whether on income or chargeable gains) on profits arising from it.

(2) If at any time a friendly society ceases as a result of section 91 of FSA 1992 (conversion into company) to be registered under that Act, any part of its BLAGAB or eligible PHI business which—

(a) relates to contracts made before that time, and

(b) immediately before that time was exempt BLAGAB or eligible PHI business,

continues to be exempt from corporation tax (whether on income or chargeable gains) on profits arising from it.

(3) If contracts constituting or forming part of the business of a company covered by this section are varied during an accounting period of the company so as to increase the premiums payable under them, the business relating to those contracts is not exempt from corporation tax for that or any subsequent accounting period.

(4) For the purposes of the Corporation Tax Acts any part of a company's business which is exempt from corporation tax as a result of this section is to be treated as a separate business from any other business carried on by the company.

(5) The Treasury may by regulations provide that, where any part of the business of a company is exempt from corporation tax as a result of this section, the Corporation

Tax Acts have effect subject to such exceptions or other modifications as they consider appropriate.

(6) The regulations may make provision having retrospective effect.

(7) The regulations may—

(a) make different provision for different cases or circumstances, and

(b) contain incidental, supplementary, consequential, transitional, transitory or saving provision.

159 Exception in case of breach of maximum benefits payable to members

(1) The exemption from corporation tax afforded by section 153, 156(3) or (5) or 158 does not apply in relation to so much of the profits arising to a friendly society or insurance company from any business as is attributable to a policy which—

(a) is not a qualifying policy as a result of sub-paragraph (2) of paragraph 6 of Schedule 15 to ICTA and is not an excluded policy, and

(b) would not be a qualifying policy as a result of that sub-paragraph if all excluded policies were ignored.

(2) A policy is an excluded policy if—

(a) it is held otherwise than with the friendly society or insurance company, or

(b) the person who has the contract effecting the policy acquired the rights under it on an assignment otherwise than for money or money's worth.

(3) This section does not withdraw the exemption from corporation tax afforded by section 153, 156(3) or (5) or 158 in relation to profits arising from any part of a business relating to contracts made on or before 3 May 1966.

Exempt BLAGAB or eligible PHI business: benefits payable by friendly societies etc

160 Maximum benefits payable to members

(1) This section imposes restrictions on the entitlement of a person to have at any time outstanding contracts with any one or more friendly societies, registered branches or insurance companies ("relevant persons") which are—

(a) for the assurance of gross sums under business which is afforded exemption from corporation tax under section 153, 156(3) or (5) or 158 (see subsections (2) and (3)), or

(b) for the assurance by way of annuity under business which is afforded exemption from corporation tax under any of those provisions (see subsection (4)).

(2) In the case of contracts for the assurance of gross sums made before 1 September 1987, a person is not entitled to have outstanding at any time with relevant persons contracts which, taking them all together, are for the assurance of more than £750 (but see subsection (9)).

(3) In the case of contracts for the assurance of gross sums at least one of which was made on or after that date, a person is not entitled to have outstanding at any time with relevant persons—

(a) contracts under which the total premiums payable in any period of 12 months exceed £270,

(b) contracts made before 1 May 1995 under which the total premiums payable in any period of 12 months exceed £200,

(c) contracts made before 25 July 1991 under which the total premiums payable in any period of 12 months exceed £150, or

(d) contracts made before 1 September 1990 under which the total premiums payable in any period of 12 months exceed £100.

(4) In the case of contracts for the assurance by way of annuity, a person is not entitled to have at any time outstanding with relevant persons contracts which, taking them all together, are for the assurance of more than £156 (but see subsection (9)).

(5) In applying the limits in this section in relation to the total premiums payable in any period of 12 months—

(a) if the premiums are payable more frequently than annually, ignore an amount equal to 10% of the premiums, and

(b) ignore so much of any premium as is charged on the ground that an exceptional risk of death or disability is involved.

(6) In applying the limits in this section, ignore —

(a) any bonus or addition which is declared upon an assurance of a gross sum or annuity or which accrues upon an assurance of a gross sum or annuity by reference to an increase in the value of any investments,

(b) any policy of insurance or annuity contract by means of which the benefits to be provided under an occupational pension scheme (within the meaning of section 150(5) of FA 2004) are secured,

(c) any annuity contract which constitutes, or is issued or held in connection with, a registered pension scheme other than one within paragraph (b), and

(d) any increase in a benefit under a friendly society contract (within the meaning given by section 6 of the Decimal Currency Act 1969) resulting from the adoption of a scheme prescribed or approved under subsection (3) of that section.

(7) In the case of a contract for the assurance of a gross sum made on or after 1 September 1987 but before 1 May 1995, there is a special rule if the amount payable by way of premium under the contract is increased as a result of a variation made—

(a) in the period beginning with 25 July 1991 and ending with 31 July 1992, or

(b) in the period beginning with 1 May 1995 and ending with 31 March 1996.

(8) The rule is that, in relation to times when the contract has effect as varied, the contract is to be treated for the purposes of this section as made at the time of variation.

(9) If a person's outstanding contracts with relevant persons were contracts which were all made before 14 March 1984—

(a) subsection (2) has effect as if the reference to £750 were a reference to £2,000, and

(b) subsection (4) has effect as if the reference to £156 were a reference to £416.

161 Section 160: supplementary

(1) This section makes further provision for the purposes of section 160 the application of which depends on whether or not a friendly society is an old society.

(2) For the purposes of this Part an "old society" means—

(a) a registered friendly society which was registered before 4 February 1966,

(b) a registered friendly society which was registered in the period beginning with that date and ending with 3 May 1966 and which on or before 3 May 1966 carried on any life or endowment business (within the meaning of section 29 of FA 1966), or

(c) an incorporated friendly society which, before its incorporation, was a registered friendly society within paragraph (a) or (b).

(3) In applying the limits in section 160(3) in relation to the total premiums payable in any period of 12 months, ignore £10 of the premiums payable under any contract made before 1 September 1987 by an old society.

(4) In applying the limits in section 160(3), the premiums under any contract for an annuity which was made before 1 June 1984 by a friendly society other than an old society are to be dealt with as if the contract were for the assurance of a gross sum.

(5) In applying the limits in section 160 in any case where a person has outstanding with relevant persons one or more contracts made after 13 March 1984 and one or more contracts made on or before that date, any contract for an annuity which was made before 1 June 1984 by a friendly society other than an old society is to be regarded—

(a) as a contract for the annual amount concerned, and

(b) as a contract for the assurance of a gross sum equal to 75% of the total premiums which would be payable under the contract if it were to run for its full term or, as the case may be, if the member concerned were to die at the age of 75.

162 Section 160: statutory declarations

A friendly society, registered branch or insurance company may require a person to make and sign a statutory declaration—

(a) that the total amount assured under outstanding contracts entered into by that person with any one or more friendly societies, registered branches or insurance companies (taken together) does not exceed the limits set out in section 160, and

(b) that the total premiums under those contracts do not exceed those limits.

Exempt BLAGAB or eligible PHI business: directions to old societies

163 Directions given to old societies

(1) HMRC Commissioners may give a direction under this section to an old society.

(2) The Commissioners may give the direction if—

(a) the society begins to carry on exempt BLAGAB or eligible PHI business or, in their opinion, begins to carry on exempt BLAGAB or eligible PHI business on an enlarged scale or of a new character, and

(b) it appears to them, having regard to the restrictions placed on qualifying policies issued by friendly societies other than old societies by paragraphs 3(1)(b) and 4(3)(b) of Schedule 15 to ICTA, that for the protection of the revenue it is expedient to give the direction.

(3) The direction is that (and has the effect that) the society is to be treated for the purposes of this Part and Schedule 15 to ICTA as a friendly society other than an old society with respect to business carried on after the date of the direction.

(4) The society may appeal against the direction on the ground that—

(a) it has not begun to carry on business as mentioned in subsection (2)(a), or

(b) the direction is not necessary for the protection of the revenue.

(5) The appeal must be made within 30 days of the date on which the direction is given.

(6) If a registered friendly society in respect of which a direction is in force under this section becomes an incorporated friendly society, the direction continues to have effect, so that for the purposes of this Part and Schedule 15 to ICTA it is treated as a friendly society other than an old society.

Exemption for other business

164 Societies registered before 1 June 1973, etc

(1) A registered friendly society which is a qualifying society is not liable to pay corporation tax (whether on income or chargeable gains) on its profits other than those arising from—

(a) life assurance business, or

(b) PHI business comprised in BLAGAB or eligible PHI business.

(2) A registered friendly society is a qualifying society if—

(a) it was registered before 1 June 1973 (but see section 168 for circumstances in which it ceases to be a qualifying society),

(b) it is registered on or after that date and its business is limited to the provision, in accordance with its rules, of benefits for or in respect of employees of a particular employer or such other group of persons as is for the time being approved for the purposes of this section by HMRC Commissioners, or

(c) it is registered on or after that date but before 27 March 1974 and its rules limit the total amount which may be paid by a member by way of contributions and deposits to not more than £1 per month or such greater amount as HMRC Commissioners may authorise for the purposes of this section.

(3) For the purposes of this section a registered friendly society formed on the amalgamation of two or more friendly societies is treated as registered before 1 June 1973 if, at the time of amalgamation, each of the societies amalgamated was a qualifying society (but otherwise is treated as registered at that time).

(4) The exemption applies only if the society makes a claim.

165 Incorporated friendly societies

(1) An incorporated friendly society which is a qualifying society is not liable to pay corporation tax (whether on income or chargeable gains) on its profits other than those arising from—

(a) life assurance business, or

(b) PHI business comprised in BLAGAB or eligible PHI business.

(2) An incorporated friendly society is a qualifying society if it falls within any of cases A to C (but see section 168 for circumstances in which it ceases to be a qualifying society).

(3) Case A is that, immediately before its incorporation, it was a registered friendly society which was a qualifying society within the meaning of section 164.

(4) Case B is that—

(a) it was formed otherwise than by the incorporation of a registered friendly society or the amalgamation of two or more friendly societies, and

(b) its business is limited to the provision, in accordance with its rules, of benefits for or in respect of employees of a particular employer or such other group of persons as is for the time being approved for the purposes of this section by HMRC Commissioners.

(5) Case C is that—

(a) it was formed by the amalgamation of two or more friendly societies, and

(b) at the time of the amalgamation each of the societies being amalgamated was a qualifying society within the meaning of section 164 or this section.

(6) The exemption applies only if the society makes a claim.

(7) The exemption does not apply to any profits arising or accruing to the society from, or by reason of its interest in, a body corporate—

(a) which is a subsidiary of the society (within the meaning of FSA 1992), or

(b) of which the society has joint control (within the meaning of FSA 1992).

166 Transfers from friendly societies to insurance companies etc

(1) For the purposes of this Part "relevant other business" means any business other than—

(a) life assurance business, or

(b) PHI business comprised in BLAGAB or eligible PHI business.

(2) If—

(a) at any time an insurance company acquires by way of transfer of engagements from a friendly society any relevant other business, and

(b) immediately before that time the society was exempt from corporation tax on profits arising from that business as a result of section 164 or 165,

the insurance company is exempt from corporation tax on its profits arising from the relevant other business so far as relating to contracts made before that time.

(3) If a friendly society—

(a) at any time ceases as a result of section 91 of FSA 1992 (conversion into company) to be registered under that Act, and

(b) immediately before that time the society was, as a result of section 164 or 165, exempt from corporation tax on profits arising from any relevant other business carried on by it,

the company into which the society is converted is exempt from corporation tax on its profits arising from the relevant other business so far as relating to contracts made before that time.

(4) If during an accounting period of a company there is an increase in the scale of benefits which it undertakes to provide in the course of carrying on relevant other business relating to contracts made before the time of transfer or conversion, the company is not exempt from corporation tax as a result of this section for that or any subsequent accounting period.

(5) For the purposes of the Corporation Tax Acts any part of a company's business which is exempt from corporation tax as a result of this section is to be treated as a separate business from any other business carried on by the company.

(6) The Treasury may by regulations provide that, where any part of the business of a company is exempt from corporation tax as a result of this section, the Corporation Tax Acts have effect subject to such exceptions or other modifications as they consider appropriate.

(7) The regulations may make provision having retrospective effect.

(8) The regulations may—

(a) make different provision for different cases or circumstances, and

(b) contain incidental, supplementary, consequential, transitional, transitory or saving provision.

167 Transfers between friendly societies

(1) If—

(a) at any time a friendly society acquires by way of transfer of engagements or amalgamation from another friendly society any relevant other business, and

(b) immediately before that time the transferor was exempt from corporation tax on profits arising from that business as a result of section 164 or 165,

the transferee is exempt from corporation tax on its profits arising from the relevant other business so far as relating to contracts made before that time.

(2) If during an accounting period of the transferee there is an increase in the scale of benefits which it undertakes to provide in the course of carrying on relevant other business relating to contracts made before that time, the transferee is not exempt from corporation tax as a result of this section for that or any subsequent accounting period.

(3) If—

(a) at any time a friendly society acquires by way of transfer of engagements or amalgamation from another friendly society any relevant other business, and

(b) immediately before that time the transferor was not exempt from corporation tax on profits arising from that business as a result of section 164 or 165,

the transferee is not exempt from corporation tax on its profits arising from the relevant other business so far as relating to contracts made before that time.

(4) The Treasury may by regulations provide that, where any part of the business of a friendly society is, or is not, exempt from corporation tax as a result of this section, the Corporation Tax Acts have effect subject to such exceptions or other modifications as they consider appropriate.

(5) The regulations may make provision having retrospective effect.

(6) The regulations may—

(a) make different provision for different cases or circumstances, and

(b) contain incidental, supplementary, consequential, transitional, transitory or saving provision.

(7) Nothing in this section applies in relation to transfers or amalgamations taking place before 21 July 2008.

168 Withdrawal of qualifying status

(1) HMRC Commissioners may give a direction under this section to—

(a) a registered friendly society which is a qualifying society for the purposes of section 164 as a result of its registration before 1 June 1973, or

(b) an incorporated friendly society which is a qualifying society for the purposes of section 165 as a result of falling within case A or C and whose business and rules are not of a kind mentioned in section 164(2)(b) or (c).

(2) The Commissioners may give the direction if—

(a) the society begins to carry on relevant other business or, in their opinion, begins to carry on relevant other business on an enlarged scale or of a new character, and

(b) it appears to them, having regard to the restrictions imposed by section 164 on registered friendly societies registered on or after 1 June 1973, that for the protection of the revenue it is expedient to give the direction.

(3) The direction is that (and has the effect that) the society ceases to be a qualifying society as from the date of the direction.

(4) The society may appeal against the direction on the ground that—

(a) it has not begun to carry on business as mentioned in subsection (2)(a), or

(b) the direction is not necessary for the protection of the revenue.

(5) The appeal must be made within 30 days of the date on which the direction is given.

169 Payments by non-qualifying societies treated as qualifying distributions

(1) This section applies if—

(a) a friendly society which is not a qualifying society makes a payment to a member in respect of the member's interest in the society,

(b) the payment is made in the course of relevant other business, and

(c) the payment exceeds the total amount of any sums paid by the member to the society by way of contributions or deposits after deducting from that total any relevant previous payment and any relevant earlier repayment.

(2) The excess is treated for the purposes of corporation tax and income tax as a qualifying distribution.

(3) In this section—

(a) the reference to a relevant previous payment is to the amount of any previous payment made by the society to the member in respect of the member's interest in the society, and

(b) the reference to a relevant earlier repayment is to the amount of any earlier repayment of sums paid by the member to the society by way of contributions or deposits.

(4) In the case of an incorporated friendly society which, immediately before its incorporation, was a registered friendly society which was not a qualifying society—

(a) references in this section to payments (or repayments) to or from the society include payments (or repayments) to or from the registered friendly society, but

(b) subsection (3)(a) does not apply to a payment made before 27 March 1974 or, if the registered friendly society was previously a qualifying society but ceased to be one as a result of a direction given to it under section 168(1)(a), a payment made on or before such later date as was specified in the direction.

(5) In the case of any other incorporated friendly society which was previously a qualifying society but ceased to be one as a result of a direction given to it under section 168(1)(b), subsection (3)(a) does not apply to a payment made on or before the date specified in the direction.

(6) In the case of a registered friendly society, subsection (3)(a) does not apply to—

(a) a payment made before 27 March 1974, or

(b) if the society was previously a qualifying society but ceased to be one as a result of a direction given to it under section 168(1)(a), a payment made on or before such later date as was specified in the direction.

(7) For the purposes of this section—

(a) a registered friendly society is not a qualifying society at any time if, at that time, it is not a qualifying society within the meaning of section 164, and

(b) an incorporated friendly society is not a qualifying society at any time if, at that time, it is not a qualifying society within the meaning of section 165.

Miscellaneous

170 Transfer schemes under s.6(5) of FSA 1992

(1) This section applies if assets of a branch of a registered friendly society have been identified in a scheme under section 6(5) of FSA 1992 (property, rights etc excluded from transfer to the society on its incorporation).

(2) In relation to any time after the incorporation of the society, the assets are to be treated for the purposes of the Tax Acts as assets of the society (and, accordingly, any corporation tax or income tax liability arising in respect of them is a liability of the society rather than of the branch).

(3) If, as a result of this section, corporation tax or income tax in respect of any of the assets becomes chargeable on and is paid by the society, the society may recover from the trustees in whom those assets are vested the amount of the tax paid.

171 Exemption for unregistered friendly societies

(1) A friendly society which is neither a registered friendly society nor an incorporated friendly society is not liable to pay corporation tax (whether on income or chargeable gains) on its profits if its income does not exceed £160 a year.

(2) The exemption applies only if the society makes a claim.

Interpretation

172 Minor definitions

(1) In this Part—

"friendly society", without qualification, means (except in section 171) a registered friendly society or an incorporated friendly society,

"incorporated friendly society" means a society incorporated under FSA 1992,

"policy", in relation to BLAGAB or eligible PHI business, includes an instrument evidencing a contract to pay an annuity upon human life,

"registered branch" has the same meaning as in FSA 1992 (and includes any branch that as a result of section 96(3) of FSA 1992 is treated as a registered branch), and

"registered friendly society" has the same meaning as in FSA 1992 (and includes any society that as a result of section 96(2) of FSA 1992 is treated as a registered friendly society).

(2) Any other expression which is used in this Part and in Part 2 has the same meaning in this Part as in that Part.

(3) References in this Part to a friendly society include, in the case of a registered friendly society, references to any branch of that society.

(4) It is declared that for the purposes of this Part (except where provision to the contrary is made) a friendly society formed on the amalgamation of two or more friendly societies is treated as different from the amalgamated societies.

(5) A registered friendly society formed on the amalgamation of two or more friendly societies is treated for the purposes of this Part as registered not later than 3 May 1966 if at the time of the amalgamation—

(a) all the societies amalgamated were registered friendly societies eligible for the exemption conferred by section 153, and

(b) at least one of them was an old society,

or, if the amalgamation took place before 19 March 1985, the society was treated as registered not later than 3 May 1966 as a result of the proviso to section 337(4) of the Income and Corporation Taxes Act 1970.

(6) An incorporated friendly society formed on the amalgamation of two or more friendly societies is treated for the purposes of this Part as a society which, before its incorporation, was a registered friendly society registered not later than 3 May 1966 if at the time of the amalgamation—

(a) all the societies amalgamated were registered friendly societies eligible for the exemption conferred by section 153, and

(b) at least one of them was an old society.

173 Abbreviations

(1) In this Part—

"FSA 1992" means the Friendly Societies Act 1992, and

"FISMA (Regulated Activities) Order 2001" means the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001.

(2) For abbreviations of other Acts, see section 228.

174 Index of defined terms

In this Part the following expressions are defined or otherwise explained by the provisions indicated—

Expression	*Where explained*
basic life assurance and general annuity business (abbreviated to "BLAGAB")	sections 57, 67(5) and 172(2)
BLAGAB or eligible PHI business	section 154
contract of insurance	sections 64 and 172(2)
exempt BLAGAB or eligible PHI business	section 155
friendly society	section 172(1)
HMRC Commissioners	sections 139(1) and 172(2)
incorporated friendly society	section 172(1)
insurance business transfer scheme	sections 139(1) and 172(2)
insurance company	sections 65 and 172(2)
life assurance business	sections 56 and 172(2)
long-term business	sections 63(1) and 172(2)
old society	section 161(2)
PHI business	sections 63(2) and 172(2)
policy	section 172(1)
registered	section 172(5) and (6)
registered branch	section 172(1)
registered friendly society	section 172(1) and (3)
relevant other business	section 166
re-insurance	sections 139(1) and 172(2)

Regulations

175 Regulations

(1) Any power of the Treasury to make any regulations under this Part is exercisable by statutory instrument.

(2) Any statutory instrument containing any regulations made by the Treasury under this Part is subject to annulment in pursuance of a resolution of the House of Commons.

(3) Nothing in this Part that authorises the inclusion of any particular kind of provision in any regulations under this Part is to be read as restricting the generality of the provision that may be included in the regulations.

Consequential amendments and transitional provision

176 Consequential amendments

Schedule 18 contains consequential amendments.

177 Transitional provision

Schedule 19 contains transitional provision in connection with the coming into force of this Part.

Commencement etc

178 Commencement

The provisions of this Part (other than section 179) have effect in relation to accounting periods of companies beginning on or after 1 January 2013.

179 Accounting periods straddling 1 January 2013

(1) If, apart from this section, a friendly society would have had an accounting period beginning before 1 January 2013 and ending on or after that date, the accounting period of the society is to end instead on 31 December 2012.

(2) Accordingly, the rules in section 10 of CTA 2009 (end of accounting period) are subject to this section.

PART 4

CONTROLLED FOREIGN COMPANIES AND FOREIGN PERMANENT ESTABLISHMENTS

180 Controlled foreign companies and foreign permanent establishments

Schedule 20 makes—

(a) provision for and in connection with a charge on UK resident companies which have interests in non-UK resident companies controlled by UK resident persons, and

(b) provision about foreign permanent establishments of UK resident companies.

PART 5

OIL

181 Transfers within a group by companies carrying on ring fence trade

(1) Section 171A of TCGA 1992 (election to reallocate gain or loss to another member of group) is amended as follows.

(2) In subsection (4), at the end insert "(but see subsection (4A))".

(3) After subsection (4) insert—

"(4A) An election may not be made under this section to transfer the whole or part of a ring fence chargeable gain from a company carrying on a ring fence trade to a company not carrying on such a trade.

(4B) In subsection (4A)—

"ring fence chargeable gain", in relation to a company, means—

(a) a chargeable gain accruing to the company on a material disposal within the meaning of section 197 (disposals of interests in oil fields etc: ring fence provisions), or

(b) a chargeable gain treated as accruing to the company by virtue of section 197(4);

"ring fence trade" has the same meaning as in Part 8 of CTA 2010 (see section 277 of that Act)."

(4) The amendments made by this section have effect in relation to chargeable gains accruing, or treated by virtue of section 197(4) of TCGA 1992 as accruing, in chargeable periods ending on or after 6 December 2011 (but see also subsection (5)).

(5) In relation to a chargeable period of a company beginning before 6 December 2011 and ending on or after that date ("the straddling period"), the amendments made by this section have effect as if, for the purposes of section 197 of TCGA 1992, so much of the straddling period as falls before 6 December 2011, and so much of that period as falls on or after that date, were separate chargeable periods.

182 Supplementary charge

(1) In section 330 of CTA 2010 (supplementary charge in respect of ring fence trades), in subsection (2), for "profits of the company's ring fence trade" substitute "company's ring fence profits".

(2) This section is treated as having come into force on 6 December 2011.

183 Relief in respect of decommissioning expenditure

Schedule 21 contains provision about the relief available in respect of decommissioning expenditure.

184 Reduction of supplementary charge for certain oil fields

Schedule 22 contains provision extending the availability of field allowances for oil fields.

PART 6

EXCISE DUTIES

Tobacco products duty

185 Rates of tobacco products duty

(1) For the table in Schedule 1 to TPDA 1979 substitute—

"TABLE

1. Cigarettes	An amount equal to 16.5 per cent of the retail price plus £167.41 per thousand cigarettes
2. Cigars	£208.83 per kilogram
3. Hand-rolling tobacco	£164.11 per kilogram
4. Other smoking tobacco and chewing tobacco	£91.81 per kilogram".

(2) The amendment made by this section is treated as having come into force at 6 pm on 21 March 2012.

Alcoholic liquor duties

186 Rates of alcoholic liquor duties

(1) ALDA 1979 is amended as follows.

(2) In section 5 (rate of duty on spirits), for "£25.52" substitute "£26.81".

(3) In section 36(1AA) (rates of general beer duty)—

(a) in paragraph (za) (rate of duty on lower strength beer), for "£9.29" substitute "£9.76", and

(b) in paragraph (a) (standard rate of duty on beer), for "£18.57" substitute "£19.51".

(4) In section 37(4) (rate of high strength beer duty), for "£4.64" substitute "£4.88".

(5) In section 62(1A) (rates of duty on cider)—

(a) in paragraph (a) (rate of duty per hectolitre on sparkling cider of a strength exceeding 5.5 per cent), for "£233.55" substitute "£245.32",

(b) in paragraph (b) (rate of duty per hectolitre on cider of a strength exceeding 7.5 per cent which is not sparkling cider), for "£53.84" substitute "£56.55", and

(c) in paragraph (c) (rate of duty per hectolitre in any other case), for "£35.87" substitute "£37.68".

(6) For the table in Schedule 1 substitute—

"Table of rates of duty on wine and made-wine

PART 1

WINE OR MADE-WINE OF A STRENGTH NOT EXCEEDING 22 PER CENT

Description of wine or made-wine	*Rates of duty per hectolitre £*
Wine or made-wine of a strength not exceeding 4 per cent	78.07
Wine or made-wine of a strength exceeding 4 per cent but not exceeding 5.5 per cent	107.36
Wine or made-wine of a strength exceeding 5.5 per cent but not exceeding 15 per cent and not being sparkling	253.39
Sparkling wine or sparkling made-wine of a strength exceeding 5.5 per cent but less than 8.5 per cent	245.32
Sparkling wine or sparkling made-wine of a strength of 8.5 per cent or of a strength exceeding 8.5 per cent but not exceeding 15 per cent	324.56
Wine or made-wine of a strength exceeding 15 per cent but not exceeding 22 per cent	337.82

PART 2

WINE OR MADE-WINE OF A STRENGTH EXCEEDING 22 PER CENT

Description of wine or made-wine	*Rates of duty per litre of alcohol in wine or made-wine £*
Wine or made-wine of a strength exceeding 22 per cent	26.81”.

(7) The amendments made by this section are treated as having come into force on 26 March 2012.

187 Repeal of drawback on British compounds and spirits of wine

(1) Section 22 of ALDA 1979 (drawback on British compounds and spirits of wine) is repealed.

(2) In consequence of the provision made by subsection (1), omit the following provisions—

(a) in Schedule 1 to the Isle of Man Act 1979, paragraph 29;

(b) in Schedule 8 to FA 1981, paragraph 16;

(c) in Schedule 4 to FA 1994, paragraph 24;

(d) in Schedule 5 to that Act, paragraph 3(1)(ha);

(e) in Schedule 42 to FA 2008, paragraph 2(2).

Hydrocarbon oil etc duties

188 Rates of duty and rebates from 1 August 2012 to 31 December 2012

In relation to products charged with duty under HODA 1979 on or after 1 August 2012 but before 1 January 2013, that Act has effect as if the amendments made by section 20 of FA 2011 had never been made.

189 Rebated fuel: private pleasure craft

(1) In section 14E of HODA 1979 (rebated heavy oil and bioblend: private pleasure craft), after subsection (7) insert—

"(7A) A relevant declaration must include an acknowledgement that nothing in this section or done under it (including the making of the declaration) affects any restriction or prohibition under the law of a member State other than the United Kingdom on the use of the heavy oil or bioblend as fuel for propelling craft outside United Kingdom waters (as defined in section 1(1) of the Management Act)."

(2) The amendment made by this section has effect in relation to supplies made on or after 1 April 2012.

Air passenger duty

190 Air passenger duty

Schedule 23 amends, and makes amendments connected with, Chapter 4 of Part 1 of FA 1994 (air passenger duty).

Gambling duties

191 Machine games duty

Schedule 24 contains provision replacing amusement machine licence duty with a new excise duty and making related changes to VATA 1994.

192 Amusement machine licence duty

(1) In section 23(2) of BGDA 1981 (amount of duty payable on amusement machine licence), for the table substitute—

"TABLE

Months for which licence granted	*Category A*	*Category B1*	*Category B2*	*Category B3*	*Category B4*	*Category C*
	£	£	£	£	£	£
1	555	280	220	220	200	85
2	1105	555	435	435	395	165

Months for which licence granted	*Category A* £	*Category B1* £	*Category B2* £	*Category B3* £	*Category B4* £	*Category C* £
3	1655	830	655	655	595	250
4	2205	1105	870	870	790	330
5	2755	1380	1085	1085	985	410
6	3305	1655	1305	1305	1185	495
7	3860	1930	1520	1520	1380	575
8	4410	2205	1740	1740	1575	655
9	4960	2485	1955	1955	1775	740
10	5510	2760	2170	2170	1970	820
11	6060	3035	2390	2390	2170	900
12	6295	3150	2480	2480	2250	935”.

(2) The amendment made by this section has effect in relation to cases where the application for the amusement machine licence is received by the Commissioners for Her Majesty’s Revenue and Customs after 4 pm on 23 March 2012.

193 Rates of gaming duty

(1) In section 11(2) of FA 1997 (rates of gaming duty), for the table substitute—

“TABLE

Part of gross gaming yield	*Rate*
The first £2,175,000	15 per cent
The next £1,499,500	20 per cent
The next £2,626,000	30 per cent
The next £5,542,500	40 per cent
The remainder	50 per cent”.

(2) The amendment made by this section has effect in relation to accounting periods beginning on or after 1 April 2012.

194 Remote gambling: double taxation relief

Schedule 25 contains provision for double taxation relief in respect of remote gambling.

Vehicle excise duty

195 VED rates for light passenger vehicles, light goods vehicles, motorcycles etc

(1) Schedule 1 to VERA 1994 (annual rates of duty) is amended as follows.

(2) In paragraph 1 (general)—

(a) in sub-paragraph (2) (vehicle not covered elsewhere in Schedule otherwise than with engine cylinder capacity not exceeding 1,549cc), for "£215" substitute "£220", and

(b) in sub-paragraph (2A) (vehicle not covered elsewhere in Schedule with engine cylinder capacity not exceeding 1,549cc), for "£130" substitute "£135".

(3) In paragraph 1B (graduated rates of duty for light passenger vehicles)—

(a) for the tables substitute—

"Table 1

RATES PAYABLE ON FIRST VEHICLE LICENCE FOR VEHICLE

CO_2 emissions figure		*Rate*	
(1)	(2)	*(3)*	*(4)*
Exceeding	Not exceeding	*Reduced rate*	*Standard rate*
g/km	g/km	£	£
130	140	110	120
140	150	125	135
150	165	160	170
165	175	265	275
175	185	315	325
185	200	450	460
200	225	590	600
225	255	805	815
255	—	1020	1030

Table 2

RATES PAYABLE ON ANY OTHER VEHICLE LICENCE FOR VEHICLE

CO_2 emissions figure		*Rate*	
(1)	(2)	*(3)*	*(4)*
Exceeding	Not exceeding	*Reduced rate*	*Standard rate*
g/km	g/km	£	£
100	110	10	20

CO_2 emissions figure		*Rate*	
(1)	(2)	*(3)*	*(4)*
Exceeding	Not exceeding	*Reduced rate*	*Standard rate*
g/km	g/km	£	£
110	120	20	30
120	130	90	100
130	140	110	120
140	150	125	135
150	165	160	170
165	175	185	195
175	185	205	215
185	200	240	250
200	225	260	270
225	255	450	460
255	—	465	475”;

(b) in the sentence immediately following the tables, for paragraphs (a) and (b) substitute—

“(a) in column (3), in the last two rows, “260” were substituted for “450” and “465”, and

(b) in column (4), in the last two rows, “270” were substituted for “460” and “475”.”

(4) In paragraph 1J (VED rates for light goods vehicles)—

(a) in paragraph (a), for “£210” substitute “£215”, and

(b) in paragraph (b), for “£130” substitute “£135”.

(5) In paragraph 2(1) (VED rates for motorcycles)—

(a) in paragraph (b), for “£35” substitute “£36”,

(b) in paragraph (c), for “£53” substitute “£55”, and

(c) in paragraph (d), for “£74” substitute “£76”.

(6) The amendments made by this section have effect in relation to licences taken out on or after 1 April 2012.

PART 7

VALUE ADDED TAX

196 Changes to the categorisation of supplies

(1) Schedule 26 contains provision about the categorisation of supplies for the purposes of value added tax.

(2) Schedule 27 contains provision for an anti-forestalling charge to value added tax related to changes in the descriptions of exempt or zero-rated supplies.

197 Exempt supplies

(1) In Part 1 of Schedule 9 to VATA 1994 (index to exempt supplies of goods and services), at the appropriate place in the table insert—

"Supplies of services by groups involving cost sharing	Group 16".

(2) In Part 2 of that Schedule (the groups), at the end insert—

"**GROUP 16 — SUPPLIES OF SERVICES BY GROUPS INVOLVING COST SHARING**

Item No

1 The supply of services by an independent group of persons where each of the following conditions is satisfied—

(a) each of those persons is a person who is carrying on an activity ("the relevant activity") which is exempt from VAT or in relation to which the person is not a taxable person within the meaning of Article 9 of Council Directive 2006/112/EC,

(b) the supply of services is made for the purpose of rendering the members of the group the services directly necessary for the exercise of the relevant activity,

(c) the group merely claims from its members exact reimbursement of their share of the joint expenses, and

(d) the exemption of the supply is not likely to cause distortion of competition."

(3) In section 31 of that Act (exempt supplies and acquisitions), after subsection (2) insert—

"(3) The Treasury may by regulations make an exemption of a group 16 supply of a description specified in the regulations subject to conditions.

(4) Regulations under subsection (3) may—

(a) make different provision for different cases, and

(b) make consequential or transitional provision (including provision amending this Act).

(5) In subsection (3) "group 16 supply" means a supply falling within Group 16 of Schedule 9."

198 Supply of goods or services by public bodies

(1) VATA 1994 is amended as follows.

(2) In section 41 (application to the Crown)—

(a) omit subsection (2), and

(b) in subsection (3)(b) for "a direction under subsection (2) above," substitute "section 41A,".

(3) After that section insert—

"**41A Supply of goods or services by public bodies**

(1) This section applies where goods or services are supplied by a body mentioned in Article 13(1) of the VAT Directive (status of public bodies as taxable persons) in the course of activities or transactions in which it is engaged as a public authority.

(2) If the supply is in respect of an activity listed in Annex I to the VAT Directive (activities in respect of which public bodies are to be taxable persons), it is to be treated for the purposes of this Act as a supply in the course or furtherance of a business unless it is on such a small scale as to be negligible.

(3) If the supply is not in respect of such an activity, it is to be treated for the purposes of this Act as a supply in the course or furtherance of a business if (and only if) not charging VAT on the supply would lead to a significant distortion of competition.

(4) In this section "the VAT Directive" means Council Directive 2006/112/EC on the common system of value added tax."

199 Relief from VAT on low value goods: restriction relating to Channel Islands

(1) In Schedule 2 to the Value Added Tax (Imported Goods) Relief Order 1984 (S.I. 1984/746) (reliefs for goods of certain descriptions), Group 8 (articles sent for miscellaneous purposes) is amended as follows.

(2) The existing Note becomes Note (1) (and accordingly "*Note*" in Group 8 becomes "*Notes*").

(3) After that Note insert—

"(2) Item 8 does not apply in relation to any goods sent from the Channel Islands under a distance selling arrangement.

(3) For the purposes of Note (2)—

"distance selling arrangement", in relation to any goods, means any transaction, or series of transactions, under which the person to whom the goods are sent receives them from a supplier without the simultaneous physical presence of the person and the supplier at any time during the transaction or series of transactions, and

"supplier" means any person who is acting in a commercial or professional capacity."

(4) The amendment of that Schedule by this section is without prejudice to any power to amend that Schedule by subordinate legislation.

(5) The amendments made by this section have effect in relation to goods imported on or after 1 April 2012.

200 Group supplies using an overseas member

(1) VATA 1994 is amended as follows.

(2) In section 43 (groups of companies), in subsection (2C)(c), after "above" insert "and paragraph 8A of Schedule 6".

(3) In section 83 (appeals), in subsection (1)(v) for "or 2" substitute ", 2 or 8A".

(4) In section 97(4) (orders requiring Parliamentary approval within 28 days of being made), in paragraph (f), after "1A(7)" insert "or 8A(7)".

(5) Schedule 6 (valuation: special cases) is amended as follows.

(6) In paragraph 1 (cases where Commissioners may direct value is open market value), in sub-paragraph (5), after "paragraph", in the second place it occurs, insert "8A or".

(7) After paragraph 8 insert—

"8A (1) This paragraph applies where—

(a) a supply ("the intra-group supply") made by a member of a group ("the supplier") to another member of the group is, by virtue of section 43(2A), excluded from the supplies disregarded under section 43(1)(a), and

(b) the representative member of the group satisfies the Commissioners as to the value of each bought-in supply.

(2) "Bought-in supply", in relation to the intra-group supply, means a supply of services to the supplier to which section 43(2A)(c) to (e) refers, so far as that supply is used by the supplier for making the intra-group supply.

(3) The value of the intra-group supply shall be taken to be the total of the relevant amounts in relation to the bought-in supplies.

(4) The relevant amount in relation to a bought-in supply is the value of the bought-in supply, unless a direction is made under sub-paragraph (5).

(5) If the value of a bought-in supply is less than its open market value, the Commissioners may direct that the relevant amount in relation to that supply is its open market value.

(6) A direction under this paragraph must be given by notice in writing to the representative member, but no direction may be given more than 3 years after the time of the intra-group supply.

(7) The Treasury may by order vary the provision made by this Schedule about the value of supplies of the kind mentioned in sub-paragraph (1)(a).

(8) An order under sub-paragraph (7) may include incidental, supplemental, consequential or transitional provision (including provision amending section 43 or 83)."

(8) The amendments made by this section have effect in relation to supplies made on or after the day on which this Act is passed.

201 Face-value vouchers

(1) In Schedule 10A to VATA 1994 (face-value vouchers), after paragraph 7 insert—

"Exclusion of single purpose vouchers

7A Paragraphs 2 to 4, 6 and 7 do not apply in relation to the issue, or any subsequent supply, of a face-value voucher that represents a right to receive goods or services of one type which are subject to a single rate of VAT."

(2) The amendment made by subsection (1) has effect in relation to supplies of face-value vouchers issued on or after 10 May 2012.

(3) Subsection (4) applies where—

(a) a face-value voucher issued before 10 May 2012 is used on or after that date to obtain goods or services,

(b) paragraphs 2 to 4, 6 and 7 of Schedule 10A to VATA 1994 would not have applied in relation to the issue, or any subsequent supply, of the voucher because of paragraph 7A of that Schedule if the voucher had been issued on or after 10 May 2012, and

(c) VAT is not payable under the law of another member State on the supply of the voucher to the user.

(4) The use of the voucher is to be treated for the purposes of VATA 1994 as a supply of the goods or services by the person from whom they are obtained to the user of the voucher.

202 Power to require notification of arrival of means of transport in UK

In Schedule 11 to VATA 1994 (administration, collection and enforcement), in paragraph 2 (accounting for VAT and payment of VAT), after sub-paragraph (5) insert—

"(5A) Regulations under this paragraph may make provision—

(a) for requiring the relevant person to give to the Commissioners such notification of the arrival in the United Kingdom of goods consisting of a means of transport, at such time and in such form and manner, as may be specified in the regulations or by the Commissioners in accordance with the regulations, and

(b) where notification of the arrival of a means of transport acquired from another member State, or imported from a place outside the member States, is required by virtue of paragraph (a), for requiring any VAT on the acquisition or importation to be paid at such time and in such manner as may be specified in the regulations.

(5B) The provision that may be made by regulations made by virtue of sub-paragraph (5A) includes—

(a) provision for a notification required by virtue of that sub-paragraph to contain such particulars relating to the notified arrival of the means of transport and any VAT chargeable on its acquisition or importation as may be specified in the regulations or by the Commissioners in accordance with the regulations,

(b) provision for such a notification to be given by a person who is not the relevant person and is so specified, or is of a description so specified,

(c) provision for such a notification to contain a declaration, given in such form and by such person as may be so specified, as to the information contained in the notification, and

(d) supplementary, incidental, consequential or transitional provision (including provision amending any provision made by or under this Act or any other enactment).

(5C) Subsection (3) of section 97 (orders subject to Commons approval) applies to a statutory instrument containing any regulations made by virtue of sub-paragraph (5A) which amend an enactment as it applies to an order within subsection (4) of that section.

(5D) For the purposes of sub-paragraph (5A)—

"means of transport" has the same meaning as it has in this Act in the expression "new means of transport" (see section 95);

"relevant person", in relation to the arrival of a means of transport in the United Kingdom, means—

(a) where the means of transport has been acquired in the United Kingdom from another member State, the person who so acquires it,

(b) where it has been imported from a place outside the member States, the person liable to pay VAT on the importation, and

(c) in any other case—

(i) the owner of the means of transport at the time of its arrival in the United Kingdom, or

(ii) where it is subject to a lease or hire agreement, the lessee or hirer of the means of transport at that time."

203 Non-established taxable persons

Schedule 28 contains provision about non-established taxable persons.

204 Administration of VAT

Schedule 29 contains provision about the administration of VAT.

PART 8

OTHER TAXES

Landfill tax

205 Standard rate of landfill tax

(1) In section 42(1)(a) and (2) of FA 1996 (amount of landfill tax) for "£64" substitute "£72".

(2) The amendments made by this section have effect in relation to disposals made (or treated as made) on or after 1 April 2013.

206 Landfill sites in Scotland

The following provisions are to be treated as having come into force, in so far as they extend to Scotland, on 21 March 2000—

(a) paragraph 19 of Schedule 2 to the Pollution Prevention and Control Act 1999 (which inserts paragraph (ba) into section 66 of FA 1996 (landfill sites)), and

(b) section 6(1) of the Pollution Prevention and Control Act 1999, so far as relating to paragraph 19 of that Schedule.

Climate change levy

207 Climate change levy

The following Schedules amend, or make amendments connected with, Schedule 6 to FA 2000 (climate change levy)—

(a) Schedule 30 (reduced-rate supplies, rates etc);

(b) Schedule 31 (climate change agreements);

(c) Schedule 32 (supplies subject to the carbon price support rates and combined heat and power stations).

Inheritance tax

208 Indexation of rate bands

(1) Section 8 of IHTA 1984 (indexation of rate bands) is amended as follows.

(2) In subsection (1), for "retail prices index for the month of September in 1993 or any later year" substitute "consumer prices index for the month of September in any year".

(3) In subsection (2), for "retail prices index" substitute "consumer prices index".

(4) For subsection (3) substitute—

"(3) In this section, "consumer prices index" means the all items consumer prices index published by the Statistics Board."

(5) The amendments made by this section have effect for the purposes of chargeable transfers made on or after 6 April 2015.

209 Gifts to charities etc

Schedule 33 contains provision for a lower rate of inheritance tax to be charged on transfers made on death that include sufficient gifts to charities or registered clubs.

210 Settled property: effect of certain arrangements

(1) IHTA 1984 is amended as follows.

(2) In section 48 (settled property: excluded property)—

(a) in subsection (1), after paragraph (c) insert "or,

(d) in a case where paragraphs (a), (b) and (d) of section 74A(1) are satisfied—

(i) it is a reversionary interest, in the relevant settled property, to which the individual is beneficially entitled, and

(ii) the individual has or is able to acquire (directly or indirectly) another interest in that relevant settled property.

Terms used in paragraph (d) have the same meaning as in section 74A.",

(b) in subsection (3), for "subsection (3B)" substitute "subsections (3B) and (3D)", and

(c) after subsection (3C) insert—

"(3D) Where paragraphs (a) to (d) of section 74A(1) are satisfied, subsection (3)(a) above does not apply at the time they are first satisfied or any later time to make the relevant settled property (within the meaning of section 74A) excluded property."

(3) After section 74 insert—

"**74A Arrangements involving acquisition of interest in settled property etc**

(1) This section applies where—

(a) one or more persons enter into arrangements,

(b) in the course of the arrangements—

(i) an individual ("the individual") domiciled in the United Kingdom acquires or becomes able to acquire (directly or indirectly) an interest in property comprised in a settlement ("the relevant settled property"), and

(ii) consideration in money or money's worth is given by one or more of the persons mentioned in paragraph (a) (whether or not in connection with the acquisition of that interest or the individual becoming able to acquire it),

(c) there is a relevant reduction in the value of the individual's estate, and

(d) condition A or condition B is met.

(2) Condition A is that—

(a) the settlor was not domiciled in the United Kingdom at the time the settlement was made, and

(b) the relevant settled property is situated outside the United Kingdom at any time during the course of the arrangements.

(3) Condition B is that—

(a) the settlor was not an individual or a close company at the time the settlement was made, and

(b) condition A is not met.

(4) Subsection (6) applies if all or a part of a relevant reduction ("amount A") is attributable to the value of the individual's section 49(1) property being less than it would have been in the absence of the arrangements.

(5) "The individual's section 49(1) property" means settled property to which the individual is treated as beneficially entitled under section 49(1) by reason of the individual being beneficially entitled to an interest in possession in the property.

(6) Where this subsection applies—

(a) a part of that interest in possession is deemed, for the purposes of section 52, to come to an end at the relevant time, and

(b) that section applies in relation to the coming to an end of that part as if the reference in subsection (4)(a) of that section to a corresponding part of the whole value of the property in which the interest in possession subsists were a reference to amount A.

(7) Subsection (8) applies to so much (if any) of a relevant reduction as is not amount A ("amount B").

(8) Tax is to be charged as if the individual had made a transfer of value at the relevant time and the value transferred by it had been equal to amount B.

74B Section 74A: supplementary provision

(1) A transfer of value arising by virtue of section 74A is to be taken to be a transfer which is not a potentially exempt transfer.

(2) For the purposes of section 74A—

(a) when determining the value transferred by a transfer of value arising by virtue of that section, no account is to be taken of section 3(2),

(b) nothing in section 10(1) applies to prevent such a transfer, and

(c) nothing in sections 102 to 102C of the Finance Act 1986 applies in relation to such a transfer.

(3) Where, ignoring this subsection, a transfer of value would arise by virtue of section 74A ("the current transfer"), the value transferred by a relevant related transfer is to be treated as reducing the value transferred by the current transfer.

But this subsection does not apply if and to the extent that the relevant related transfer has already been applied to reduce another transfer of value arising by virtue of that section.

(4) "Relevant related transfer" means—

(a) where the arrangements consist of a series of operations, any transfer of value constituted by one or more of those operations which occur before or at the same time as the current transfer, other than a transfer of value arising by virtue of section 74A, and

(b) where the arrangements consist of a single operation, any transfer of value which arises from that operation, other than a transfer of value arising by virtue of section 74A.

(5) Section 268(3) does not apply to a transfer of value arising by virtue of section 74A.

(6) Where—

(a) a transfer of value has arisen by virtue of section 74A,

(b) in the course of the arrangements the individual acquires an interest in possession in settled property, and

(c) section 5(1B) applies to the interest in possession so that it forms part of the individual's estate,

this Act has effect as if that transfer of value had never arisen.

74C Interpretation of sections 74A and 74B

(1) Subsections (2) to (4) have effect for the purposes of sections 74A and 74B.

(2) An individual has an interest in property comprised in a settlement if—

(a) the property, or any derived property, is or will or may become payable to, or applicable for the benefit of—

(i) the individual,

(ii) the individual's spouse or civil partner, or

(iii) a close company in relation to which the individual or the individual's spouse or civil partner is a participator or a company which is a 51% subsidiary of such a close company,

in any circumstances whatsoever, or

(b) a person within sub-paragraph (i), (ii) or (iii) of paragraph (a) enjoys a benefit deriving (directly or indirectly) from the property or any derived property.

(3) A "relevant reduction" in the value of the individual's estate occurs—

(a) if and when the value of the individual's estate first becomes less than it would have been in the absence of the arrangements, and

(b) on each subsequent occasion when the value of that estate becomes less than it would have been in the absence of the arrangements and that difference in value is greater than the sum of any previous relevant reductions.

(4) The amount of a relevant reduction is—

(a) in the case of a reduction within subsection (3)(a), the difference between the value of the estate and its value in the absence of the arrangements, and

(b) in the case of a reduction within subsection (3)(b), the amount by which the difference in value mentioned in that provision exceeds the sum of any previous relevant reductions.

(5) In sections 74A and 74B and this section—

"arrangements" includes any scheme, transaction or series of transactions, agreement or understanding, whether or not legally enforceable, and any associated operations;

"close company" has the meaning given in section 102;

"derived property", in relation to any property, means—

(a) income from that property,

(b) property directly or indirectly representing—

(i) proceeds of that property, or

(ii) proceeds of income from that property, or

(c) income from property which is derived property by virtue of paragraph (b);

"operation" includes an omission;

"participator" has the meaning given in section 102;

"the relevant time" means—

(a) the time the relevant reduction occurs, or

(b) if later, the time section 74A first applied;

"51% subsidiary" has the same meaning as in the Corporation Tax Acts (see Chapter 3 of Part 24 of the Corporation Tax Act 2010)."

(4) In section 201 (liability for tax: settled property), after subsection (4) insert—

"(4A) Where—

(a) a charge to tax arises under or by virtue of section 74A, or

(b) in a case where paragraphs (a) to (d) of section 74A are satisfied, a charge to tax arises under section 64 or 65 in respect of the relevant settled property (within the meaning of section 74A),

subsection (1) of this section has effect as if the persons listed in that subsection included the individual mentioned in section 74A(1)(b)(i)."

(5) The amendments made by this section are treated as having come into force on 20 June 2012 and have effect in relation to arrangements entered into on or after that day.

Bank levy

211 The bank levy

Schedule 34 contains provision about the bank levy.

Stamp duty land tax, stamp duty reserve tax and stamp duty

212 Prevention of avoidance: subsales etc

(1) In section 45 of FA 2003 (contract and conveyance: effect of transfer of rights), after subsection (1) insert—

"(1A) The reference in subsection (1)(b) to an assignment, subsale or other transaction does not include the grant or assignment of an option."

(2) The amendment made by this section has effect in relation to grants or assignments of options on or after 21 March 2012.

213 Rate in respect of residential property where consideration over £2m

(1) In section 55(2) of FA 2003 (amount of SDLT chargeable), in Table A (bands and percentages for residential property), for the final entry (cases where consideration is more than £1,000,000 to be chargeable at 5%) substitute—

"More than £1,000,000 but not more than £2,000,000	5%

More than £2,000,000	7%".

(2) The amendment made by this section has effect in relation to any land transaction of which the effective date is on or after 22 March 2012.

(3) But that amendment does not have effect in relation to any transaction—

(a) effected in pursuance of a contract entered into and substantially performed before 22 March 2012, or

(b) effected in pursuance of a contract entered into before that date and not excluded by subsection (4).

(4) A transaction effected in pursuance of a contract entered into before 22 March 2012 is excluded by this subsection if—

(a) there is any variation of the contract, or assignment (or assignation) of rights under the contract, on or after 22 March 2012,

(b) the transaction is effected in consequence of the exercise on or after that date of any option, right of pre-emption or similar right, or

(c) on or after that date there is an assignment (or assignation), subsale or other transaction relating to the whole or part of the subject-matter of the contract as a result of which a person other than the purchaser under the contract becomes entitled to call for a conveyance.

214 Higher rate for certain transactions

Schedule 35 contains provision about the amount of tax chargeable on certain transactions involving higher threshold interests in dwellings.

215 Disclosure of stamp duty land tax avoidance schemes

In section 308 of FA 2004 (duties of promoter), after subsection (5) insert—

"(6) The Treasury may by regulations provide for this section to apply with modifications in relation to proposals or arrangements that—

(a) enable, or might be expected to enable, a person to obtain an advantage in relation to stamp duty land tax, and

(b) are of a description specified in the regulations."

216 Health service bodies

(1) In Part 4 of FA 2003 (stamp duty land tax), after section 67 insert—

"**67A Acquisitions by certain health service bodies**

(1) A land transaction is exempt from charge if the purchaser is any of the following—

(a) the National Health Service Commissioning Board;

(b) a clinical commissioning group established under section 14D of the National Health Service Act 2006;

(c) an NHS foundation trust;

(d) a Local Health Board established under section 11 of the National Health Service (Wales) Act 2006;

(e) a National Health Service trust established under section 18 of that Act;

(f) a Health and Social Services trust established under the Health and Personal Social Services (Northern Ireland) Order 1991.

(2) Any relief under this section must be claimed in a land transaction return or an amendment of such a return."

(2) The following provisions are repealed—

(a) section 61(3) to (3C) of the National Health Service and Community Care Act 1990 (stamp duty and stamp duty land tax reliefs for health service bodies);

(b) section 58 of the National Health Service Act 2006 (which applies those stamp duty and stamp duty land tax reliefs to NHS foundation trusts);

(c) paragraphs 132 and 133 of Schedule 1 to the National Health Service (Consequential Provisions) Act 2006.

(3) The repeals in subsection (2), to the extent that they relate to stamp duty, have effect in relation to any instrument executed on or after the day on which this Act is passed.

(4) Subject to that, the amendments made by this section have effect in relation to any land transaction of which the effective date is on or after the day on which this Act is passed.

(5) Until such time as bodies of a kind mentioned in subsection (6) are abolished under the Health and Social Care Act 2011, section 67A of FA 2003 has effect as if the list in that section included bodies of that kind.

(6) Those bodies are—

(a) a National Health Service trust established under section 25 of the National Health Service Act 2006, and

(b) a Primary Care Trust.

217 Collective investment schemes: stamp duty and stamp duty reserve tax

(1) The Treasury may by regulations confer an exemption or other relief from stamp duty or stamp duty reserve tax for transactions relating to collective investment schemes.

(2) The regulations may, in particular—

(a) specify descriptions of collective investment scheme in relation to which the exemption or relief is available, and

(b) specify the cases in which the exemption or relief is available.

(3) Regulations under this section may make different provision for different cases or different purposes.

(4) Regulations under this section—

(a) may modify any enactment or instrument (whenever passed or made), and

(b) may include incidental, consequential, supplementary or transitional provision.

(5) Regulations under this section are to be made by statutory instrument.

(6) A statutory instrument containing regulations under this section is subject to annulment in pursuance of a resolution of the House of Commons.

(7) In this section—

"collective investment scheme" has the meaning given by section 235 of the Financial Services and Markets Act 2000, and

"modify" includes amend, repeal or revoke.

PART 9

MISCELLANEOUS MATTERS

International matters

218 Agreement between UK and Switzerland

(1) Schedule 36 contains provision giving effect to—

(a) an agreement signed on 6 October 2011 between the United Kingdom and the Swiss Confederation on co-operation in the area of taxation, as amended by a protocol signed by them on 20 March 2012 and by a mutual agreement signed by them on 18 April 2012 implementing article XVIII of that protocol, and

(b) the joint declaration (concerning a tax finality payment) forming an integral part of that protocol.

(2) Schedule 36 comes into force on the day on which the agreement of 6 October 2011 enters into force.

(3) In section 23 of the Constitutional Reform and Governance Act 2010, after subsection (2A) insert—

"(2B) Section 20 does not apply to any treaty referred to in section 218(1) of the Finance Act 2012."

219 Penalties: offshore income etc

In paragraph 21A of Schedule 24 to FA 2007 (classification of territories), in sub-paragraph (4)—

(a) omit "and" at the end of paragraph (b), and

(b) at the end of paragraph (c) insert—

"(d) the existence of any other arrangements between the UK and that territory for co-operation in the area of taxation, and

(e) the quality of any such other arrangements (in particular, the extent to which the co-operation provided for in them assists or is likely to assist in the protection of revenue raised from taxation in the UK)."

220 International military headquarters, EU forces, etc

Schedule 37 contains provision about the tax treatment of international military headquarters, EU forces, etc.

Financial sector regulation

221 Tax consequences of financial sector regulation

(1) The Treasury may by regulations make provision about the tax consequences in relation to securities of any regulatory requirement imposed by any EU legislation (whenever adopted) or enactment on—

(a) persons who are authorised persons for the purposes of the Financial Services and Markets Act 2000 (see section 31 of that Act), or

(b) parent undertakings (as defined in section 420 of that Act) of such persons.

(2) Regulations under this section may, in particular, make provision—

(a) charging any tax or granting, withdrawing or restricting an exemption or other relief from any tax, and

(b) about the treatment of arrangements the purpose, or one of the main purposes, of which is to secure a tax advantage.

(3) Regulations under this section may provide that a reference in the regulations—

(a) to any EU legislation or enactment,

(b) to any document, or

(c) to any provision of any EU legislation, enactment or document

is to be construed as a reference to that legislation, enactment, document or provision as amended from time to time.

(4) Regulations under this section—

(a) may apply (with or without modifications) or disapply any enactment,

(b) may modify, amend, repeal or revoke any enactment,

(c) may make different provision for different cases or different purposes, and

(d) may include incidental, consequential, supplementary or transitional provision.

(5) Regulations under this section are to be made by statutory instrument.

(6) No regulations may be made under this section unless a draft of the statutory instrument containing them has been laid before and approved by a resolution of the House of Commons.

(7) In this section—

"arrangements" includes any arrangements, scheme or understanding of any kind, whether or not legally enforceable and whether involving a single transaction or two or more transactions;

"enactment" includes an enactment contained in subordinate legislation (within the meaning of the Interpretation Act 1978), and includes an enactment whenever passed or made;

"tax" includes stamp duty;

"tax advantage" means—

(a) a relief from tax (including a tax credit) or increased relief from tax,

(b) a repayment of tax or increased repayment of tax,

(c) the avoidance, reduction or delay of a charge to tax or an assessment to tax, or

(d) the avoidance of a possible assessment to tax.

Incapacitated persons and minors

222 Removal of special provision for incapacitated persons and minors

(1) In TMA 1970 omit—

(a) section 42(8) (procedure for making claims etc on behalf of incapacitated persons),

(b) section 72 (trustees, guardians, etc of incapacitated persons), and

(c) section 73 (further provision as to infants).

(2) In Part 4 of FA 2003 (stamp duty land tax), omit section 106(1) and (2) (persons acting in a representative capacity on behalf of incapacitated persons and minors).

(3) Accordingly, incapacitated persons are (and minors remain) assessable and chargeable to the taxes in question.

(4) In consequence of the amendments made by subsections (1) and (2)—

(a) in section 118(1) of TMA 1970, omit the definitions of "incapacitated person" and "infant",

(b) omit paragraphs 33 and 34 of Schedule 1 to the Age of Legal Capacity (Scotland) Act 1991,

(c) in paragraph 5 of Schedule 2 to the Social Security Contributions and Benefits Act 1992—

(i) omit paragraph (a) (and the "or" after it), and

(ii) in paragraph (b), for "such" substitute "Class 4",

(d) in paragraph 5 of Schedule 2 to the Social Security Contributions and Benefits (Northern Ireland) Act 1992—

(i) omit paragraph (a) (and the "or" after it), and

(ii) in paragraph (b), for "such" substitute "Class 4", and

(e) in section 81B(4) of FA 2003, omit paragraph (b) (and the "or" before it).

(5) The amendments made by subsections (1) and (4)(a) to (d) have effect for the tax year 2012-13 and subsequent tax years.

(6) The amendments made by subsections (2) and (4)(e) have effect in relation to land transactions of which the effective date is on or after the day on which this Act is passed.

Administration

223 Tax agents: dishonest conduct

(1) Schedule 38 contains provision about tax agents who engage in dishonest conduct.

(2) That Schedule comes into force on such day as the Treasury may by order appoint.

(3) An order under subsection (2)—

(a) may make different provision for different purposes, and

(b) may include transitional provision and savings.

(4) The Treasury may by order make any incidental, supplemental, consequential, transitional or saving provision in consequence of Schedule 38.

(5) An order under subsection (4) may—

(a) make different provision for different purposes, and

(b) make provision amending, repealing or revoking any provision made by or under an Act (whenever passed or made).

(6) An order under this section is to be made by statutory instrument.

(7) A statutory instrument containing an order under subsection (4) is subject to annulment in pursuance of a resolution of the House of Commons.

224 Information powers

(1) Schedule 36 to FA 2008 (information and inspection powers) is amended as follows.

(2) After paragraph 5 insert—

"Power to obtain information about persons whose identity can be ascertained

5A (1) An authorised officer of Revenue and Customs may by notice in writing require a person to provide relevant information about another person ("the taxpayer") if conditions A to D are met.

(2) Condition A is that the information is reasonably required by the officer for the purpose of checking the tax position of the taxpayer.

(3) Condition B is that—

(a) the taxpayer's identity is not known to the officer, but

(b) the officer holds information from which the taxpayer's identity can be ascertained.

(4) Condition C is that the officer has reason to believe that—

(a) the person will be able to ascertain the taxpayer's identity from the information held by the officer, and

(b) the person obtained relevant information about the taxpayer in the course of carrying on a business.

(5) Condition D is that the taxpayer's identity cannot readily be ascertained by other means from the information held by the officer.

(6) "Relevant information" means all or any of the following—

(a) name,

(b) last known address, and

(c) date of birth (in the case of an individual).

(7) This paragraph applies for the purpose of checking the tax position of a class of persons as for the purpose of checking the tax position of a single person (and references to "the taxpayer" are to be read accordingly)."

(3) In paragraph 6 (notices), in sub-paragraph (1), for "or 5" substitute ", 5 or 5A".

(4) In paragraph 31 (right to appeal against notice given under paragraph 5), after "paragraph 5" insert "or 5A".

(5) Accordingly, in the heading immediately before paragraph 31, at the end insert "*or 5A*".

(6) In section 18D of TMA 1970 (savings income: content of regulations under section 18B), in subsection (1), for "sections 17 and 18" substitute "paragraph 1 of Schedule 23 to the Finance Act 2011 (data-gathering powers)".

(7) The amendments made by subsections (1) to (5) apply for the purpose of checking the tax position of a taxpayer as regards periods or tax liabilities whenever arising (whether before, on or after the day on which this Act is passed).

(8) The amendment made by subsection (6) is treated as having come into force on 1 April 2012.

225 PAYE regulations: information

(1) Section 684 of ITEPA 2003 (PAYE regulations) is amended as follows.

(2) In the list in subsection (2)—

(a) after item 4 insert—

"4ZA Provision—

(a) for authorising or requiring a person who provides with respect to payments of or on account of PAYE income a service that is specified or of a specified description ("a relevant payment service") to supply to Her Majesty's Revenue and Customs information about payments with respect to which the service is provided, or any information the Commissioners may request about features of the service provided or to be provided with respect to particular payments;

(b) for conferring power on the Commissioners to specify by directions circumstances in which provision made by virtue of paragraph (a) or subsection (4ZB) is not to apply in relation to a payment;

(c) for securing that a supply of information that is authorised by regulations under paragraph (a) is not treated as breaching any obligation of confidence owed in respect of the information by the person supplying it;

(d) for prohibiting or restricting the disclosure, otherwise than to Her Majesty's Revenue and Customs, of information by a person to whom it was supplied pursuant to a requirement imposed by virtue of subsection (4ZB);

(e) for requiring a person who provides, or is to provide, a relevant payment service to take steps (including any steps that may be specified, or further specified, in accordance with item 8A(b)) for facilitating the meeting by persons making payments of obligations imposed by virtue of subsection (4ZB).", and

(b) after item 8 insert—

"8A Provision requiring compliance with any directions the Commissioners may give—

(a) about the form and manner in which any information is to be provided under the regulations;

(b) specifying, or further specifying, steps for the purposes of item 4ZA(e);

(c) specifying information that a person making payments of or on account of PAYE income must provide about the method by which the payments are made."

(3) After subsection (3B) insert—

"(3C) References in items 4ZA and 8A of the above list to directions include directions making different provision for different cases."

(4) After subsection (4) insert—

"(4ZA) Item 8A in the above list does not prejudice the power of the Commissioners under subsection (1) to make provision in PAYE regulations about the matters mentioned in that item.

(4ZB) The persons to whom PAYE information regulations may require information to be supplied include, in the case of information about a payment, a person who provides, or is to provide, with respect to the payment a service such as is mentioned in item 4ZA(a) in the above list.

(4ZC) In subsection (4ZB) "PAYE information regulations" means PAYE regulations that require information to be supplied for any purpose authorised by subsections (1) and (2)."

High value residential property or dwellings

226 New tax on ownership of high-value residential properties or dwellings

The Commissioners for Her Majesty's Revenue and Customs may incur expenditure in preparing for the introduction of a new tax to be charged in respect of high-value residential properties or dwellings owned otherwise than by individuals.

Miscellaneous reliefs etc

227 Repeals of miscellaneous reliefs etc

Schedule 39 contains repeals of miscellaneous reliefs etc.

PART 10

FINAL PROVISIONS

228 Interpretation

(1) In this Act—

"ALDA 1979" means the Alcoholic Liquor Duties Act 1979,

"BGDA 1981" means the Betting and Gaming Duties Act 1981,

"CAA 2001" means the Capital Allowances Act 2001,

"CEMA 1979" means the Customs and Excise Management Act 1979,

"CRCA 2005" means the Commissioners for Revenue and Customs Act 2005,

"CTA 2009" means the Corporation Tax Act 2009,

"CTA 2010" means the Corporation Tax Act 2010,

"F(No.3)A 2010" means the Finance (No. 3) Act 2010,

"HODA 1979" means the Hydrocarbon Oil Duties Act 1979,

"ICTA" means the Income and Corporation Taxes Act 1988,

"IHTA 1984" means the Inheritance Tax Act 1984,

"ITA 2007" means the Income Tax Act 2007,

"ITEPA 2003" means the Income Tax (Earnings and Pensions) Act 2003,

"ITTOIA 2005" means the Income Tax (Trading and Other Income) Act 2005,

"OTA 1975" means the Oil Taxation Act 1975,

"PRTA 1980" means the Petroleum Revenue Tax Act 1980,

"TCGA 1992" means the Taxation of Chargeable Gains Act 1992,

"TIOPA 2010" means the Taxation (International and Other Provisions) Act 2010,

"TMA 1970" means the Taxes Management Act 1970,

"TPDA 1979" means the Tobacco Products Duty Act 1979,

"VATA 1994" means the Value Added Tax Act 1994, and

"VERA 1994" means the Vehicle Excise and Registration Act 1994.

(2) In this Act—

"FA", followed by a year, means the Finance Act of that year;

"F(No.2)A", followed by a year, means the Finance (No. 2) Act of that year.

229 Short title

This Act may be cited as the Finance Act 2012.