



# Finance Act 2012

## 2012 CHAPTER 14

### PART 2

#### INSURANCE COMPANIES CARRYING ON LONG-TERM BUSINESS

### 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—

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*Status: This is the original version (as it was originally enacted).*

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- (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.