Finance Act 2012

2012 CHAPTER 14

PART 2

INSURANCE COMPANIES CARRYING ON LONG-TERM 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"