



Finance Act 2012

2012 CHAPTER 14

PART 2

INSURANCE COMPANIES CARRYING ON LONG-TERM BUSINESS

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.

Status: This is the original version (as it was originally enacted).

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.