



# Finance Act 2012

## 2012 CHAPTER 14

### PART 2

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

### CHAPTER 6

#### TRADE CALCULATION RULES APPLYING TO LONG-TERM BUSINESS

#### **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.

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*Status: This is the original version (as it was originally enacted).*

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- (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.