



# Finance Act 2012

## 2012 CHAPTER 14

### PART 1

#### INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

### CHAPTER 3

#### CORPORATION TAX: GENERAL

#### *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—

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*Changes to legislation: There are currently no known outstanding effects for the Finance Act 2012, Section 25. (See end of Document for details)*

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- (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.

**Changes to legislation:**

There are currently no known outstanding effects for the Finance Act 2012, Section 25.