

SCHEDULE

EXPENSES OF COMPANIES WITH INVESTMENT BUSINESS AND INSURANCE COMPANIES

Finance Act 1989

Investment and insurance companies: computation

42.—(1) Section 44 of the Finance Act 1989(1) is amended as follows.

(2) For subsection (1) (no deduction for late paid remuneration) substitute—

“(1) For the purposes of corporation tax, in calculating for a period of account the profits of a company with investment business, an amount charged in the accounts in respect of employees' remuneration shall not be deductible under section 75 of the Taxes Act 1988 as expenses of management unless the remuneration is paid before the end of the period of 9 months immediately following the end of the period of account.”.

(3) In subsection (5) (profits of trade calculated before end of the period of 9 months) for “the profits of the trade” substitute “the profits of the company”.

(4) For subsection (7) (application to the company carrying on life assurance business) substitute—

“(7) This section shall apply in calculating the profits of a company in relation to which section 76 of the Taxes Act 1988 applies (companies carrying on life assurance business) as it applies in calculating the profits of a company with investment business; and in any such case—

(a) any reference in this section to an amount being deductible under section 75 of the Taxes Act 1988 as expenses of management shall be taken as a reference to an amount being brought into account under section 76 of that Act as expenses payable and references to a deduction shall be construed accordingly;

(b) subsection (4) above shall have effect subject to section 86 below, and

(c) in construing section 86 below the remuneration shall be treated as expenses payable for that period which fall to be included at Step 1 in section 76(7) of the Taxes Act 1988.”.

(5) In subsection (8) (definitions)—

(a) before the definition of “employee” insert—

““company with investment business” has the same meaning as in Part 4 of the Taxes Act 1988 (see section 130 of that Act),”; and

(b) omit the definition of “investment company”.

(6) The side note to the section accordingly becomes “Companies with investment business and insurance companies: computation”.

Non-approved retirement benefit schemes

43.—(1) Section 76 of the Finance Act 1989(2) is amended as follows.

(1) 1989 c. 26. Section 44 was substituted by paragraph 158 of Part 2 of Schedule 6 to ITEPA. There are subsequent amendments which are not relevant for present purposes.

(2) There are amendments which are not relevant for present purposes. This section is prospectively repealed by the relevant entry in Part 3 of Schedule 42 to the Finance Act 2004.

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- (2) In subsection (1) (no deduction in respect of expenses falling within subsection (1) or (2)) for the words from “and no expenses” to the end of the subsection substitute—
“and no expenses falling within either of those subsections shall be treated—
- (a) for the purposes of section 75 of the Taxes Act 1988 (companies with investment business) as expenses of management, or
 - (b) for the purposes of section 76 of that Act (companies carrying on life assurance business) as expenses payable.”.
- (3) In subsection (4) (no deduction unless sum actually expended) for paragraph (b) substitute—
“(b) under section 75 or 76 of the Taxes Act 1988,”.
- (4) After subsection (4) insert—
“(4A) The reference in subsection (4) above to a sum being deducted shall be construed, so far as relating to section 76 of the Taxes Act 1988, as a reference to an amount being brought into account under that section as expenses payable.”.

Management expenses

- 44.**—(1) Section 87 of the Finance Act 1989(3) is amended as follows.
- (2) Subsections (6) and (7) (carry forward and use of pre-1990 expenses under section 75(3) of the Taxes Act 1988) are repealed.

Corporation tax: policy holders' fraction of profits

- 45.**—(1) Section 88 of the Finance Act 1989(4) is amended as follows.
- (2) In subsection (3) (relevant profits to be income and gains of life assurance business reduced by aggregate amount of the items in the paragraphs) for the words from the end of paragraph (aa)(5) to the end substitute—
“and
- (a) the basic deduction given by Step 8 in section 76(5) of the Taxes Act 1988.”.

Policy holder's share of profits

- 46.**—(1) Section 89 of the Finance Act 1989(6) is amended as follows.
- (2) In subsection (1B) (BLAGAB profits to be income and chargeable gains referable to company's basic life assurance and general annuity business reduced by aggregate amount of the items in the paragraphs) for the words from paragraph (a) to the end of the subsection substitute—
“(a) amounts falling in respect of any non-trading deficits on the company's loan relationships to be brought into account in that period in accordance with paragraph 4 of Schedule 11 to the Finance Act 1996, and
- (b) the basic deduction given by Step 8 in section 76(7) of the Taxes Act 1988.”.
- (3) In subsection (7), in the definition of “Case I profits” (which refers to adjustment in respect of losses in accordance with section 76(2C) and (2D) of the Taxes Act 1988) for “section 76(2C) and (2D)” substitute “the second sentence of section 76(10)”.

(3) Section 87(6) was partly repealed by paragraph 8(2) of Schedule 33 and Part 3(12) of Schedule 14 to the Finance Act 2003.
(4) Section 88(3) was substituted by paragraph 57(1) of Schedule 8 to the Finance Act 1995 and amended by paragraph 56 of Schedule 14 to the Finance Act 1996 (c. 26).
(5) Paragraph (aa) was inserted before paragraph (a) in subsection (3) by paragraph 56 of Schedule 14 to the Finance Act 1996.
(6) Subsection (1B) was inserted by paragraph 6 of Schedule 33 to the Finance Act 2003, and subsection (7) was inserted by article 58 of S.I.2001/3629 and amended by paragraph 7 of Schedule 33 to the Finance Act 2003.

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