Explanatory Note

Clause 34: Insurance companies carrying on long-term business

Summary

1. This measure amends the corporation tax rules introduced by Finance Act 2012 so that they produce the appropriate policy result for the taxation of long-term business carried on by insurance companies. The amendments have effect for accounting periods beginning on or after the day on which the Act is passed.

Details of the clause

2. Subsection (2) provides that when calculating the I-E profit (or excess expense arising from a company's basic life assurance and general annuity business) a company's non-trading deficit from its loan relationships cannot be set against any minimum profits charge arising under section 93 of Finance Act 2012.

3. Subsection (3) allows an excess of intangible fixed asset debits over credits to be a management expense of the period in which they arise rather than in the following period.

4. Subsection (4) provides that a trade loss arising from a company's basic life assurance and general annuity business is not reduced by the company's net position on derivatives contracts prior to being group relieved or set against other company profits.

Background note

5. Finance Act 2012 introduced a new regime for the taxation of insurance companies carrying on long-term business.

6. HMRC and industry, working together, have identified areas where the legislation in its current form does not deliver the expected policy results. These amendments rectify that position.

7. The government intends to amend Finance Act 2012 in Finance Bill 2016 to provide the necessary solutions.

8. If you have any questions about this change, or comments on the legislation, please contact Darryl Wall on 03000 585977 (email: darryl.wall@hmrc.gsi.gov.uk)