HM Revenue & Customs

Corporation tax: response to accounting changes for insurance contracts

Consultation

Publication date: 30 November 2021

Closing date for comments: 22 February 2022

Summary

Subject of this consultation

This consultation covers the corporation tax implications of the new international accounting standard for insurance contracts, IFRS 17 Insurance Contracts (IFRS 17). It also considers the requirement for life insurance companies to spread acquisition expenses over seven years for tax purposes.

The latest IFRS 17 standard can be found on the IFRS Foundation's webpage here.

Scope of this consultation

The government announced at Autumn Budget 2021 that it will spread the transitional impact of IFRS 17 for tax purposes and revoke the requirement for life insurance companies to spread acquisition expenses over seven years for tax purposes. This consultation will inform the design of the necessary legislation.

Who should read this

All life insurers and general insurers who report under International Accounting Standards (IAS).

Any non-insurers who report under IAS and who will be affected by IFRS 17 because they issue contracts which meet the IFRS 17 definition of an insurance contract.

All life insurance companies that write Basic Life Assurance and General Annuity Business (BLAGAB) and are required to spread acquisition expenses over seven years for tax purposes under section 79 Finance Act 2012 (FA 2012).

Duration

This consultation will last for 12 weeks from 30 November 2021 to 22 February 2022.

Lead official

The lead official is Hilary Smith of HM Revenue and Customs (HMRC).

How to respond or enquire about this consultation

Email responses are preferred and should be sent to ifrs17consultation@hmrc.gov.uk.

Please include sufficiently detailed reasoning for your answers and provide a phone number in case it might be helpful to discuss your response.

Additional ways to be involved

As this consultation is largely focused on technical issues with specialist interests, HMRC will continue to engage with industry stakeholders through the IFRS 17 working group following this consultation. The IFRS 17 working group currently comprises around fifteen insurance groups impacted by IFRS 17, the Association of British Insurers and representatives from a number of large tax advisory firms.

If you are not already part of the IFRS 17 working group and wish to join, please contact ifrs17consultation@hmrc.gov.uk.

After the consultation

The representations received will help to inform the design of the legislation. Subject to the passage of Finance Bill 2021-22, which is expected to introduce the necessary power, the government will make regulations which are expected to apply to accounting periods beginning on or after 1 January 2023.

Getting to this stage and previous engagement

Working groups and consultations are the key channels for input into HMRC's policy work. HMRC and HM Treasury have been liaising with the UK insurance industry on the transition to IFRS 17 since the standard was first announced. Since November 2020 HMRC has actively engaged with the insurance sector through an IFRS 17 working group to understand the impacts of IFRS 17. The IFRS 17 working group sessions have been highly productive, and the government is grateful to the members for their valuable contributions. The IFRS 17 working group is expected to continue into 2022.

Contents

1. Introduction

Background

1.1. IFRS 17 Insurance Contracts (IFRS 17) is a new international accounting standard that changes the way insurance contracts are accounted for. This new standard replaces the interim standard IFRS 4 Insurance Contracts. It will apply to companies reporting under International Accounting Standard (IAS). Companies reporting under UK Generally Accepted Accounting Practice (GAAP) will not be affected by the IFRS 17 change.

1.2. IFRS 17 represents a complete overhaul of accounting for insurance contracts, providing consistent principles for all aspects of their accounting. It applies a current value approach to measuring insurance contracts, using updated estimates and assumptions that reflect the timing and any uncertainty of cash flows, and recognises profit as services are provided to policyholders, rather than when premiums are received. It is intended to remove existing inconsistencies and enable investors, analysts and others to meaningfully compare companies, contracts and industries.

1.3. IFRS 17 is expected to become mandatory for periods of account beginning on or after 1 January 2023, subject to endorsement of the standard by the UK Endorsement Board in 2022.

Policy rationale

1.4. HMRC have been engaging with industry stakeholders to establish the tax impacts of IFRS 17. Depending on the types of insurance business written, a very large one-off transitional accounting profit or loss is predicted for many insurers in the year IFRS 17 is first adopted. Life insurers are concerned about the tax cash flow consequences of the changes and the potential regulatory (Solvency II[1]) implications arising from limitations on the extent to which deferred tax assets can be recognised for regulatory purposes.

1.5. The government recognises that spreading these one-off transitional profits and losses for tax purposes will help to mitigate the tax cash flow and regulatory impacts of the accountancy change and consequent volatility in Exchequer receipts. This will also support the long-term stability of the insurance sector in the UK and contribute to maintaining the UK as a leading financial services centre.

1.6. To ensure that the necessary tax rules are in place by the end of 2022 to enable a smooth transition to IFRS 17, the government is taking a power in Finance Bill 2021-22 to make regulations to deal with the tax issues arising from transition.

---

[1] Solvency II provides for a market consistent calculation of insurance liabilities and risk-based calculation of capital. It also sets out the supervisory review process and reporting and transparency requirements for insurance firms.

Areas for consultation

1.7. The government has announced that it will introduce a spreading mechanism to deal with the transitional impacts of IFRS 17. However, no decisions have been taken on the design of that mechanism, including the duration of the transitional spread and which sectors of the insurance industry should be covered.

1.8. This consultation will inform the design of the regulations to:

i. spread the transitional impact of IFRS 17 for tax purposes
ii. revoke the requirement for life insurance companies to spread acquisition expenses over seven years for tax purposes.

2. Addressing the transitional impact of IFRS 17 for tax purposes

PART 1: Scope of the IFRS 17 transitional tax rules

2.1 The government is seeking views as to whether certain entities or situations should come within the scope of the government's IFRS 17 transitional tax rules as set out in more detail below.

Life insurers

2.2 There is evidence indicating that life insurers will have a large one-off transitional profit or loss arising from the transition to IFRS 17. The profile is different for each company, dependent on the nature of the business it writes.

2.3 The government has made the decision to spread the transitional impact of IFRS 17 for life insurers. The duration of the transitional spread is still to be decided (see section 2.11).

General insurers

2.4 The evidence HMRC has seen from IFRS 17 working group members indicates that the transitional impact general insurers face upon transition to IFRS 17 is less significant than that for life insurers. Consequently, the government has not yet decided whether spreading of the transitional impact of IFRS 17 should also apply to general insurers.

Question 1: If you write general insurance business:

a) **Please provide figures demonstrating the transitional impact of moving to IFRS 17 for your general insurance business.**
b) **Do you think general insurers should be included within the IFRS 17 transitional tax rules?**
c) **If so, should the same transitional tax rules apply to general insurers as life insurers, or would some differences in the rules be necessary?**

Non-insurers holding insurance contracts

2.5 IFRS 17 applies to specific types of contract, rather than types of entity. Non-insurers may issue contracts which meet the IFRS 17 definition of an insurance contract and will therefore be required to apply IFRS 17 if they report under IAS. The government does not expect non-insurers to have a significant transitional impact and therefore does not propose to include non-insurers within the scope of the IFRS 17 transitional tax rules. Instead, non-insurers would be subject to the normal change of accounting practice rules.

Question 2: If the IFRS 17 transitional tax rules were not to apply to non-insurance entities, please explain any significant tax issues you foresee for non-insurers.

Entities moving from UK GAAP to IAS in an accounting period beginning on or after 1 January 2024

2.6 There may be entities that currently report under UK GAAP and decide to transition to IAS after the first accounting period beginning on or after 1 January 2023. It is necessary to decide whether and how such a later transition should be covered by the IFRS 17 transitional tax rules.

Question 3:

a) **Should entities adopting IFRS 17 on or after 1 January 2024 come within the IFRS 17 transitional tax rules?**
b) **If the answer to a) is yes, should those entities have i) the full duration of the transitional spread or ii) should the transitional spread be reduced proportionately?**
c) **Should there be a time limit for adoption of IFRS 17, in order to be covered by the IFRS 17 transitional tax rules?**

Transfers of business from an entity reporting under IAS to one reporting under UK GAAP, or, alternatively, from an entity reporting under UK GAAP to one reporting under IAS

2.7 There may be circumstances where a business (or part of a business) is transferred, after being subject to the IFRS 17 transitional tax rules, to an entity which sits outside those rules. Conversely, a transfer could bring a business (or part of a business) from an entity that sits outside the rules into an entity subject to the IFRS 17 transitional tax rules after that transition has taken place.

Question 4: How should the IFRS 17 transitional tax rules deal with transfers of business between third parties or intra-group where one entity reports under IFRS 17 and the other does not, bearing in mind question 3?

a) **from IAS (IFRS 17) to UK GAAP reporters**
b) **from UK GAAP to IAS (IFRS 17) reporters**

2.8 Section 129 FA 2012 applies to intra-group transfers of long-term business and demutualisation. It provides tax neutrality on an intra-group transfer of business unless the transferor and transferee recognise different amounts for the assets and liabilities transferred.

Question 5: Do you agree section 129 FA 2012 (intra group transfers and demutualisation) still works as intended after the adoption of IFRS 17? In particular, are there any issues with regards to transfers between companies adopting IFRS 17 and non-IFRS 17 adopters?

Entities moving from IAS to UK GAAP before the transitional amount spread for tax purposes has unwound

2.9 Any entity spreading the IFRS 17 tax transitional amount will have to make an adjustment for tax purposes each year, until the full transitional amount has unwound.

Question 6: What should happen to the balance of the transitional amount if an entity moves from IAS to UK GAAP before the transitional amount spread for tax purposes has been fully unwound?

PART 2: Design of the transitional tax rule and calculation of the transitional amount

IFRS 9

2.10 Many companies will be adopting both IFRS 9 Financial Instruments and IFRS 17 Insurance Contracts simultaneously on 1 January 2023. Only the IFRS 17 transitional amount will fall under the IFRS 17 transitional tax rules. The IFRS 9 transitional amount will be subject to the normal change in accounting practice rules.

Question 7: Will the IFRS 17 transitional adjustment arising on the IFRS 17 tax transition date be readily identifiable from the accounting records?

Length of transitional spread – call for evidence

2.11 The government proposes to apply a fixed duration of transitional spread to all entities covered by the IFRS 17 transitional tax rules, subject to any difference in duration for life and general insurers. It is proposed that there will not be optionality about whether the rules apply and there will be no de-minimis in applying the rules. The most appropriate duration of the IFRS 17 transitional spread will be informed by HMRC's modelling of the tax transitional impacts.

Question 8: Call for evidence: HMRC request groups' own assessment of one-off transitional profit or loss that will be created on transition to IFRS 17. HMRC appreciate the commercial sensitivity of this data. It will be used by a small group of individuals in HMRC directly working on IFRS 17, and only for the purpose of determining the appropriate duration of the transitional spread and assessing the impact to the Exchequer.

PART 3: Other accountancy related issues

2.12 The government is seeking to understand whether the adoption of IFRS 17 raises any other tax issues. A number of other accountancy related issues have been identified which may have a tax impact. To determine whether this is so, the government needs to have a detailed understanding of these issues. The government welcome views on the following:

A: Reinsurance

2.13 Under IFRS 17, a reinsurance contract held is accounted for as a standalone contract, independent of the accounting for the underlying insurance contracts. For many entities, IFRS 17 represents a significant change. Common existing practice is to account for reinsurance contracts held using a 'mirroring approach', essentially matching reinsurance contract revenue, costs, assets and liabilities to the underlying insurance contracts. The government is seeking to understand whether this change will create any issues for tax.

Question 9: Will any tax mismatches arise from this accounting treatment other than timing differences? Tax mismatches should be taken to mean both any mismatches between the reinsurance and underlying insurance contracts and any mismatches between the cedant and reinsurer.

B: Insurance finance income or expenses

2.14 Paragraph 87 of IFRS 17 defines insurance finance income or expenses as

"the change in the carrying amount of the group of insurance contracts arising from:

a. the effect of the time value of money and changes in the time value of money; and

b. the effect of financial risk and changes in financial risk; but

c. excluding any such changes for groups of insurance contracts with direct participation features that would adjust the contractual service margin but do not do so when applying paragraphs 45(b)(ii), 45(b)(iii), 45(c)(ii) or 45(c)(iii). These are included in insurance service expenses."

2.15 If such entries were brought into the "I-E" tax result it would cause anomalies. However, it is thought that insurance finance income or expenses will not feature within the I-E calculation, as they represent the movement in the value of an insurance contract asset or liability.

Question 10: Do you agree insurance finance income or expenses should not feature within the I-E calculation, as they represent the movement in the value of an insurance contract asset or liability?

C: Other Comprehensive Income (OCI)

2.16 Under IFRS 17, there is an accounting policy choice as to whether to recognise insurance finance income or expenses in full in the income statement, or disaggregated between the income statement and OCI. Accounting entries recognised in OCI are not generally brought into account for tax purposes until they are subsequently recognised ("recycled") in the income statement. We understand that in certain circumstances IFRS 17 accounting entries could be taken to OCI and not subsequently recycled to the income statement. In order to allow us to determine whether any changes are needed to tax legislation as a result of the implementation of IFRS 17 the government welcomes your views on the following:

Question 11:

a) Do you agree that, in certain circumstances, IFRS 17 accounting entries could be taken to OCI and not subsequently recognised ("recycled") in the income statement?

b) Do you have examples of situations where this might arise?

c) If IFRS 17 accounting entries are recognised in OCI and not recycled to the income statement, should these IFRS 17 accounting entries be brought into account for tax?

PART 4: Further comments

Question 12: Are there any areas of the current FA 2012 legislation that respondents think will not work as intended following the adoption of IFRS 17?

Question 13: Do you anticipate there could be any policyholder impacts as a result of this measure?

Question 14: Are there are any areas which you feel this consultation has not covered and you wish to bring to the government's attention? If so, please provide further details.

3. Repeal of section 79 Finance Act 2012

Current requirement

3.1 Section 79 FA 2012 requires life companies writing Basic Life Assurance and General Annuity Business (BLAGAB[2]) to spread their acquisition expenses (as defined in section 80 FA 2012) over seven years for tax purposes. This rule seeks to align the timing of the income and expense and to guard against potential acceleration of relief for the expense.

Proposal and rationale

3.2 Commercial changes in the life insurance market mean that the need for spreading has reduced in recent years. Additionally, it will be more complex for life insurers writing BLAGAB to undertake the section 79 FA 2012 calculation under IFRS 17 as there will be added complexity in identifying the amounts. Repealing section 79 and following instead the timing of acquisition expenses in the accounts would simplify matters for life insurers.

3.3 To maintain a level playing field it is proposed that this simplification would apply to:

- all life insurers regardless of which accounting standard they prepare their accounts under (i.e., including those reporting under UK GAAP rather than IAS);
- all BLAGAB (i.e., including both investment contracts and insurance contracts);
- accounting periods commencing on or after 1 January 2023, to coincide with the adoption of IFRS 17.

3.4 Under this proposal, section 79 would be repealed with effect from 1 January 2023 and any unrelieved amounts would be run off, while ensuring that there is no double relief or restricted relief.

Questions

Question 15: Do you have any concerns about the repeal of section 79 FA 2012, meaning that all life insurance companies writing BLAGAB will follow the timing of acquisition expenses in their accounts?

Question 16: Are there any particular circumstances HMRC should consider when designing transitional rules for the repeal?

Question 17: Under IFRS 17 the period that acquisition expenses are spread over will depend on the expected longevity of the business. For BLAGAB what longevity of business is typical? Is it likely this will be seven years or more?

---

[2] BLAGAB is defined in section 57 FA 2012 as any business that is not non-BLAGAB.

4. Assessment of impacts

Summary of impacts

Year	2021 - 22	2022 - 23	2023 - 24	2024 - 25	2025 - 26	2026 - 27
Exchequer impact (£m)	empty	empty	empty	empty	empty	empty

Exchequer Impact Assessment

The Exchequer impact will be estimated following consultation and final design of the measure and the final costing will be subject to scrutiny by the Office for Budget Responsibility.

Impacts	Comment
Economic impact	The economic impacts will be identified following consultation and final design of the measure.
Impact on individuals, households and families	There is currently expected to be no impact on individuals. Any impacts will be identified following consultation and final design of the measure. There is expected to be no impact on family formation, stability or breakdown.
Equalities impacts	It is not anticipated that there will be impacts for those in groups sharing protected characteristics.
Impact on businesses and Civil Society Organisations	Running this consultation is not expected to have any impacts on businesses and civil society organisations. The impacts on businesses and civil society organisations will be identified following consultation and final design of the measure.
Impact on HMRC or other public sector delivery organisations	Officials will be able to advise on any future funding requirement depending on the outcome of this consultation.
Other impacts	Other impacts have been considered and none have been identified.

5. Summary of consultation questions

Question 1: If you write general insurance business:

> **a) Please provide figures demonstrating the transitional impact of moving to IFRS 17 for your general insurance business.**
>
> **b) Do you think general insurers should be included within the IFRS 17 transitional tax rules?**
>
> **c) If so, should the same transitional tax rules apply to general insurers as life insurers, or would some differences in the rules be necessary?**

Question 2: If the IFRS 17 transitional tax rules were not to apply to non-insurance entities, please explain any significant tax issues you foresee for non-insurers.

Question 3:

> **a) Should entities adopting IFRS 17 on or after 1 January 2024 come within the IFRS 17 transitional tax rules?**
>
> **b) If the answer to a) is yes, should those entities have i) the full duration of the transitional spread or ii) should the transitional spread be reduced proportionately?**
>
> **c) Should there be a time limit for adoption of IFRS 17, in order to be covered by the IFRS 17 transitional tax rules?**

Question 4: How should the IFRS 17 transitional tax rules deal with transfers of business between third parties or intra-group where one entity reports under IFRS 17 and the other does not, bearing in mind question 3?

> **a) from IAS (IFRS 17) to UK GAAP reporters**
>
> **b) from UK GAAP to IAS (IFRS 17) reporters**

Question 5: Do you agree section 129 FA 2012 (intra group transfers and demutualisation) still works as intended after the adoption of IFRS 17? In particular, are there any issues with regards to transfers between companies adopting IFRS 17 and non-IFRS 17 adopters?

Question 6: What should happen to the balance of the transitional amount if an entity moves from IAS to UK GAAP before the transitional amount spread for tax purposes has been fully unwound?

Question 7: Will the IFRS 17 transitional adjustment arising on the IFRS 17 tax transition date be readily identifiable from the accounting records?

Question 8: Call for evidence: HMRC request groups' own assessment of one-off transitional profit or loss that will be created on transition to IFRS 17. HMRC appreciate the commercial sensitivity of this data. It will be used by a small group of individuals in HMRC directly working on IFRS 17, and only for the purpose of determining the appropriate duration of the transitional spread and assessing the impact to the Exchequer.

Question 9: Will any tax mismatches arise from this accounting treatment other than timing differences? Tax mismatches should be taken to mean both any mismatches between the reinsurance and underlying insurance contracts and any mismatches between the cedant and reinsurer.

Question 10: Do you agree insurance finance income or expenses should not feature within the I-E calculation, as they represent the movement in the value of an insurance contract asset or liability?

Question 11:

> **a) Do you agree that, in certain circumstances, IFRS 17 accounting entries could be taken to OCI and not subsequently recognised ("recycled") in the income statement?**
>
> **b) Do you have examples of situations where this might arise?**
>
> **c) If IFRS 17 accounting entries are recognised in OCI and not recycled to the income statement, should these IFRS 17 accounting entries be brought into account for tax?**

Question 12: Are there any areas of the current FA 2012 legislation that respondents think will not work as intended following the adoption of IFRS 17?

Question 13: Do you anticipate there could be any policyholder impacts as a result of this measure?

Question 14: Are there are any areas which you feel this consultation has not covered and you wish to bring to our attention? If so, please provide further details.

Question 15: Do you have any concerns about the repeal of section 79 FA 2012, meaning that all life insurance companies writing BLAGAB will follow the timing of acquisition expenses in their accounts?

Question 16: Are there any particular circumstances HMRC should consider when designing transitional rules for the repeal?

Question 17: Under IFRS 17 the period that acquisition expenses are spread over will depend on the expected longevity of the business. For BLAGAB what longevity of business is typical? Is it likely this will be seven years or more?

6. The consultation process

This consultation is being conducted in line with the Tax Consultation Framework. There are 5 stages to tax policy development:

Stage 1 Setting out objectives and identifying options.

Stage 2 Determining the best option and developing a framework for implementation including detailed policy design.

Stage 3 Drafting legislation to effect the proposed change.

Stage 4 Implementing and monitoring the change.

Stage 5 Reviewing and evaluating the change.

This consultation is taking place during stage 2 of the process. The purpose of the consultation is to seek views on the detailed policy design and suitable parameters to best mitigate the IFRS 17 tax transitional impact.

How to respond

A summary of the questions in this consultation is included at chapter 5.

Responses should be sent by 22 February 2022, by e-mail to ifrs17consultation@hmrc.gov.uk.

Please do not send consultation responses to the Consultation Coordinator.

Paper copies of this document or copies in Welsh and alternative formats (large print, audio and Braille) may be obtained free of charge from the above address. This document can also be accessed from HMRC's GOV.UK pages. All responses will be acknowledged, but it will not be possible to give substantive replies to individual representations.

When responding please say if you are a business, individual or representative body. In the case of representative bodies please provide information on the number and nature of people you represent.

Confidentiality

HMRC is committed to protecting the privacy and security of your personal information. This privacy notice describes how we collect and use personal information about you in accordance with data protection law, including the UK General Data Protection Regulation (UK GDPR) and the Data Protection Act (DPA) 2018.

Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes. These are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 2018, UK General Data Protection Regulation (UK GDPR) and the Environmental Information Regulations 2004.

If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals with, amongst other things, obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on HM Revenue and Customs.

Consultation Privacy Notice

This notice sets out how we will use your personal data, and your rights. It is made

under Articles 13 and/or 14 of the UK General Data Protection Regulation.

Your data

We will process the following personal data:

Name

Email address

Postal address

Phone number

Job title

Purpose

The purpose(s) for which we are processing your personal data is: Corporation tax: response to accounting changes for insurance contracts.

Legal basis of processing

The legal basis for processing your personal data is that the processing is necessary for the exercise of a function of a government department.

Recipients

Your personal data will be shared by us with HM Treasury.

Retention

Your personal data will be kept by us for six years and will then be deleted.

Your rights

You have the right to request information about how your personal data are processed, and to request a copy of that personal data.

You have the right to request that any inaccuracies in your personal data are rectified without delay.

You have the right to request that any incomplete personal data are completed, including by means of a supplementary statement.

You have the right to request that your personal data are erased if there is no longer a justification for them to be processed.

You have the right in certain circumstances (for example, where accuracy is contested) to request that the processing of your personal data is restricted.

Complaints

If you consider that your personal data has been misused or mishandled, you may make a complaint to the Information Commissioner, who is an independent regulator. The Information Commissioner can be contacted at:

Information Commissioner's Office

Wycliffe House

Water Lane

Wilmslow

Cheshire

SK9 5AF

0303 123 1113

casework@ico.org.uk

Any complaint to the Information Commissioner is without prejudice to your right to seek redress through the courts.

Contact details

The data controller for your personal data is HM Revenue and Customs. The contact details for the data controller are:

HMRC

100 Parliament Street

Westminster

London SW1A 2BQ

The contact details for HMRC's Data Protection Officer are:

The Data Protection Officer

HM Revenue and Customs

14 Westfield Avenue

Stratford, London E20 1HZ

advice.dpa@hmrc.gov.uk

Consultation principles

This call for evidence is being run in accordance with the government's Consultation Principles.

The Consultation Principles are available on the Cabinet Office website: Consultation Principles Guidance

If you have any comments or complaints about the consultation process, please contact the Consultation Coordinator using the following link:

Submit a comment or complaint about HMRC consultations

Please do not send responses to the consultation to this link.

Annex A: Relevant (current) Government Legislation

Sections 76-82, 108 and 128 FA 2012: [Link to legislation here.]

Para 210, Part 3 of Schedule 16 FA 2012

(1) Section 1297 (life assurance business) is amended as follows.

(2) In subsection (1), for “section 76 of ICTA applies (expenses of companies carrying on life assurance business)” substitute “the I - E rules apply”.

(3) In subsection (2), for “section 86 of FA 1989” substitute “section 79 of FA 2012”.

(4) In subsection (4)—

> (a) for “purposes of section 86 of FA 1989” substitute “purpose of calculating the adjusted BLAGAB management expenses of the company for the purposes of section 73 of FA 2012”, and
>
> (b) for “payable for that period which fall to be included at Step 1 in section 76(7) of ICTA” substitute “debited, in accordance with generally accepted accounting practice, in the accounts drawn up by the company for that period”.

(5) In subsection (5)(a), for “an amount being brought into account under section 76 of ICTA as expenses payable” substitute “an amount constituting ordinary BLAGAB management expenses of the company for the purposes of section 76 of FA 2012”.

(6) For the heading substitute “Basic life assurance and general annuity business”.

Section 1297 CTA 2009 Basic life assurance and general annuity business

(1) This section applies if the employer is a company in relation to which the I – E rules apply.

(2) In determining for the purposes of section 1290(1) whether a deduction would otherwise be allowable, the effect of section 79 FA2012 (spreading of relief for acquisition expenses) is ignored.

(3) But section 1290(3) is subject to that section if, in accordance with subsection (2) above, an amount is allowed as a deduction for a particular period under section 1290(3).

(4) For the purpose of calculating the adjusted BLAGAB management expenses of the company for the purposes of section 73 of FA 2012, the employee benefit contributions are treated as expenses

debited, in accordance with generally accepted accounting practice, in the accounts drawn up by the company for that period.

(5) For the purposes of sections 1290 to 1296–

(a) any reference to a deduction for employee benefit contributions is to be read as a reference to an amount constituting ordinary BLAGAB management expenses of the company for the purposes of section 76 of FA 2012, and

(b) references to deduction are to be read in that light.