

Gains or losses arising by virtue of section 719. CTA76 s46B; FA92 s44(d); FA95 s69; FA96 s50 720.—(1) Subject to subsections (2) to (4), chargeable gains or allowable losses which would otherwise accrue on disposals deemed by virtue of section 719 to have been made in a company's accounting period (other than a period in which the company ceased to carry on life business) shall be treated, subject to paragraphs (b) and (c), as not accruing to the company, but instead—

(a) there shall be ascertained the difference (in this section referred to as “the net amount”) between the aggregate of those gains and the aggregate of those losses,

(b) one-seventh of the net amount shall be treated as a chargeable gain or, where it represents an excess of losses over gains, as an allowable loss accruing to the company in the accounting period, and

(c) a further one-seventh shall be treated as a chargeable gain or, as the case may be, as an allowable loss accruing in each succeeding accounting period until the whole amount has been accounted for.

(2) As respects chargeable gains or allowable losses accruing on disposals of rights under reinsurance contracts (4)) deemed by virtue of section 719 to have been made in the accounting period or part of an accounting period falling wholly within the year ending on—

(a) the 31st day of December, 1997, this section shall not apply to three-sevenths,

(b) the 31st day of December, 1998, this section shall not apply to two-sevenths, or

(c) the 31st day of December, 1999, this section shall not apply to one-seventh,

of those chargeable gains and allowable losses.

(3) For any accounting period of less than one year, the fraction of one-seventh referred to in subsection (1)(c) shall be proportionately reduced and, where this subsection has applied in relation to any accounting period before the last for which subsection (1)(c) applies, the fraction treated as accruing in that last accounting period shall be reduced so as to secure that no more than the whole of the net amount has been accounted for.

(4) Where a company ceases to carry on life business before the beginning of the last of the accounting periods for which subsection (1)(c) would apply in relation to a net amount, the fraction of that amount which is treated as accruing in the accounting period in which the company ceases to carry on life business shall be such as to secure that the whole of the net amount has been accounted for.

(5) Where in an accounting period a company incurs a loss on the disposal (in this subsection referred to as the “first-mentioned disposal”) of an asset the gain or loss in respect of a deemed disposal of which was included in a net amount to which subsection (1)(b) applied for any preceding accounting period, then, so much of the allowable loss on the first-mentioned disposal as is equal to the excess of the amount of the loss over the amount which, if section 719 had not been enacted, would have been the allowable loss on the

first-mentioned disposal shall be treated for the purposes of this section as an allowable loss which would otherwise accrue on disposals deemed by virtue of section 719 to have been made in the company's accounting period.