

Annuity business: separate charge on profits. CTA76 s39; FA86 s59(b); FA96 s131(2) and Sch5 Pt2 715.—(1)
Except in the case of an assurance company charged to tax in accordance with the provisions applicable to Case I of Schedule D in respect of the profits of its life assurance business, profits arising to an assurance company from pension business or general annuity business shall be treated as annual profits or gains within Schedule D and shall be chargeable to corporation tax under Case IV of that Schedule, and for that purpose—

(a) the business of each such class shall be treated separately, and

(b) subject to paragraph (a) and subsection (2), the profits from each such class of business shall be computed in accordance with the provisions applicable to Case I of Schedule D.

(2) In making the computation in accordance with the provisions applicable to Case I of Schedule D—

(a) subsection (1) of section 710 shall apply with the necessary modifications and in particular shall apply as if there were deleted from that subsection all references to policyholders other than holders of policies referable to pension business,

(b) no deduction shall be allowed in respect of any expense, being an expense of management referred to in section 707, and

(c) there may be set off against the profits of pension business or general annuity business any loss, to be computed on the same basis as the profits, which was sustained in the same class of business in any previous accounting period while the company was within the charge to corporation tax in respect of that class of business in so far as that loss not already been so set off.

(3) Section 399 shall not be taken as applying to a loss sustained by a company on its general annuity business or pension business.

(4) The treatment of an annuity as containing a capital element for the purposes of section 788 shall not prevent the full amount of the annuity from being deductible in computing profits or from being treated as a charge on income for the purposes of the Corporation Tax Acts.

(5) Notwithstanding any other provision of the Corporation Tax Acts, any annuity paid by a company and referable to its excluded annuity business—

(a) shall not be treated as a charge on income for the purposes of the Corporation Tax Acts, and

(b) shall be deductible in computing for the purposes of Case I of Schedule D the profits of the company in respect of its life assurance business.