

Deemed disposal and reacquisition of certain assets. CTA76 s46A; FA92 s44(d); FA93 s11(j); FA97 s69 719.—(1) In this section and in section 720—

“average”, in relation to 2 amounts, means 50 per cent of the aggregate of those 2 amounts;

“closing”, in relation to an accounting period, means the position at the end of the valuation period which coincides with that accounting period or in which that accounting period falls;

“foreign life assurance fund” has the same meaning as in section 718;

“investment reserve”, in relation to an assurance company, means the excess of the value of the assets of the company's life business fund over the liabilities of the life business;

“life business fund” means the fund or funds maintained by an assurance company in respect of its life business other than its special investment business;

“linked assets” means assets of an assurance company identified in its records as assets by reference to the value of which benefits provided for under a policy or contract are to be determined;

“linked liabilities” means liabilities in respect of benefits to be determined by reference to the value of linked assets;

“opening”, in relation to an accounting period, means the position at the beginning of the valuation period which coincides with that accounting period or in which that accounting period falls;

“with-profits liabilities” means liabilities in respect of policies or contracts under which the policy holders or annuitants are eligible to participate in surplus.

(2) Each asset of the life business fund of an assurance company on the day on which an accounting period of the company ends shall, subject to this section, be deemed to have been disposed of and immediately reacquired by the company on that day at the asset's market value on that day.

(3) Subsection (2) shall not apply to—

(a) (i) assets to which section 607 applies, other than, with effect as on and from the 26th day of March, 1997, where such assets are held in connection with a contract or other arrangement which secures the future exchange of the assets for other assets to which that section does not apply, and

(ii) assets which are strips within the meaning of section 55,

(b) assets linked solely to pension business or special investment business, or

(c) assets of the foreign life assurance fund,

and, in relation to other assets which are not assets linked solely to life assurance business (excluding pension business, general annuity business and special investment business), shall apply only to the relevant chargeable fraction for an accounting period of each class of asset.

(4) In subsection (3), “the relevant chargeable fraction for an accounting period”—

(a) in relation to linked assets, means the fraction of which—

(i) the denominator is the average of such of the opening and closing life business liabilities as are liabilities in respect of benefits to be determined by reference to the value of linked assets other than—

(I) assets linked solely to life assurance business (excluding pension business, general annuity business and special investment business), special investment business or pension business, and

(II) assets of the foreign life assurance fund, and

(ii) the numerator is the average of such of the opening and closing liabilities within subparagraph (i) as are liabilities of business the profits of which are not charged to tax under Case I or IV of Schedule D, and

(b) in relation to assets other than linked assets, means the fraction of which—

(i) the denominator is the aggregate of—

(I) the average of the opening and closing life business liabilities, other than liabilities in respect of benefits to be determined by reference to the value of linked assets and liabilities of the foreign life assurance business or special investment business, and

(II) the average of the opening and closing amounts of the investment reserve, and

(ii) the numerator is the aggregate of—

(I) the average of such of the opening and closing liabilities within subparagraph (i) as are liabilities of business the profits of which are not charged to tax under Case I or IV of Schedule D, and

(II) the average of the appropriate parts of the opening and closing amounts of the investment reserve.

(5) (a) In this subsection, “liabilities” does not include the liabilities of the foreign life assurance business or special investment business.

(b) In subsection (4), “appropriate part”, in relation to the investment reserve, means—

(i) where none, or only an insignificant proportion, of the liabilities of the life business are with-profits liabilities, the part of that reserve which bears to the whole the same proportion as the amount of the liabilities of business, the profits of which are not charged to tax under Case I or IV of Schedule D,

which are not linked liabilities bears to the whole amount of the liabilities of the life business which are not linked liabilities, and

(ii) in any other case, the part of that reserve which bears to the whole the same proportion as the amount of the with-profits liabilities of business, the profits of which are not charged to tax under Case I or IV of Schedule D, bears to the whole amount of the with-profits liabilities of the life business.

(6) For the purposes of this section, in applying section 557 to the computation of gains accruing to an assurance company on the disposal, on the day on which an accounting period of the company ends, of assets which are not linked solely to life assurance business (excluding pension business, general annuity business or special investment business), the company shall be deemed to have acquired all of the assets of its life business fund, other than the assets it acquired in that accounting period, at their respective market values on the day immediately before the day on which that period began.

(7) For the purposes of this section, assets of the foreign life assurance fund or special investment fund and liabilities of the foreign life assurance business or special investment business shall be disregarded in determining the investment reserve.