Income tax, foreign tax and tax credit. CTA76 s45; FA88 s31(2) and Sch2 PtI par2(2); FA97 s37 and Sch2 pars1 and 2 729.—(1) Section 77 (6) shall not affect the liability to tax of an overseas life assurance company in respect of the investment income of its life assurance fund under section 726 or in respect of the profits of its annuity business under sections 715, 717 and 727.

(2) For the purposes of section 25 (3) as it applies to life business, the amount of the income tax referred to in that section which shall be available for set-off under that section in an accounting period shall be limited in accordance with subsections (3) and (4).

(3) Where the company is chargeable to corporation tax for an accounting period in accordance with section 726 in respect of the income from the investments of its life assurance fund, the amount of income tax available for set-off against any corporation tax assessed for that period on that income shall not exceed an amount equal to income tax at the standard rate on the portion of income from investments which is chargeable to corporation tax by virtue of subsection (4) of that section.

(4) Where the company is chargeable to corporation tax for an accounting period in accordance with section 727 on a proportion of the total amount of the profits arising from its general annuity business, the amount of income tax available for set-off against any corporation tax assessed for that period on those profits shall not exceed an amount equal to income tax at the standard rate on the like proportion of the income from investments included in computing those profits.

(5) Where an overseas life assurance company receives a distribution in respect of which it is entitled to a tax credit, the company may claim to have that credit set off against any corporation tax assessed on the company under section 726 or 727 for the accounting period in which the distribution is received, but the amount of the tax credit, or aggregate of tax credits if more than one distribution has been received, which may be so set off shall not exceed an amount determined by the formula—

$$\frac{S \times (A - B)}{100}$$

where—

S is the standard credit rate per cent for the year of assessment in which the distribution is made,

A is the portion of the income from investments which is chargeable to corporation tax by virtue of section 726 (4) or, as the case may be, the portion determined in accordance with subsection (4) of the income from investments included in computing the total amount of the profits of the company arising from its general annuity business, and

B is the aggregate of the payments, the income tax on which, having regard to subsection (3) or (4), as the case may be, the company is entitled to set off against corporation tax by virtue of a claim under section 25 (3).

(6) Section 828 (4) shall not affect the liability to tax under section 726 of an overseas life

assurance company in respect of gains from the disposal of investments held in connection with its life business.

(7) For the purposes of subsection (5), where an accounting period begins before the 6th day of April, 1997, and ends on or after that date, it shall be divided into one part beginning on the day which the accounting period begins and ending on the 5th day of April, 1997, and another part beginning on the 6th day of April, 1997, and ending on the day on which the accounting period ends and both parts shall be treated as separate accounting periods.