

Acquisition expenses. CTA76 s33A(1) to (5) and (7) to (8); FA92 s44(c); FA93 s23; FA96 s46; FA97 s156(3) 708.—(1) For the purposes of this section and subject to subsections (2) to (4), the acquisition expenses for any period of an assurance company carrying on life assurance business shall be such of the following expenses of management, including commissions (in whatever manner described) and excluding any payment of rent in respect of which a deduction is to be made twice by virtue of section 324, 333 or 345 in the computation of profits or gains, as are for that period attributable to the company's life assurance business (excluding pension business and general annuity business)—

(a) expenses of management which are disbursed solely for the purpose of the acquisition of business, and

(b) so much of any other expenses of management which are disbursed partly for the purpose of the acquisition of business and partly for other purposes as are properly attributable to the acquisition of business,

reduced by—

(i) any repayment or refund receivable in the period of the whole or part of management expenses within paragraph (a) or (b) and disbursed by the company for that period or any earlier period, and

(ii) reinsurance commission earned by the company in that period which is referable to life assurance business (excluding pension business and general annuity business).

(2) Subsection (1) shall not apply to acquisition expenses in respect of policies of life assurance issued before the 1st day of April, 1992, but without prejudice to the application of that subsection to any commission (in whatever manner described) attributable to a variation on or after that date in a policy of life assurance issued before that date, and for this purpose the exercise of any rights conferred by a policy shall be regarded as a variation of the policy.

(3) In subsection (1), “the acquisition of business” includes the securing on or after the 1st day of April, 1992, of the payment of increased or additional premiums in respect of a policy of assurance which has already been issued before, on or after that date.

(4) For the purposes of subsection (1) and in relation to any period, the expenses of management attributable to a company's life assurance business (excluding pension business and general annuity business) shall be expenses—

(a) which are disbursed for that period (3)), and

(b) which, disregarding subsection (5), are deductible as expenses of management of such life assurance business in accordance with section 707.

(5) Notwithstanding anything in section 707, only one-seventh of the acquisition expenses for any

accounting period (in this section referred to as “the base period”) shall be treated as deductible under that section for the base period, and in subsections (6) and (7) any reference to the full amount of the acquisition expenses for the base period is a reference to the amount of those expenses which would be deductible for that period apart from this subsection.

(6) Where by virtue of subsection (5) only a fraction of the full amount of the acquisition expenses for the base period is deductible under section 707 for that period, then, subject to subsection (7), a further one-seventh of the full amount shall be so deductible for each succeeding accounting period after the base period until the whole of the full amount has become so deductible, except that for any accounting period of less than a year the fraction of one-seventh shall be proportionately reduced.

(7) For any accounting period for which the fraction of the full amount of the acquisition expenses for the base period which would otherwise be deductible in accordance with subsection (6) exceeds the balance of those expenses which has not become deductible for earlier accounting periods, only that balance shall be deductible.