

Investment income reserved for policyholders. CTA76 s36; FA93 s11(e); FA96 s48(1); FA97 s68 713.—(1) For the purposes of this section—

(a) “unrelieved profits” means the amount of profits on which corporation tax falls finally to be borne;

(b) the amount of tax which is or would be chargeable on a company shall be taken to be the amount of tax which is or would be so chargeable after allowance of any relief to which the company is or would be entitled otherwise than under this section or under section 136, 712 (2) or 730.

(2) A claim may be made under this section by an assurance company in respect of unrelieved profits from investments referable to life business, other than special investment business, carried on by the company.

(3) Where in a financial year (being the financial year 1997 and subsequent financial years) the rate per cent (in this subsection and in subsection (4) referred to as “the specified rate per cent”) of corporation tax specified in section 21 (1)(b) exceeds the standard rate per cent for either of the years of assessment, part of each of which falls within the financial year, the corporation tax in respect of any of the unrelieved profits of the company for that year shall be reduced on a claim in that behalf being made by the company by so much of that tax as is equal to the amount by which—

(a) the corporation tax chargeable on the company for that year in respect of the part specified in subsection (5) of the unrelieved profits,

exceeds—

(b) the corporation tax which would be so chargeable in respect of that part of those profits if the specified rate per cent for each part of the financial year which coincides with a part of a year of assessment were equal to the standard rate per cent for the year of assessment.

(4) In computing that part of those profits for the purposes of subsection (3)(b), section 78 (2) shall apply as if the rate per cent of capital gains tax specified in section 28 (3) were the specified rate per cent.

(5) (a) Subject to paragraph (b), the franked investment income from investments held in connection with a company's life business shall be apportioned between—

(i) policyholders or annuitants, and

(ii) shareholders,

by attributing to policyholders or annuitants such fraction of that income as the fraction (in this subsection referred to as “the appropriate fraction”) of the profits of the company's life business which, on a computation of such profits in accordance with the provisions applicable to Case I of Schedule D (whether or not the company is in fact charged to tax under that Case for the relevant accounting period or periods),

would be excluded under section 710 (1).

(b) Where the franked investment income referred to in paragraph (a) exceeds the profits of the company's life business as computed in accordance with the provisions applicable to Case I of Schedule D other than section 710, the part of the franked investment income attributable to policy holders or annuitants shall be the aggregate of—

(i) the appropriate fraction of the franked investment income in so far as not exceeding those profits, and

(ii) the amount of the excess of the franked investment income over those profits.

(6) (a) Where the aggregate of the unrelieved profits and the shareholders' part of the franked investment income exceeds the profits of the company in respect of its life business for the relevant accounting periods computed in accordance with the provisions of Case I of Schedule D as extended by sections 710 and 714 (whether or not the company is charged to tax under that Case), the part referred to in subsection (3) shall be the lesser of—

(i) the amount of that excess, and

(ii) the unrelieved profits,

and

(b) where the aggregate referred to in paragraph (a) is less than the profits of the company's life business as so computed, subsection (3) shall not apply.

(7) This section shall apply subject to paragraph 24 of schedule 32.