Investment income. CTA76 s43; FA93 s11(h); FA95 s64; FA96 s132(2) and Sch5 PtII 726.—(1) Any income of an overseas life assurance company from the investments of its life assurance fund (excluding the pension fund, general annuity fund and special investment fund, if any), wherever received, shall, to the extent provided in this section, be deemed to be profits comprised in Schedule D, and shall be charged to corporation tax under Case III of Schedule D.

(2) Distributions received from companies resident in the State shall be taken into account under this section notwithstanding their exclusion from the charge to corporation tax.

(3) Where an overseas life assurance company is entitled to an amount (in this subsection referred to as “the first amount”), being an amount which corresponds to a tax credit, by virtue of having received a distribution from a company not resident in the State, the distribution shall be treated for the purposes of this section as representing income equal to the aggregate of the amount or value of that distribution and the first amount.

(4) A portion only of the income from the investments of the life assurance fund (excluding the pension fund, general annuity fund and special investment fund, if any) shall be charged in accordance with subsection (1), and for any accounting period that portion shall be determined by the formula—

$$\frac{A \times B}{C}$$

where—

A is the total income from those investments for that period,

B is the average of the liabilities for that period to policyholders resident in the State and to policyholders resident outside the State whose proposals were made to the company at or through its branch or agency in the State, and

C is the average of the liabilities for that period to all the company's policyholders,

but any reference in this subsection to liabilities does not include liabilities in respect of special investment, general annuity or pension business.

(5) For the purposes of this section—

(a) the liabilities of an assurance company attributable to any business at any time shall be ascertained by reference to the net liabilities of the company as valued by an actuary for the purposes of the relevant periodical return, and

(b) the average of any liabilities for an accounting period shall be taken as 50 per cent of the aggregate of the liabilities at the beginning and end of the valuation period which coincides with that accounting period or in which that accounting period falls.

(6) (a) For the purposes of this subsection—

(i) “the average of branch liabilities for an accounting period” means the aggregate of the amounts represented by B in subsection (4), B in section 727 (2) and the average of the liabilities attributable to pension business for the accounting period, and

(ii) “the assets to which this subsection applies” are assets the gains from the disposal of which are chargeable to corporation tax by virtue of subsections (3) and (6) of section 29 together with assets the gains from the disposal of which would be so chargeable but for sections 551, 607 and 613.

(b) Where the average of branch liabilities for an accounting period exceeds the mean value for the accounting period of the assets to which this subsection applies, the amount to be included in profits under section 78 (1) shall be an amount determined by the formula—

$$A \times \frac{B}{C}$$

where—

A is the amount which apart from this subsection would be so included in profits,

B is the average of branch liabilities for the accounting period, and

C is the mean value for the accounting period of the assets to which this subsection applies.

(7) Section 70 (1) as applied to corporation tax shall not apply to income to which subsection (1) applies.