

Chargeable gains of life business. CTA76 s35A; FA93 s11(d); FA96 s47(1) 711.—(1) For the purpose of computing corporation tax on chargeable gains accruing to a fund or funds maintained by an assurance company in respect of its life business—

(a) (i) section 556, and

(ii) section 607,

shall not apply, and

(b) section 581 shall, as respects—

(i) subsections (1) and (2) of that section, and

(ii) subsection (3) of that section, in so far as a chargeable gain is not thereby disregarded for the purposes of that subsection,

apply as if paragraph 24 of Schedule 32 , section 719 , section 723 (7)(a) and paragraph (a)(ii) had not been enacted.

(2) (a) In this subsection—

“the appropriate amount in respect of the interest” means the appropriate amount in respect of the interest which would be determined in accordance with Schedule 21 if a company were the first buyer and carried on a trade to which section 749 (1) applies but, in so determining the appropriate amount in respect of the interest in accordance with Schedule 21, paragraph 3(4) of that Schedule shall apply as if “in the opinion of the Appeal Commissioners” were deleted;

“securities” has the same meaning as in section 815.

(b) Where in an accounting period a company disposes of any securities and in the following accounting period interest becoming payable in respect of the securities is receivable by the company, the gain or loss accruing on the disposal shall be computed as if the price paid by the company for the securities was reduced by the appropriate amount in respect of the interest; but where for an accounting period this paragraph applies so as to reduce the price paid for securities, the amount by which the price paid for the securities is reduced shall be treated as a loss arising in the immediately following accounting period from the disposal of the securities.

(3) Subject to section 720, where an assurance company, in the course of carrying on a class of life assurance business mentioned in subparagraph (iii) or (iv) of section 707 (2)(a), disposes of or is deemed to dispose of assets in an accounting period, the amount, if any, for each such class of business by which the aggregate of allowable losses exceeds the aggregate of chargeable gains on the disposals or deemed disposals in the course of that class of business in the accounting period shall be—

(a) disregarded for the purposes of section 31, and

(b) treated for the purposes of the Corporation Tax Acts as a sum disbursed by the company in the accounting period as an expense of management, other than an acquisition expense ), incurred in the course of carrying on that class of business.

(4) For the purposes of subsection (3), any amount which apart from paragraph 24 of Schedule 32 would be treated as a chargeable gain or an allowable loss of an accounting period of a company by virtue of section 720 shall also be treated as arising on a disposal of assets by the company in the accounting period so that each such amount shall be taken into account in determining the amount, if any, by which the aggregate of allowable losses exceeds the aggregate of chargeable gains on disposals of assets by the company in the course of carrying on life assurance business (excluding pension business, general annuity business and special investment business) in the accounting period.