

Chapter 10

Instructions regarding reporting templates

IR.25.06 – Solvency Capital Requirement – loss-absorbing capacity of deferred taxes

General comments

This section relates to annual submission of information for individual entities.

Loss-absorbing capacity of deferred taxes (LACDT) and related calculations should be made in accordance with Solvency Capital Requirement – Standard Formula 6.4 and, if applicable, 6.5. Amounts recognised should be in conformity with international accounting standards adopted for use by UK companies.

In the text below, SF refers to firms for which the adjustment for LACDT is not within the scope of an internal model and which calculate LACDT as laid down by Solvency Capital Requirement – Standard Formula 6.4 and, if applicable, 6.5. IM refers to all other firms.

	ITEM	INSTRUCTIONS
R0010/C0010	Deferred Tax Assets Before the shock	Total amount of the deferred tax assets (DTA) in the balance sheet using Solvency II valuation before the instantaneous loss described in Solvency Capital Requirement – Standard Formula 6.4. The DTA amount of this cell shall be consistent with the value in the cell R0400/C0010 in IR.02.01.
R0010/C0020	Deferred Tax Assets After the shock	SF: Total amount of the DTA if a balance sheet using Solvency II valuation rules was set up after the instantaneous loss, as provided for in Solvency Capital Requirement – Standard Formula 6.4 and, if applicable, 6.5. IM: Total amount of the DTA in the balance sheet consistent with internal model output representing the biting scenario drawn up using Solvency II valuation rules.
R0020/C0010	Deductible temporary differences Before the shock	Amount of deductible temporary differences included in the total amount of DTA before the instantaneous loss described in Solvency Capital Requirement – Standard Formula 6.4.
R0020/C0020	Deductible temporary differences After the shock	SF: Amount of deductible temporary differences included in the total amount of DTA if a balance sheet using Solvency II valuation rules was set up after the instantaneous loss, as provided for in Solvency Capital Requirement – Standard Formula 6.4 and, if applicable, 6.5. IM: Amount of deductible temporary differences included in the total amount of DTA in the balance sheet consistent with internal model output representing the biting scenario drawn up using Solvency II valuation rules.
R0030/C0010	Unused tax losses and unused tax	Amount of unused tax losses and unused tax credits included in the total amount of DTA before

	credits Before the shock	the instantaneous loss described in Solvency Capital Requirement – Standard Formula 6.4.
R0030/C0020	Unused tax losses and unused tax credits After the shock	SF: Amount of unused tax losses and unused tax credits included in the total amount of DTA if a balance sheet using Solvency II valuation rules was set up after the instantaneous loss, as provided for in Solvency Capital Requirement – Standard Formula 6.4 and, if applicable, 6.5. IM: Amount of unused tax losses and unused tax credits included in the total amount of DTA in the balance sheet consistent with internal model output representing the biting scenario drawn up using Solvency II valuation rules.
R0040/C0010	Deferred Tax Liabilities Before the shock	Amount of Deferred Tax Liabilities (DTL) in the balance sheet using Solvency II valuation before the instantaneous loss described in Solvency Capital Requirement – Standard Formula 6.4. The DTL amount of this cell shall be consistent with the value in the cell R0780/C0010 in IR.02.01
R0040/C0020	Deferred Tax Liabilities After the shock	SF: Amount of Deferred Tax Liabilities (DTL) if a balance sheet using Solvency II valuation was set up after the instantaneous loss, as provided for in Solvency Capital Requirement – Standard Formula 6.4. IM: Amount of DTL in the balance sheet consistent with internal model output representing the biting scenario drawn up using Solvency II valuation.
R0050/C0030	Amount/estimate of LACDT reported explicitly in IR.25.04	Amount of LACDT reported explicitly in the cell R0450/C0010 in IR.25.04. LACDT in IR.25.04 is reported as a negative amount. LACDT in IR.25.06 should also be reported as a negative amount for consistency.
R0060/C0030	Amount/estimate of LACDT reported implicitly in IR.25.04	SF: Amount of LACDT should be reported explicitly and included in R0050. IM: Amount of LACDT reported implicitly in the SCR calculation which has been included in the amount shown in the cell R0438/C0010 in IR.25.04.
R0070/C0030	Amount/estimate of total LACDT	SF: Total amount of LACDT as defined in Solvency Capital Requirement – Standard Formula 6.4 and, if applicable, 6.5. IM: Total amount of LACDT being the sum of LACDT reported explicitly and implicitly.
R0080/C0030	Amount/estimate of LACDT justified by reduction in deferred tax liabilities	SF: Amount/estimate of LACDT, as calculated in accordance with Solvency Capital Requirement – Standard Formula 6.4, justified by the reduction in deferred tax liabilities after the instantaneous loss. IM: Amount/estimate of LACDT, justified by the reduction in deferred tax liabilities after the biting scenario.
R0090/C0030	Amount/estimate of LACDT justified by reference to probable future taxable profit	SF: Amount/estimate of LACDT, as calculated in accordance with Solvency Capital Requirement – Standard Formula 6.4 and, if applicable, 6.5, justified by reference to probable future taxable

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		profit of the company that the firm is permitted to take account of in accordance with those rules. IM: Amount/estimate of LACDT, justified by reference to probable future taxable profit of the company.
R0100/C0030	Amount/estimate of LACDT justified by set-off against profits of current or previous accounting period	Amount/estimate of LACDT justified by set-off against tax due in the period of the stress or carried back to reclaim tax paid in prior periods.
R0110/C0030	Amount/estimate of LACDT justified by carry back, future years	Amount/estimate of loss-absorbing capacity of deferred taxes justified by profits from past years. Amount of losses allocated to the years after next year.
R0120/C0030	Amount/estimate of LACDT justified by surrender as group relief	Amount/estimate of LACDT, justified by transfer of losses between group members.
R0130/C0030	Amount/estimate of Maximum LACDT	SF: Maximum amount of LACDT calculated as if Solvency Capital Requirement – Standard Formula 6.4(3) does not apply and before any assessment whether the increase in net DTA can be used for the purposes of the adjustment. IM: Maximum amount of loss-absorbing capacity of deferred taxes that could be available before the assessment whether the increase in net DTA can be used for the purposes of the adjustment.
R0140/C0030	Taxable loss caused by SCR shock	SF: Total taxable loss caused by the instantaneous loss as provided for in Solvency Capital Requirement – Standard Formula 6.4. IM: Total taxable loss caused by the biting scenario.
R0150/C0030	Taxable loss in year of shock	Taxable loss caused by the SCR shock which is assessed and charged in the current accounting period
R0160/C0030	Taxable loss after the year of shock	Taxable loss caused by the SCR shock which is assessed and charged in subsequent accounting periods
R0170/C0030	Financial year of the projection horizon of future taxable profit	The financial year in which the last future taxable result is projected for the purpose of justifying LACDT by reference to probable future taxable profit.
R0180/C0030	Maximum rate of UK corporation tax assumed for the LACDT calculation	The maximum rate used in the measurement of tax and deferred tax assets and liabilities after the shock.