

Govt 120 + Govt 105 + Govt 123 + Govt 124 + Govt 125 + Govt 87 +
Govt 126 + Govt 127 + Govt 128 + Govt 88 + Govt 89

Mr Stephen Timms (Lab. East Ham)

Government Amendment 120

Schedule 7, page 118, line 23, after ‘being’ insert ‘all of the assets of the company’s long-term insurance fund which are’.

Government Amendment 105

Schedule 7, page 123, line 37, leave out ‘linked assets’ and insert ‘assets linked to the relevant business so far as so referable.’

Government Amendment 123

Schedule 7, page 130, line 35, leave out ‘in relation to that category of business’.

Government Amendment 124

Schedule 7, page 130, line 35, at end insert—

‘(3A) Where the relevant income arises from foreign currency assets, the whole of the foreign tax is attributable to gross roll-up business, unless the case is one where subsection (7) below applies.’.

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Government Amendment 125

Schedule 7, page 130, line 40, leave out from ‘for’ to end of line 42 and insert ‘the words following “is” substitute “gross roll-up business.”

(7) In subsection (6)—

- (a) omit “or 432D” (in both places), and
- (b) for “the category of business in question” and “that category” substitute “gross roll-up business”.

(7A) In subsection (7), for—

- (a) “the category of business in question”, and
 - (b) “that category”,
- substitute “gross roll-up business”.’.

Government Amendment 87

Schedule 7, page 132, line 8, after “(b)” insert ‘of subsection (6)’.

Government Amendment 126

Schedule 7, page 133, line 5, leave out ‘subsection (1)’ and insert ‘subsections (1) and (1A)’.

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Government Amendment 127

Schedule 8, page 140, line 10, leave out ‘85A(3)(a)’ and insert
‘85A(3)(b)’.

Government Amendment 128

Schedule 8, page 140, line 17, leave out ‘85A(3)(a)’ and insert
‘85A(3)(b)’.

Government Amendment 88

Schedule 8, page 144, line 39, leave out from beginning to ‘charged’
in line 41 and insert ‘the profits of the life assurance business of the
company for the preceding accounting period were’

Government Amendment 89

Schedule 9, page 159, line 13, leave out from ‘to’ to end of line 14 and
insert ‘periods of account beginning on or after 1st January 2007
where the transfer of business or demutualisation concerned took
place before 21st March’.

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EXPLANATORY NOTE

SUMMARY

1. These amendments make minor changes to Schedules 7, 8 and 9 to the Finance Bill to correct drafting and typographical errors, largely as a result of representations made by the insurance industry, for which the Government is grateful.

DETAIL

2. Government amendment 120 ensures that where an insurance company designates assets that it holds to back liabilities of its gross roll-up business (“GRB” - all life assurance business which is not basic life assurance and general annuity business, especially in this context overseas life assurance business) as foreign currency assets (and so being treated as wholly referable to GRB), it must designate all of its assets so held. It cannot merely designate those where a gain might arise and so be exempt from tax.
3. Paragraph 17 of Schedule 7 rewrites section 432C of the Income and Corporation Taxes Act 1988. A late change in approach to the operation of subsection (3) was not followed through to subsection (5): Government amendment 105 ensures that subsections (3) and (5) are consistent in their language.
4. Government amendments 123, 124 and 125 amend section 804B of the Income and Corporation Taxes Act 1988. This section operates to allocate foreign tax suffered on income to categories of insurance business. Amendments 123 and 125 make minor tidying up changes to reflect the fact that section 804B(5) to (7) now deals only with one category of business – GRB. In particular, government amendment 124 ensures that

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tax on income from foreign currency assets is made directly referable to GRB.

5. Paragraph 62 of Schedule 7 amends section 210 of the Taxation of Chargeable Gains Act. It intended to amend section 210B(6)(b) of that Act, but unintentionally refers only to paragraph (b) of section 210B. Government amendment 87 inserts the necessary reference to subsection (6).
6. Paragraph 69(2) of Schedule 7 substitutes new section 255(1) to (1B) of the Capital Allowance Act 2001 (apportionment of allowances to categories of business) for old material, but only referred to subsection (1) as being replaced, when in fact subsection (1A) is also being replaced. Government amendment 126 corrects this error.
7. Section 440C of Income and Corporation Taxes Act 1988 is a new section inserted by Schedule 8. In two places it refers to losses under section 85A(3)(a) of Finance Act 1989, also a new section inserted by this Schedule. The references should however have been to section 85A(3)(b). Government amendments 127 and 128 correct these typographical errors.
8. Paragraph 29 of Schedule 8 is a transitional provision which applies where a company was charged to tax on the normal “I minus E” basis immediately before 2007 but became charged to tax under Case I of Schedule D as a result of the provision of section 431G of the Income and Corporation Taxes Act 1988 inserted by paragraph 4 of Schedule 8. If the provision applies, a company can translate its Case VI losses into Case I losses. Representations suggested that paragraph (b) of subparagraph (1) of paragraph 29 might not cover every case that should be included.

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9. Government amendment 88 ensures that it does, by referring directly to any company that was charged to tax on the normal “I minus E” basis immediately before 2007.
10. Paragraph 11 of Schedule 9 repeals section 83(3) FA 1989 and associated rules. In general this repeal has effect from an appointed day, but there is an exception in paragraph 17(3) of Schedule 9 for cases where there was a transfer of business before Budget Day 2007. In that case the repeals are intended to have effect for any period beginning in 2007. But it was not clear that paragraph 17(3) can be read to have that effect. Government amendment 89 ensures that it does, by setting out more clearly that it does not matter when the transfer of business took place as long as it was before 21st March 2007.