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(Brent South - Lab)

Amendment 85

Clause 44, page 53, line 29, at beginning insert ‘the old’.

EXPLANATORY NOTE

SUMMARY

1. This amendment makes it clear that a reference to “section 75(3)” (of the Income and Corporation Taxes Act 1988 (“ICTA”)) in clause 44 is a reference to the version of that section that applies before the replacement of it by clause 38.

DETAILS

2. Clause 38 replaces the existing section 75 ICTA with a new version dealing with the treatment of management expenses of all companies with investment business. Clause 40 replaces the existing section 76 ICTA with a new version dealing the expenses of insurance companies. The old section 76 is based on and uses certain provisions in the old section 75.
3. Clause 44 deals with the effect of the changes in straddling period – one which contains but does not start with 1 April 2004. In such a period there is a division between the period falling before 1 April and the period starting with that date.
4. Subsection (5) of the clause ensures that the splitting rule does not apply for certain purposes, one of which is the carry forward rule for excess expenses of an earlier period. That carry forward rule does not apply at the end of the first split period. The subsection refers to this rule as “section 75(3)”. But there are two subsections

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with that number, since the new section 75 inserted by clause 38 also has a subsection (3).

5. The amendment makes it clear that it is the “old” section 75(3), the carry forward rule for periods before 1 April 2004, that is meant.