

## SCHEDULES

### SCHEDULE 1

Section 4

#### EXPENSES OF COMPANIES WITH INVESTMENT BUSINESS AND INSURANCE COMPANIES

##### *Income and Corporation Taxes Act 1988*

- Relief for contributions to certain bodies* 5
- 1 (1) In the Taxes Act 1988 –
- (a) section 79 (contributions to local enterprise agencies,
  - (b) section 79A (contributions to training and enterprise councils, business link organisations and local enterprise companies), and
  - (c) section 79B (contributions to urban regeneration companies),
- are each amended as follows. 10
- (2) In subsection (2) (contribution by investment company treated as expenses of management) for “an investment company” substitute “a company with investment business”.
- (3) After subsection (2) insert – 15
- “(2A) Where any such contribution is made by a company in relation to which section 76 applies (expenses of insurance companies) any expenditure allowable as a deduction under subsection (1) above shall for the purposes of that section be treated as expenses payable which fall to be brought into account at Step 1 in subsection (5) of that section.”. 20
- Costs of establishing share option or profit sharing schemes: relief*
- 2 (1) Section 84A of the Taxes Act 1988 is amended as follows.
- (2) In subsection (2), for paragraph (b) (expenditure to be treated as expenses of management) substitute – 25
- “(b) if the company is a company with investment business, shall be treated as expenses of management deductible under section 75, or
  - (c) if the company is one in relation to which section 76 applies, shall be treated for the purposes of that section as expenses payable which fall to be brought into account at Step 1 in subsection (5) of that section.”. 30
- (3) In subsection (3) (timing rule where approval given more than 9 months after end of period of account in which expenditure incurred) for the words following paragraph (b) substitute – 35
- “for the purpose of applying subsection (2) above the expenditure shall be treated in accordance with subsection (3ZA) below.”.

- (4) After subsection (3) insert –
- “(3ZA) Where this subsection applies –
- (a) in applying subsection (2)(a) above, the expenditure shall be treated as incurred in the period of account in which the approval is given (and not the period of account mentioned in subsection (3)(b) above), 5
  - (b) in applying subsection (2)(b) or (c) above, the expenditure shall be treated as referable to the accounting period in which the approval is given.”.
- Payments to trustees of approved profit sharing schemes* 10
- 3 (1) Section 85 of the Taxes Act 1988 is amended as follows.
- (2) In subsection (1), for paragraph (b) (expenditure to be treated as expenses of management) substitute –
- “(b) if that company is a company with investment business, shall be treated as expenses of management deductible under section 75, or 15
  - (c) if that company is one in relation to which section 76 applies, shall be treated as expenses payable for the purposes of that section.”.
- Costs of establishing employee share ownership trusts* 20
- 4 (1) Section 85A of the Taxes Act 1988 is amended as follows.
- (2) In subsection (2), for paragraph (b) (expenditure to be treated as expenses of management) substitute –
- “(b) if the company is a company with investment business, shall be treated as expenses of management deductible under section 75, or 25
  - (c) if the company is one in relation to which section 76 applies, shall be treated for the purposes of that section as expenses payable which fall to be brought into account at Step 1 in subsection (5) of that section.”. 30
- (3) In subsection (3) (timing rule where trust established more than 9 months after end of period of account in which expenditure incurred) for the words following paragraph (b) substitute –
- “for the purpose of applying subsection (2) above the expenditure shall be treated in accordance with subsection (3A) below.”. 35
- (4) After subsection (3) insert –
- “(3A) Where this subsection applies –
- (a) in applying subsection (2)(a) above, the expenditure shall be treated as incurred in the period of account in which the trust is established (and not the period of account mentioned in subsection (3)(b) above), 40
  - (b) in applying subsection (2)(b) or (c) above, the expenditure shall be treated as referable to the accounting period in which the trust is established.”.

*Employees seconded to charities and educational establishments*

- 5 (1) Section 86 of the Taxes Act 1988 is amended as follows.
- (2) In subsection (1) (expenditure on seconded employees deductible as if employee’s services were available for employer’s trade etc) for “notwithstanding anything in section 74 or 75, any expenditure incurred (or disbursed)” substitute “notwithstanding anything in section 74, 75 or 76, any expenditure incurred”.
- (3) In subsection (2) (definitions) for the definition of “deductible” substitute –  
“deductible” means –
- (a) deductible as an expense in computing the profits of the employer to be charged under Case I or II of Schedule D,
  - (b) deductible as expenses of management for the purposes of section 75, or
  - (c) falling to be brought into account in accordance with section 76 as expenses payable which fall to be brought into account at Step 1 in subsection (5) of that section,
- as the case may be.”.

*Charitable donations: contributions to agent’s expenses*

- 6 (1) Section 86A of the Taxes Act 1988 is amended as follows.
- (2) In subsection (2), for paragraph (b) (expenditure to be treated as expenses of management for the purposes of sections 75 and 76) substitute –  
“(b) if the employer is a company with investment business, shall be treated as expenses of management deductible under section 75.”.

*Payments to Export Credits Guarantee Department*

- 7 (1) Section 88 of the Taxes Act 1988 is amended as follows.
- (2) For paragraph (b) (expenditure to be treated as expenses of management for the purposes of sections 75 and 76) substitute –  
“(b) if that person is company with investment business, in the expenses of management that are deductible under section 75 in computing the company’s profits for the purposes of corporation tax;”.

*Additional payments to redundant employees*

- 8 (1) Section 90 of the Taxes Act 1988 is amended as follows.
- (2) For subsection (1) (expenditure that would be allowable as a deduction or eligible for relief under section 75 or 76 as expenses of management) substitute –  
“(1) Where a payment is made by way of addition to a redundancy payment or to the corresponding amount of any other employer’s payment and the additional payment would be –

- (a) allowable as a deduction in computing for the purposes of Schedule D the profits or losses of a trade, profession or vocation,
- (b) deductible under section 75 as expenses of management of a business, or 5
- (c) regarded as expenses payable for the purposes of section 76, but for the permanent discontinuance of the trade, profession, vocation or business, the additional payment shall, subject to subsection (2) below, be so allowable, deductible or regarded notwithstanding that discontinuance. 10
- If the additional payment –
- (i) is made after the discontinuance, or
- (ii) is for the purposes of section 75 or 76 referable to an accounting period beginning after the discontinuance, it shall be treated as made, or (as the case may be) as referable to the accounting period ending, on the last day on which the trade, profession, vocation or business was carried on.”. 15
- (3) After subsection (1) insert –
- “(1A) To the extent that the additional payment would, apart from this subsection, be regarded for the purposes of section 76 as a payment of a capital nature, it shall not be so regarded for the purposes of that section (or of subsection (1) above so far as relating to that section).”.
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*Other grants under Industrial Development Act 1982 etc*

- 9 (1) Section 93 of the Taxes Act 1988 is amended as follows.
- (2) In subsection (1) (which includes provision about certain payments to an investment company) for “an investment company” substitute “a company with investment business”. 25

*Schedule A losses*

- 10 (1) Section 392A of the Taxes Act 1988 is amended as follows.
- (2) For subsection (3) (investment company ceasing to carry on Schedule A business) substitute – 30
- “(3) Where a company with investment business –
- (a) ceases to carry on a Schedule A business, but
- (b) continues to be a company with investment business, any Schedule A loss that cannot be used under the preceding provisions shall be carried forward to the succeeding accounting period and be treated for the purposes of section 75 as if it were expenses of management deductible for that period.”. 35
- (3) In subsection (4) (definitions) in paragraph (b) (definition of “investment company”) for ““investment company”” substitute ““company with investment business””. 40
- (4) Any loss which would, apart from this sub-paragraph, have fallen to be carried forward under section 392A(3) of the Taxes Act 1988 and treated as if it had been disbursed as expenses of management for the first accounting period of a company to begin on or after 1st April 2004 shall be treated as if that provision instead provided for the loss to be carried forward and 45

treated for the purposes of section 75 of that Act as if it were expenses of management deductible for that period.

*Write-off of government investment*

- 11 (1) Section 400 of the Taxes Act 1988 is amended as follows.
- (2) In subsection (2) (a body’s tax losses) for paragraph (b) (expenses of management of investment company) substitute – 5
- “(b) in the case of a company with investment business, within the meaning of Part 4, any such excess as is mentioned in subsection (6) of section 75 which falls to be treated in accordance with subsection (7) of that section;” 10
- (3) In paragraph (bb) of that subsection, for sub-paragraph (ii) (losses treated under 392A(3) as disbursed in the next accounting period) substitute –
- “(ii) under section 392A(3) are to be carried forward to the next accounting period and treated for the purposes of section 75 as if they were expenses of management deductible for that period;” 15
- (4) The amendment made by sub-paragraph (3) also has effect for the purpose of determining a body’s tax losses at the end of its last accounting period to end before 1st April 2004.
- (5) In section 400(2) of the Taxes Act 1988 – 20
- (a) the references in paragraph (b) to subsections (6) and (7) of section 75 include a reference to the old section 75(3), as read with section 6 of the Finance Act 2004, and
- (b) the reference in paragraph (bb)(ii) to section 392A(3) includes a reference to that provision as read with paragraph 10(4) of Schedule 1 to that Act. 25

*Group relief: meaning of “management expenses” in section 403*

- 12 (1) Section 403ZD of the Taxes Act 1988 (other amounts available by way of group relief) is amended as follows.
- (2) For subsection (4) (meaning of “management expenses” in section 403) substitute – 30
- “(4) Management expenses means the aggregate of the amounts deductible under section 75(1) (expenses of management of company with investment business) by the surrendering company for the surrender period. 35
- It does not include an amount deductible by virtue only of section 75(7) or 392A(3) (amounts carried forward from earlier periods).”
- (3) Omit subsection (5) (which is rendered unnecessary by section 76 no longer applying section 75).
- (4) In section 403ZD(4) of the Taxes Act 1988 – 40
- (a) the reference to section 75(7) includes a reference to the old section 75(3), as read with section 6 of the Finance Act 2004, and
- (b) the reference to section 392A(3) includes a reference to that provision as read with paragraph 10(4) of Schedule 1 to that Act.

*Computation of gross profits*

- 13 (1) Section 403ZE of the Taxes Act 1988 is amended as follows.
- (2) In subsection (1) (gross profits for surrender period) in paragraph (b)(ii) (no deduction by virtue of section 75(3) of the Taxes Act 1988) for “75(3)” substitute “75(7)”. 5
- (3) In section 403ZE(2)(b)(ii), the reference to section 75(7) of the Taxes Act 1988 includes a reference to the old section 75(3).
- (4) Omit subsection (2) (which is rendered unnecessary by section 76 no longer applying section 75).

*Limitation of group relief in relation to certain dual resident companies* 10

- 14 (1) Section 404 of the Taxes Act 1988 is amended as follows.
- (2) In subsection (2)(c) (accounting period for which expenses of management are disbursed) for “disbursed” substitute “deductible”.
- (3) The amendment made by sub-paragraph (2) has effect in any case where the accounting period referred to in section 404(2) of the Taxes Act 1988 begins on or after 1st April 2004. 15

*Losses from Schedule A business or overseas property business*

- 15 (1) Section 432AB of the Taxes Act 1988 is amended as follows.
- (2) For subsection (3) (loss to be treated as expenses of management under section 76 disbursed for the period in which the loss arose) substitute – 20
- “(3) So far as a loss is referable to basic life assurance and general annuity business, it shall be treated for the purposes of section 76 as expenses payable which fall to be brought into account at Step 3 in subsection (5) of that section.”.

*General annuity business* 25

- 16 (1) Section 437 of the Taxes Act 1988 is amended as follows.
- (2) In subsection (1A) (new annuities to be brought into account by treating an amount as a sum disbursed as expenses of management) for the words from “as a sum” to the end of the subsection substitute “as expenses payable which fall to be brought into account for that period at Step 3 in section 76 (5).”. 30

*Transfers of business*

- 17 (1) Section 444A of the Taxes Act 1988 is amended as follows.
- (2) For subsection (2) (treatment of expenses of management) substitute –
- “(2) Any expenses payable which (assuming the transferor had continued to carry on the business transferred after the transfer) would have fallen to be brought into account by the transferor in determining the deduction for expenses payable to be allowed under section 76 in computing profits for an accounting period following the period which ends with the day on which the transfer takes place shall, instead, be brought into account under and in accordance with 35 40

that section by the transferee as expenses payable by him (and giving effect, in the case of acquisition expenses, to section 86(6) to (9) of the Finance Act 1989.”.

- (3) In subsection (4) (treatment of acquisition expenses) for “expenses of management of the transferee” substitute “expenses payable by the transferee”. 5

*Authorised unit trusts*

- 18 (1) Section 468 of the Taxes Act 1988 is amended as follows.
- (2) In subsection (4) (section 75 to apply to an authorised unit trust whether or not it is an investment company) – 10
- (a) for “an investment company” substitute “a company with investment business”, and
  - (b) for “as sums disbursed as expenses of management” substitute “as expenses of management incurred in respect of the authorised unit trust’s investment business”. 15

*Interest distributions*

- 19 (1) Section 468L of the Taxes Act 1988 is amended as follows.
- (2) In subsection (6)(a) for “sums disbursed as expenses of management” substitute “expenses of management”.

*Credit unions* 20

- 20 (1) Section 487 of the Taxes Act 1988 is amended as follows.
- (2) In subsection (4) (credit union not to be regarded as an investment company for purposes of section 75 or of Part 2 of the Capital Allowances Act) for “an investment company” substitute “a company with investment business”.

*Business entertaining expenses* 25

- 21 (1) Section 577 of the Taxes Act 1988 is amended as follows.
- (2) In subsection (1)(a) (expenses not to be included in computing expenses of management in respect of which relief may be given under the Tax Acts) –
- (a) after “and such expenses” insert “(i)”, and
  - (b) after “the Tax Acts;” insert “and 30
    - (ii) shall not be brought into account under section 76 as expenses payable”.

*Expenditure involving crime*

- 22 (1) Section 577A is amended as follows.
- (2) In subsection (2) (expenditure not to be included in computing expenses of management in respect of which relief may be given under the Tax Acts) – 35
- (a) after “above” insert “(a)”, and
  - (b) after “the Tax Acts” insert “, and 40
    - (b) shall not be brought into account under section 76 as expenses payable”.

*Expenditure on car hire*

- 23 (1) Section 578A is amended as follows.
- (2) In subsection (1) (amounts for which the section provides a reduction) in paragraph (b) for “an investment company” substitute “a company with investment business”.
- (3) In subsection (1), at the end of paragraph (b) insert “or  
(b) which can be brought into account under section 76 as expenses payable,”.

*Statutory redundancy payments*

- 24 (1) Section 579 of the Taxes Act 1988 is amended as follows.
- (2) For subsection (3) (amount of payment to be allowable as expenses of management eligible for relief under section 75 or 76 etc) substitute –
- “(3) Where a redundancy payment or other employer’s payment is made in respect of employment wholly in a business carried on by the employer and –
- (a) expenses of management of the business are deductible under section 75, or
- (b) a deduction for expenses payable falls to be allowed in accordance with section 76 in computing profits of the business,
- the amount of the redundancy payment, or the corresponding amount of the other employer’s payment, shall (to the extent that it would not otherwise fall to be so treated) be deductible under section 75 as expenses of management or, as the case may be, be included at Step 1 in section 76(5).
- (3A) If, in a case where subsection (3) above applies, the payment in question is for the purposes of section 75 or 76 referable to an accounting period beginning after the discontinuance, it shall be treated as referable to the accounting period ending on the last day on which the business was carried on.”.

*Gifts of shares, securities and real property to charities etc*

- 25 (1) Section 587B is amended as follows.
- (2) In subsection (8) (disposal by company carrying on life assurance business) in paragraph (b)(i), for ““an expense of management”” substitute ““expenses payable falling to be brought into account at Step 3 in section 76(5)””.

*Training courses for employees*

- 26 (1) Section 588 is amended as follows.
- (2) For subsection (4) (modification of subsection (3) for expenses of management) substitute –
- “(4) Where the employer is a company with investment business or a company carrying on life assurance business, subsection (3) above

shall have effect with the substitution for the words following paragraph (b) of –

“then, if and so far as that expenditure would not, apart from this subsection, fall to be so deductible or brought into account, it shall –

(i) in a case where the employer is a company with investment business, be deductible as expenses of management under section 75, or 5

(ii) in a case where the employer is a company carrying on life assurance business, be brought into account under section 76 as expenses payable.”.”. 10

(3) After subsection (5) (consequences of failure to meet condition) insert –

“(5A) The reference in subsection (5)(b) above to a deduction on account of any expenditure includes a reference to bringing an amount into account in determining the amount of the expenses deduction to be made under section 76.”. 15

*Counselling services for employees*

27 (1) Section 589A is amended as follows.

(2) For subsection (9) (modification of subsection (8) for expenses of management) substitute –

“(9) Where the employer is a company with investment business or a company carrying on life assurance business, subsection (8) above shall have effect as if for the words from “so deductible” onwards there were substituted “so deductible or brought into account, it shall – 20

(a) in a case where the employer is a company with investment business, be deductible as expenses of management under section 75, or 25

(b) in a case where the employer is a company carrying on life assurance business, be brought into account under section 76 as expenses payable.”.”. 30

*Exempt approved schemes*

28 (1) Section 592 is amended as follows.

(2) For subsection (4) (deduction of employer’s contributions) substitute –

“(4) Any sum paid by an employer by way of contribution under the scheme shall – 35

(a) for the purposes of Case I or II of Schedule D, be allowed to be deducted as an expense incurred in the chargeable period in which the sum is paid,

(b) for the purposes of section 75, be deductible under that section as an expense of management referable to that period, or 40

(c) for the purposes of section 76, be treated as referable to that period (to the extent that it would not otherwise fall to be so treated) and be brought into account at Step 1 in subsection (5) of that section, 45

	but no other sum shall for those purposes be so allowed, deductible or treated, in respect of the making, or any provision for the making, of any contributions under the scheme.”.	
(3)	In subsection (5) (limit on amount that may be deducted under subsection (4)) for “be deducted under subsection (4) above” substitute the following paragraphs “– (a) be deducted under paragraph (a) of subsection (4) above, (b) be deductible under paragraph (b) of that subsection, or (c) be included at Step 1 in section 76(5),”.	5
(4)	For subsection (6) (power of Board to direct sum not paid by way of ordinary annual payment to be treated as expense incurred in chargeable period in which paid or to be spread over period of years) substitute – “(6) A sum not paid by way of ordinary annual payment shall for the purposes of subsection (4) above be treated, as the Board may direct, either – (a) as an expense deductible for the chargeable period in which the sum is paid, (b) as expenses of management deductible under section 75 for that chargeable period, or (c) for the purposes of section 76, as expenses payable referable to that chargeable period, or as an expense to be spread over such period of years as the Board think proper.”.	10 15 20
<i>Social security benefits and contributions</i>		
29	(1) Section 617 of the Taxes Act 1988 is amended as follows.	25
	(2) In subsection (4) (exception from subsection (3) of certain contributions allowable as specified in the paragraphs of subsection (4)) in paragraph (b) (expenses of management etc) for “under that section as applied by section 76” substitute “falls to be brought into account under section 76 as expenses payable”.	30
<i>Change in ownership of investment company: deductions generally.</i>		
30	(1) Section 768B of the Taxes Act 1988 is amended as follows.	
	(2) In subsection (1) (case where section applies) for “an investment company” substitute “a company with investment business”.	
	(3) In subsection (6) (treatment of expenses of management disbursed in the accounting period) – (a) for “are disbursed or treated as disbursed as expenses of management in the accounting period” substitute “are, or are treated as, expenses of management referable to the accounting period”; (b) in the words following paragraph (b), for “as disbursed in that part” substitute “expenses of management referable to that part”.	35 40
	(4) In subsection (9) (which prevents certain sums being deducted under section 75 of the Taxes Act 1988) in paragraph (a) for “sums disbursed or allowances falling to be made for” substitute “expenses of management referable to, or allowances falling to be made for,”.	45

- (5) In subsection (14) (meaning of “investment company”) for ““investment company”” substitute ““company with investment business””.
- (6) The sidenote to the section accordingly becomes “Change in ownership of company with investment business: deductions generally”.
- (7) The amendment made by sub-paragraph (4) has effect where the accounting period beginning before the change is also an accounting period beginning on or after 1st April 2004. 5

*Deductions: assets transferred within group*

- 31 (1) Section 768C of the Taxes Act 1988 is amended as follows.
- (2) In subsection (1) (case where section applies) in paragraph (a) for “an investment company” substitute “a company with investment business”. 10
- (3) In subsection (7) (no deduction under section 75 from an amount of total profits equal to the amount of the relevant gain) in paragraph (a) for “sums disbursed” substitute “expenses of management referable to”.
- (4) In subsection (12), for the definition of “investment company” substitute – 15  
    ““company with investment business” has the same meaning as in Part 4.”.

*Change in ownership of company carrying on property business*

- 32 (1) Section 768D of the Taxes Act 1988 is amended as follows.
- (2) In subsection (1) (case where section applies) – 20
  - (a) in paragraph (a) (investment company) for “an investment company” substitute “a company with investment business”, and
  - (b) in paragraph (b) (company other than investment company) for “an investment company” substitute “a company with investment business”. 25
- (3) In subsection (4) (apportionment of profits and losses to two periods) –
  - (a) in paragraph (a) (investment company) for “an investment company” substitute “a company with investment business”, and
  - (b) in paragraph (b) (company other than investment company) for “an investment company” substitute “a company with investment business”. 30
- (4) In subsection (6) (restriction of profits from which certain losses may be deducted) –
  - (a) in paragraph (a) (investment company) for “an investment company” substitute “a company with investment business”, and 35
  - (b) in paragraph (b) (company other than investment company) for “an investment company” substitute “a company with investment business”.
- (5) In subsection (8) (definitions) for paragraph (b) (investment company) substitute – 40
  - “(b) “company with investment business” has the same meaning as in Part 4.”.

*Change in ownership of company with unused non-trading loss in intangible fixed assets*

- 33 (1) Section 768E of the Taxes Act 1988 is amended as follows.

- (2) In subsection (1) (change in ownership of investment company) for “an investment company” substitute “a company with investment business”.
- (3) In subsection (7) (definition of “investment company”) for ““investment company”” substitute ““company with investment business””.
- Limits on credit for foreign tax: corporation tax* 5
- 34 (1) Section 797 of the Taxes Act 1988 is amended as follows.
- (2) In subsection (3) (power of company to allocate deductions against such of its profits as it thinks fit) after “expenses of management” insert “, expenses payable (within the meaning of section 76(1))”.
- Share incentive plans: corporation tax deductions* 10
- 35 (1) Schedule 4AA to the Taxes Act 1988 is amended as follows.
- (2) In paragraph 1 (introductory) in sub-paragraph (4) for “investment companies” substitute “companies with investment business”.
- (3) In paragraph 7 (deduction for costs of setting up plan) in sub-paragraph (3) (approval given more than 9 months after end of period in which expenses incurred) for “incurred in” substitute “deductible for”. 15
- (4) In paragraph 13 (application of provisions to expenses of management of investment companies etc) for sub-paragraphs (1) and (2) substitute –
- “(1) The provisions of this Schedule apply in relation to –
- (a) companies with investment business, and 20
- (b) companies in relation to which section 76 applies (expenses of insurance companies),
- in accordance with the following provisions.
- (2) The provisions of this Schedule which allow a deduction in calculating the profits of a trade apply – 25
- (a) in relation to a company with investment business, to treat amounts as expenses of management, and
- (b) in relation to companies in relation to which section 76 applies, to treat amounts as expenses payable falling to be brought into account at Step 1 in section 76(5).” 30
- (5) The heading to paragraph 13 accordingly becomes “Application of provisions to expenses of management of companies with investment business etc”.
- Controlled foreign companies: reliefs against liability for tax in respect of chargeable profits*
- 36 (1) Schedule 26 to the Taxes Act 1988 is amended as follows. 35
- (2) In paragraph 1 (trading losses and group relief) in sub-paragraph (3) (meaning of “relevant allowance”) after paragraph (c) (expenses of management) insert –
- “(cc) any expenses deduction under section 76(1);”.
- Change in ownership of investment company: deductions* 40
- 37 (1) Schedule 28A to the Taxes Act 1988 is amended as follows.

- (2) In Part 2 (amounts in issue for the purposes of section 768B) in paragraph 6(a) for “the amount of any sums (including commissions) actually disbursed as expenses of management for the accounting period” substitute “the amount of any expenses of management referable to the accounting period (within the meaning of section 75)”. 5
- (3) In paragraph 6(c) for “section 75(3)” substitute “section 75(7)”.
- (4) In Part 3 (apportionment for purposes of section 768B) in paragraph 7(1)(a), for “by reference to the time when the sum or charge is due to be paid” substitute “by apportioning to each accounting period the amounts that would fall to be brought into account in that period as such sums and charges if it were a period of account for which accounts were drawn up in accordance with generally accepted accounting practice”. 10
- (5) In paragraph 7(1)(e) (apportionment in case of debits falling to be brought into account on the assumption that interest does not accrue until paid etc) for sub-paragraphs (iii) and (iv) substitute “and 15
- (iii) so falls to be brought into account—
- on the assumption mentioned in paragraph (d)(iii) above, or
- with such an adjustment as is mentioned in paragraph (d)(iv) above,”. 20
- (6) In Part 4 (disallowed debits) in paragraph 11(1) (debts that fall within paragraph 11) for paragraphs (b) and (bb) substitute—
- “(b) so falls to be brought into account—
- (i) with an adjustment under paragraph 17 or 18 of Schedule 9 to that Act (debit relating to amount of discount referable to the relevant accounting period to be brought into account instead for the accounting period in which the security is redeemed); or 25
- (ii) on the assumption, specified in sub-paragraph (2) of paragraph 2 of that Schedule, that the interest to which it relates does not accrue until it is paid; and” 30
- (7) In Part 5 (amounts in issue for the purposes of section 768C) in paragraph 13(1)(b) for “the amount of any sums (including commissions) actually disbursed as expenses of management for the accounting period” substitute “the amount of any expenses of management referable to the accounting period (within the meaning of section 75)”. 35
- (8) In Part 6 (apportionment for the purposes of section 768C) in paragraph 16(1), for paragraph (a) (sums and charges falling within paragraph 13(1)(b) or (c)) substitute—
- “(a) in the case of the expenses of management and charges mentioned in paragraph 13(1)(b) and (c) above, by apportioning to each accounting period the amounts that would fall to be brought into account in that period as such expenses and charges if it were a period of account for which accounts were drawn up in accordance with generally accepted accounting practice;” 40
- 45
- (9) In paragraph 16(1)(e) (manner of apportionment in case of debits falling to be brought into account on the assumption that interest does not accrue until paid) for sub-paragraphs (iii) and (iv) substitute “and
- (iii) so falls to be brought into account— 50

- on the assumption mentioned in paragraph (d)(iii) above, or
  - with such an adjustment as is mentioned in paragraph (d)(iv) above.”.
- (10) The heading to the Schedule accordingly becomes “Change in ownership of company with investment business: deductions”.

*Finance Act 1988*

*Consideration for certain restrictive undertakings*

- 38 (1) Section 73 of the Finance Act 1988 (c. 39) is amended as follows.
- (2) For subsection (3) (payments treated as expenses of management) substitute –
- “(3) Any payment which is treated as earnings of an employee by virtue of section 225 of the Income Tax (Earnings and Pensions) Act 2003 –
- (a) if paid or treated as paid by a company with investment business, shall be treated for the purposes of section 75 of the Taxes Act 1988 as an expense of management;
  - (b) if paid or treated as paid by a company in relation to which section 76 of that Act applies, shall be treated as expenses payable falling to be brought into account at Step 1 in subsection (5) of that section.”.

*Finance Act 1989*

*Investment and insurance companies: computation*

- 39 (1) Section 44 of the Finance Act 1989 (c. 26) is amended as follows.
- (2) For subsection (1) (no deduction for late paid remuneration) substitute –
- “(1) For the purposes of corporation tax, in calculating for a period of account the profits of a company with investment business, an amount charged in the accounts in respect of employees’ remuneration shall not be deductible under section 75 of the Taxes Act 1988 as expenses of management unless the remuneration is paid before the end of the period of 9 months immediately following the end of the period of account.”.
- (3) In subsection (5) (profits of trade calculated before end of the period of 9 months) for “the profits of the trade” substitute “the profits of the company”.
- (4) For subsection (7) (application to company carrying on life assurance business) substitute –
- “(7) This section shall apply in calculating the profits of a company in relation to which section 76 of the Taxes Act 1988 applies (companies carrying on life assurance business) as it applies in calculating the profits of a company with investment business; and in any such case –
- (a) any reference in this section to an amount being deductible under section 75 of the Taxes Act 1988 as expenses of management shall be taken as a reference to an amount being brought into account under section 76 of that Act as expenses

- payable and references to deduction shall be construed accordingly;
- (b) subsection (4) above shall have effect subject to section 86 below, and
  - (c) in construing section 86 below the remuneration shall be treated as expenses payable for that period which fall to be included at Step 1 in section 76(5) of the Taxes Act 1988.”. 5
- (5) In subsection (8) (definitions) –
- (a) before the definition of “employee” insert –
    - ““company with investment business” has the same meaning as in Part 4 of the Taxes Act 1988 (see section 130 of that Act);” and 10
  - (b) omit the definition of “investment company”.
- (6) The sidenote to the section accordingly becomes “Companies with investment business and insurance companies: computation”. 15

*Non-approved retirement benefit schemes*

- 40 (1) Section 76 of the Finance Act 1989 (c. 26) is amended as follows.
- (2) In subsection (1) (no deduction in respect of expenses falling within subsection (1) or (2)) for the words from “and no expenses” to the end of the subsection substitute “and no expenses falling within either of those subsections shall be treated –
    - (a) for the purposes of section 75 of the Taxes Act 1988 (companies with investment business) as expenses of management, or
    - (b) for the purposes of section 76 of that Act (companies carrying on life assurance business) as expenses payable.”. 20 25
  - (3) In subsection (4) (no deduction unless sum actually expended) for paragraph (b) substitute –
    - “(b) under section 75 or 76 of the Taxes Act 1988,”.
  - (4) After subsection (4) insert – 30
    - “(4A) The reference in subsection (4) above to a sum being deducted shall be construed, so far as relating to section 76 of the Taxes Act 1988, as a reference to an amount being brought into account under that section as expenses payable.”.

*Charge of certain receipts of basic life assurance business* 35

- 41 (1) Section 85 of the Finance Act 1989 (c. 26) is amended as follows.
- (2) In subsection (2) (receipts excluded from subsection (1)) omit paragraphs (c) to (d).
  - (3) After subsection (2) insert –
    - “(2A) Receipts falling within subsection (1) above are to be taken into account for the purposes of corporation tax when they are brought into account. 40
    - Subsection (6) of section 89 (meaning of “brought into account”) shall also apply for the purposes of this section.

- (2B) Expenses fall to be deducted from receipts falling within subsection (1) above in accordance with the provisions of the Corporation Tax Acts applicable to Case VI of Schedule D.
- (2C) In determining for the purposes of subsection (1) above the extent to which any receipts are referable to basic life assurance and general annuity business, section 432A of the Taxes Act 1988 (apportionment of insurance companies' income) shall have effect in relation to those receipts as it has effect in relation to income from an asset.”. 5

*Spreading of relief for acquisition expenses*

- 42 (1) Section 86 of the Finance Act 1989 (c. 26) is amended as follows. 10
- (2) For subsections (1) to (1B) (meaning of “acquisition expenses”) substitute –
- “(1) For the purposes of this section, the acquisition expenses for any period of an insurance company carrying on life assurance business are such of the following as for that period fall to be included at Step 1 in section 76(5) of the Taxes Act 1988 (expenses of insurance companies) – 15
- (a) commissions (however described), other than commissions for persons who collect premiums from house to house,
- (b) any other expenses payable solely for the purpose of the acquisition of business, 20
- (c) so much of any other expenses payable partly for the purpose of the acquisition of business and partly for other purposes as are properly attributable to the acquisition of business, reduced by the appropriate portion of the adjusted loss deduction (if any) for the purposes of Step 7 for the period. 25
- The appropriate portion of the adjusted loss deduction is the amount which bears to the whole of that deduction the proportion which UAE bears to S1, where –
- UAE is the amount of the acquisition expenses, before making the reduction required by this subsection; and 30
- S1 is the amount of Subtotal 1 in Step 4.”.
- (3) In subsection (2) (which relates to commissions for persons who collect premiums from house to house) for “expenses of management” substitute “expenses payable”.
- (4) Omit – 35
- (a) subsection (5) (expenses of management attributable to basic life assurance and general annuity business), and
- (b) subsection (5A) (exclusion of additional expenses of management under section 256(2)(a) of the Capital Allowances Act).
- (5) For subsection (6) (only one-seventh of acquisition expenses to be treated as deductible under sections 75 and 76 of the Taxes Act 1988) substitute – 40
- “(6) Only a portion of the acquisition expenses for any accounting period (in this section referred to as “the base period”) is to be relieved under section 76 of the Taxes Act 1988 for that period. 45
- That portion is one-seventh of the adjusted amount of the acquisition expenses for the period.

- For the purposes of this section the adjusted amount of the acquisition expenses for the period is so much of those expenses as remains after –
- (a) including the whole of those expenses at Step 1, and
  - (b) making any reduction in those expenses which is required at Step 2.
- Effect is given to this subsection at Step 5 (which requires the deduction of six-sevenths of the adjusted amount of the acquisition expenses for the period).”
- (6) Omit subsection (7) (which relates to accounting periods falling wholly or partly within the years 1990 to 1993). 10
- (7) For subsections (8) and (9) (deduction of further one-sevenths of full amount for succeeding accounting periods) substitute –
- “(8) This subsection applies in any case where, in accordance with subsection (6) above, only a fraction of the adjusted amount of the acquisition expenses for the base period is to be relieved under section 76 of the Taxes Act 1988 for that period. 15
- In any such case –
- (a) a further fraction of the adjusted amount of those expenses is to be relieved under that section for each succeeding accounting period after the base period, until the whole of the adjusted amount has been relieved, 20
  - (b) the fraction is one-seventh, except that for any accounting period of less than a year the fraction is to be proportionately reduced, and 25
  - (c) the relief is given by including that fraction of the adjusted amount at paragraph (b) of Step 8, but this is subject to subsection (9) below.
- (9) For any accounting period for which –
- (a) the fraction of the adjusted amount of the acquisition expenses for the base period which would otherwise fall to be relieved in accordance with subsection (8) above, exceeds 30
  - (b) the balance of that adjusted amount which has not been so relieved for earlier accounting periods, only that balance shall be so relieved.”. 35
- (8) After subsection (9) insert –
- “(9A) In this section “expenses payable” has the same meaning as in Step 1.
- (9B) Any reference in this section to a numbered Step is a reference to the Step so numbered in section 76(5) of the Taxes Act 1988.”. 40

*Management expenses*

- 43 (1) Section 87 of the Finance Act 1989 (c. 26) is amended as follows.
- (2) Subsections (6) and (7) (carry forward and use of pre-1990 expenses under section 75(3) of the Taxes Act 1988) shall cease to have effect.

*Corporation tax: policy holders' fraction of profits*

- 44 (1) Section 88 of the Finance Act 1989 (c. 26) is amended as follows.
- (2) In subsection (3) (relevant profits to be income and gains of life assurance business reduced by aggregate amount of the items in the paragraphs) for the words from paragraph (a) to the end of the subsection substitute – 5
- “(a) the basic deduction given by Step 8 in section 76(5) of the Taxes Act 1988, and
- (b) charges on income, so far as referable to the company’s life assurance business.”.

*Policy holders' share of profits* 10

- 45 (1) Section 89 of the Finance Act 1989 (c. 26) is amended as follows.
- (2) In subsection (1B) (BLAGAB profits to be income and chargeable gains referable to company’s basic life assurance and general annuity business reduced by aggregate amount of the items in the paragraphs) for the words from paragraph (a) to the end of the subsection substitute – 15
- “(a) amounts falling in respect of any non-trading deficits on the company’s loan relationships to be brought into account in that period in accordance with paragraph 4 of Schedule 11 to the Finance Act 1996,
- (b) the basic deduction given by Step 8 in section 76(5) of the Taxes Act 1988, and 20
- (c) charges on income, so far as referable to the company’s basic life assurance and general annuity business.”.
- (3) In subsection (7), in the definition of “Case I profits” (which refers to adjustment in respect of losses in accordance with section 76(2C) and (2D) of the Taxes Act 1988) for “section 76(2C) and (2D)” substitute “the second and third sentences of section 76(8)”. 25

*Finance Act 1991**Basic life assurance and general annuity business: transitional relief for old annuity contracts*

- 46 (1) In Schedule 7 to the Finance Act 1991 (c. 31) (basic life assurance and general annuity business) paragraph 16 (transitional relief for old annuity contracts) is amended as follows. 30
- (2) In sub-paragraph (1) (which provides for an amount to be treated as a sum disbursed as expenses of management for the period) for “a sum disbursed as expenses of management of the company for that period,” substitute “expenses payable which fall to be brought into account for that period at Step 3 in section 76(5) of the Taxes Act 1988,”. 35

*Taxation of Chargeable Gains Act 1992**Allowable deductions: consideration chargeable to tax on income*

- 47 (1) Section 37 of the Taxation of Chargeable Gains Act 1992 (c. 12) is amended as follows. 40

- (2) Omit subsection (4) (reference in subsection (1) to computing income etc not to include reference to computation for purposes of section 76(2) of the Taxes Act 1988).

*Finance Act 1996*

*Loan relationships: claims etc relating to deficits* 5

- 48 (1) Schedule 8 to the Finance Act 1996 (c. 8) is amended as follows.  
(2) In paragraph 3 (claim to carry back deficit to previous accounting periods) in sub-paragraph (6) (reliefs which fall to be given in priority) in paragraph (c) (case where company is an investment company) for “an investment company” substitute “a company with investment business”. 10

*Loan relationships: special provisions for insurers: treatment of deficit*

- 49 (1) In Schedule 11 to the Finance Act 1996 (c. 8) paragraph 4 is amended as follows.  
(2) In sub-paragraph (2), in the words following paragraph (b) (which require a reduction under that sub-paragraph to be made before any deduction by virtue of section 76 of the Taxes Act 1988 for expenses of management) for “any deduction by virtue of section 76 of the Taxes Act 1988 for expenses of management” substitute “any expenses deduction under section 76 of the Taxes Act 1988”. 15  
(3) In sub-paragraph (3) (claim to carry back whole or part of excess of deficit over net income and gains) in the opening words, omit “net”. 20  
(4) In sub-paragraph (4) (deficit, so far as not set off, to be carried forward and included in expenses of management for following period) for “an amount to be included in the company’s expenses of management for the period following the deficit period” substitute “expenses payable which are referable to the period following the deficit period and are to be brought into account at Step 3 in section 76(5) of the Taxes Act 1988”. 25  
(5) In sub-paragraph (11) (meaning of references in sub-paragraph (10) to deductions by virtue of section 76 of the Taxes Act 1988) for “the deductions by way of management expenses” substitute “the expenses deduction”. 30  
(6) In sub-paragraph (12) (treatment of section 76(5) amount attributable to a claim under sub-paragraph (3) etc) –  
(a) for “section 76(5) amount”, in both places, substitute “section 76(11) amount”;  
(b) for “section 75(3)” substitute “section 76(11)”. 35  
(7) In sub-paragraph (13) (treatment of section 76(5) amount to which the sub-paragraph applies) for “section 76(5) amount” substitute “section 76(11) amount”.  
(8) In sub-paragraph (14) (the section 76(5) amount attributable to a claim under sub-paragraph (3)) – 40  
(a) in the opening words, for “section 76(5) amount” substitute “section 76(11) amount”; and  
(b) in paragraphs (a) and (b) for “section 75(3)” substitute “section 76(11)”.

- (9) The amendment made by sub-paragraph (4) also has effect where the deficit period is the last accounting period of the company to begin before 1st April 2004.

*Finance Act 1999*

*Receipts by way of reverse premium: insurance companies carrying on life assurance business* 5

- 50 (1) In Schedule 6 to the Finance Act 1999 (c. 16) (tax treatment of receipts by way of reverse premium) paragraph 4 (special rules for insurance companies carrying on life assurance business) is amended as follows.
- (2) For sub-paragraph (3) (deduction from expenses of management) substitute – 10
- “(3) Where a reverse premium is received by an insurance company carrying on life assurance business in respect of which it is chargeable to tax otherwise than in accordance with the rules applicable to Case I of Schedule D, such part of the reverse premium as is attributable – 15
- (a) to its life assurance business, and
- (b) to its basic life assurance and general annuity business,
- shall be treated for the purposes of section 85 of the Finance Act 1989 (charge of certain receipts of basic life assurance and general annuity business to tax under Case VI of Schedule D) as receipts falling within subsection (1) of that section for the accounting period in which the reverse premium is received.”. 20

*Capital Allowances Act 2001*

*Qualifying activities*

- 51 (1) Section 15 of the Capital Allowances Act 2001 (c. 2) is amended as follows. 25
- (2) In subsection (1) (which specifies activities which are qualifying activities for the purposes of Part 1 of that Act) for paragraph (g) (management of investment company) substitute –
- “(g) managing the investments of a company with investment business,”. 30

*Related definitions*

- 52 For section 18 of the Capital Allowances Act 2001 (c. 2) substitute –
- “18 Managing the investments of a company with investment business**
- (1) For the purposes of this Part, managing the investments of a company with investment business consists of pursuing those purposes expenditure on which would be treated as expenses of management within section 75 of ICTA. 35
- (2) In this Part “company with investment business” has the meaning given by section 130 of ICTA.”.

*Giving of allowances: managing investments of company with investment business*

- 53 (1) Section 253 of the Capital Allowances Act 2001 (c. 2) (investment companies) is amended as follows.
- (2) In subsection (1) (section applies if qualifying activity is management of an investment company) for “the management of an investment company” substitute “managing the investments of a company with investment business” 5
- (3) The title of the section, and the italic heading preceding it, accordingly each become “Companies with investment business”.

*Life assurance business: different giving effect rules for different categories of business* 10

- 54 (1) Section 256 of the Capital Allowances Act 2001 (c. 2) is amended as follows.
- (2) In subsection (2)(a) (allowances in respect of basic life assurance and general annuity business to be treated as additional expenses of management within section 76 of the Taxes Act 1988) for “additional expenses of management within section 76” substitute “expenses payable which fall to be brought into account at Step 3 in section 76(5)” 15

*Provisions supplementary to sections 255 and 256*

- 55 (1) Section 257 of the Capital Allowances Act 2001 (c. 2) is amended as follows.
- (2) In subsection (2), for paragraph (b) (subsection (1) not to prevent allowance being taken into account in calculation for purposes of section 76(2) of Taxes Act 1988) substitute – 20
- “(b) finding, in accordance with subsection (8) of section 76 of ICTA, the amount D1 in Step 9 in subsection (5) of that section (calculation for purposes of complying with restriction on amount of expenses deduction).” 25

*Management assets*

- 56 (1) Section 544 of the Capital Allowances Act 2001 (c. 2) is amended as follows.
- (2) For subsections (3) and (4) (which define management of life assurance business) substitute –
- “(3) The management of any life assurance business consists of pursuing those purposes expenditure on which falls to be regarded as expenses payable for the purposes of section 76 of ICTA.” 30

*Finance Act 2001*

*Remediation of contaminated land: entitlement to land remediation tax credit*

- 57 (1) In Schedule 22 to the Finance Act 2001 (c. 9) paragraph 14 is amended as follows. 35
- (2) In sub-paragraph (6) (loss treated under section 432AB(3) of the Taxes Act 1988 as expenses of management under section 76) for “as an amount of expenses of management under section 76 of that Act” substitute “for the purposes of section 76 of that Act as expenses payable which fall to be brought into account at Step 3 in subsection (5) of that section” 40

- (3) In sub-paragraph (7) (no amount carried forward to succeeding accounting period under section 75(3) of the Taxes Act 1988) –
- (a) for “section 75(3)” substitute “section 76(10) or (11)”; and
  - (b) for “expenses of management” substitute “unrelieved expenses”.
- (4) In sub-paragraph (8) (Schedule A loss where amount to be carried forward under section 75(3) of the Taxes Act 1988) – 5
- (a) for “section 75(3)” substitute “section 76(10) or (11)”; and
  - (b) in paragraph (b) for “the amount” substitute “the total amount”.
- (5) For sub-paragraph (9) (disregard of amounts brought forward from earlier periods under section 75(3) of the Taxes Act 1988 etc) substitute – 10
- “(9) In determining for the purposes of sub-paragraphs (7) and (8) above whether there is an amount which falls to be carried forward under subsection (10) or (11) of section 76 of the Taxes Act 1988, there shall be disregarded any amounts brought forward from an earlier accounting period and treated for the purposes of that section as expenses payable which fall to be brought into account for the period in question – 15
- (a) in accordance with Step 6 in subsection (5) of that section, by virtue of a previous application of subsection (10) or (11) of that section, or 20
  - (b) in accordance with Step 3 in subsection (5) of that section, by virtue of paragraph 4(4) of Schedule 11 to the Finance Act 1996 (loan relationships deficit carried forward and so brought into account).”.
- Land remediation tax credit: restriction of losses carried forward* 25
- 58 (1) In Schedule 22 to the Finance Act 2001 (c. 9) paragraph 17 is amended as follows.
- (2) In sub-paragraph (3) (case where sub-paragraph (4) applies) –
- (a) in paragraph (a) (loss treated under section 432AB(3) of the Taxes Act 1988 as expenses of management under section 76) for “as an amount of expenses of management under section 76 of that Act” substitute “for the purposes of section 76 of that Act as expenses payable which fall to be brought into account at Step 3 in subsection (5) of that section”; and 30
  - (b) in paragraph (b) (amount falls to be carried forward to succeeding accounting period under section 75(3) of the Taxes Act 1988) – 35
    - (i) for “section 75(3)” substitute “section 76(10) or (11)”; and
    - (ii) for “expenses of management” substitute “unrelieved expenses”.
- (3) In sub-paragraph (4) (amount carried forward under section 75(3) of Taxes Act 1988 to be reduced by loss surrendered) – 40
- (a) for “the amount which” substitute “the total amount which”; and
  - (b) for “section 75(3)” substitute “section 76(10) or (11)”.
- Land remediation tax credit: entitlement to relief: “I minus E” basis*
- 59 (1) In Schedule 22 to the Finance Act 2001 (c. 9) paragraph 22 is amended as follows. 45

- (2) In sub-paragraph (3) (amount of company’s qualifying expenditure) for “reduced by the amount (if any) which by virtue of section 76(1)(d) of the Taxes Act 1988 is not to be treated as expenses of management” substitute “reduced by the amount (if any) which by virtue of paragraph (a) of Step 1 in section 76(5) of the Taxes Act 1988 is not to be brought into account at that Step as expenses payable for that period”. 5

*Land remediation tax credit: giving effect to relief: enhanced expenses of management*

- 60 (1) In Schedule 22 to the Finance Act 2001 (c. 9) paragraph 23 is amended as follows.
- (2) In sub-paragraph (1) (which contains a description of section 76 of the Taxes Act 1988) for “deduction of expenses of management etc” substitute “deduction in respect of expenses payable”. 10
- (3) In sub-paragraph (2) (claim to treat 150% of qualifying expenditure as part of company’s expenses of management) for “as part of its expenses of management for that period” substitute “as expenses payable which fall to be brought into account for that period at Step 1 in section 76(5) of the Taxes Act 1988”. 15
- (4) The heading to the paragraph accordingly becomes “Giving effect to relief: enhanced expenses payable”.

*Land remediation tax credit: entitlement to life assurance company tax credit* 20

- 61 (1) In Schedule 22 to the Finance Act 2001 (c. 9) paragraph 24 is amended as follows.
- (2) In sub-paragraph (2) (qualifying loss) in paragraph (b) (amount falls to be carried forward to succeeding accounting period under section 75(3) of the Taxes Act 1988) – 25
- (a) for “section 75(3)” substitute “section 76(10) or (11)”; and
- (b) for “expenses of management” substitute “unrelieved expenses”.
- (3) For sub-paragraph (3) (disregard of amounts brought forward from earlier periods under section 75(3) of the Taxes Act 1988 etc) substitute –
- “(3) In determining for the purposes of sub-paragraph (2)(b) above whether there is an amount which falls to be carried forward under subsection (10) or (11) of section 76 of the Taxes Act 1988, there shall be disregarded any amounts brought forward from an earlier accounting period and treated for the purposes of that section as expenses payable which fall to be brought into account for the period in question – 30
- (a) in accordance with Step 6 in subsection (5) of that section, by virtue of a previous application of subsection (10) or (11) of that section, or 35
- (b) in accordance with Step 3 in subsection (5) of that section, by virtue of paragraph 4(4) of Schedule 11 to the Finance Act 1996 (loan relationships deficit carried forward and so brought into account).” 40

*Land remediation tax credit: restriction on carrying forward expenses of management*

- 62 (1) In Schedule 22 to the Finance Act 2001 (c. 9) paragraph 27 is amended as follows. 45

- (2) For sub-paragraph (1) (amount to be carried forward under section 75(3) of Taxes Act 1988 to be reduced by expenses of management surrendered) substitute –
- “(1) For the purposes of section 76 of the Taxes Act 1988, the total amount which may – 5
- (a) be carried forward under subsection (10) or (11) of that section from an accounting period in which the company claims a life assurance company tax credit, and
- (b) be brought into account for the next accounting period in accordance with Step 6 in subsection (5) of that section, 10
- is treated as reduced by the amount of the expenses payable surrendered.”.
- (3) In sub-paragraph (2) (amount of expenses of management surrendered) for “expenses of management” substitute “expenses payable”.
- (4) The heading to the paragraph accordingly becomes “Restriction on carrying forward expenses payable”. 15

*Finance Act 2002*

*Tax relief for research and development: entitlement to relief in respect of “I minus E” basis*

- 63 (1) In Schedule 12 to the Finance Act 2002 (c. 23) paragraph 13 is amended as follows. 20
- (2) For sub-paragraph (2) (application of Part 3 to treat amounts as disbursed as expenses of management) substitute –
- “(2) The provisions of Part 3 which allow a deduction in calculating the profits of a trade apply in relation to the company to treat amounts as expenses payable falling to be brought into account at Step 3 in section 76(5) of the Taxes Act 1988.”. 25

*Expenditure on vaccine research etc: entitlement to relief in respect of “I minus E” basis*

- 64 (1) In Schedule 13 to the Finance Act 2002 (c. 23) paragraph 23 is amended as follows.
- (2) For sub-paragraph (2) (application of Part 3 to treat amounts as disbursed as expenses of management) substitute – 30
- “(2) The provisions of Part 3 which allow a deduction in calculating the profits of a trade apply in relation to the company to treat amounts as expenses payable falling to be brought into account at Step 3 in section 76(5) of the Taxes Act 1988.”. 35

*Intangible fixed assets: special provisions relating to insurance companies*

- 65 (1) In Schedule 29 to the Finance Act 2002 (c. 23) paragraph 36 is amended as follows.
- (2) In sub-paragraph (3) (insurance company carrying on basic life assurance and general annuity business) for paragraph (c) (non-trading loss treated as 40

additional expenses of management) substitute –

- “(c) any resulting non-trading loss in respect of intangible assets is treated as expenses payable falling to be brought into account at Step 3 in section 76(5) of the Taxes Act 1988.”.

*Income Tax (Earnings and Pensions) Act 2003* 5

*Business entertainment and gifts: exception where employer’s expenses disallowed*

66 (1) Section 357 of the Income Tax (Earnings and Pensions) Act 2003 (c. 1) is amended as follows.

(2) For subsection (3) (amount disallowed in calculating employer’s expenses of management) substitute – 10

“(3) Condition B is that the inclusion of the amount falls to be disallowed under that section in calculating –

- (a) the employer’s expenses of management for the purposes of giving relief under the Tax Acts, or  
(b) the employer’s expenses deduction under section 76 of the Taxes Act 1988 (companies carrying on life assurance business), 15

or it would be so disallowed apart from another relief applying to the employer.”.

*Finance Act 2003* 20

*Corporation tax relief for employee share acquisition: shares: method of giving relief*

67 (1) In Schedule 23 to the Finance Act 2003, paragraph 9 is amended as follows.

(2) For sub-paragraph (2) (investment company) substitute –

“(2) If the company carrying on that business is a company with investment business, the amount of the relief is treated as expenses of management for the purposes of section 75 of the Taxes Act 1988.”. 25

(3) For sub-paragraph (3) (insurance company carrying on life assurance business) substitute –

“(3) If the company carrying on that business is an insurance company carrying on life assurance business, the amount of the relief shall be treated as expenses payable falling to be brought into account at Step 1 in section 76(5) of the Taxes Act 1988.”. 30

*Corporation tax relief for employee share acquisition: options: method of giving relief*

68 (1) In Schedule 23 to the Finance Act 2003, paragraph 16 is amended as follows. 35

(2) For sub-paragraph (2) (investment company) substitute –

“(2) If the company carrying on that business is a company with investment business, the amount of the relief is treated as expenses of management for the purposes of section 75 of the Taxes Act 1988.”. 40

(3) For sub-paragraph (3) (insurance company carrying on life assurance

business) substitute –

- “(3) If the company carrying on that business is an insurance company carrying on life assurance business, the amount of the relief shall be treated as expenses payable falling to be brought into account at Step 1 in section 76(5) of the Taxes Act 1988.”.

5

*Restriction of deductions for employee benefit contributions: life assurance business*

69 (1) Schedule 24 to the Finance Act 2003 is amended as follows.

(2) For paragraph 7 (life assurance business) substitute –

*“Life assurance business*

- 7 (1) In the case of a company in relation to which section 76 of the Taxes Act 1988 applies (expenses of companies carrying on life assurance business) the effect of section 86 of the Finance Act 1989 (spreading of relief for acquisition expenses) shall be ignored in determining for the purposes of paragraph 1(1) whether a deduction would (apart from this Schedule) be made. 10
- (2) But paragraph 1(4) above has effect subject to section 86 of the Finance Act 1989 where, in accordance with sub-paragraph (1) above, an amount is allowed as a deduction for a particular period under paragraph 1(4). 15
- (3) In construing that section, the employee benefit contributions shall be treated as expenses payable for that period which fall to be included at Step 1 in section 76(5) of the Taxes Act 1988. 20
- (4) In the application of this Schedule to a company in relation to which section 76 of the Taxes Act 1988 applies –
- (a) any reference to a deduction in respect of employee benefit contributions shall be taken as a reference to an amount being brought into account under that section as expenses payable, and 25
- (b) references to deduction shall be construed accordingly.”.