

SCHEDULE 1

Section 1

INSURANCE COMPANIES

*Ring-fencing of losses*

- 1 (1) In the Taxation of Chargeable Gains Act 1992 (c.12), after section 210 insert—

**“210A Ring-fencing of losses**

- (1) Allowable losses accruing in any accounting period to an insurance company on the disposal of assets which are not assets of the company’s long-term insurance fund are not allowable as a deduction from the policy holders’ share of the chargeable gains accruing to the company in that or any other accounting period on the disposal of assets of the company’s long-term insurance fund.
  - (2) Allowable losses accruing in any accounting period to an insurance company on the disposal of assets of the company’s long-term insurance fund are not allowable as a deduction from chargeable gains accruing to the company in that or any other accounting period otherwise than on the disposal of assets of that fund.
  - (3) For the purposes of subsection (1) the policy holders’ share of a chargeable gain is so much of the gain as is equal to the amount which, if the gain were income, would not be the shareholders’ share within the meaning of section 89 of the Finance Act 1989.
  - (4) The references in subsections (1) and (2) to losses accruing in any accounting period are to losses accruing in an accounting period whenever it begins or ends; and the references in those subsections to the company’s long-term insurance fund are, in relation to losses accruing in an accounting period ending before 1st December 2001, to its long term business fund.
  - (5) “Insurance company” and “long-term insurance fund” have the same meaning as in Chapter 1 of Part 12 of the Taxes Act (see section 431(2) of that Act); and “long term business fund” has the same meaning as it had in that Chapter before 1st December 2001.”
- (2) This paragraph has effect for the purposes of ascertaining the deductions which may be made from chargeable gains accruing on or after 23rd December 2002.

*Bed and breakfasting*

- 2 (1) In section 106 of the Taxation of Chargeable Gains Act 1992 (c. 12) (disposal of shares or securities by company within prescribed period of acquisition), after subsection (3) insert—

“(3A) In the case of a company carrying on life assurance business “trading stock” in subsection (3) does not include investments in connection with that business, other than section 212 assets (as defined in section 214(1)(a)); but this section does not apply if the disposal is deemed to take place by section 440 of the Taxes Act (transfer of assets between boxes).

“Life assurance business” has the same meaning as in Chapter 1 of Part 12 of the Taxes Act (see section 431(2) of that Act).”

(2) This paragraph has effect in relation to disposals on or after 23rd December 2002.

*Restriction of s.440(1) losses*

3 (1) In the Taxes Act 1988, after section 440 insert—

**“440ZA Restriction of section 440(1) losses**

- (1) This section applies to an allowable loss accruing to a company by reason of the operation of section 440(1) in relation to an asset (or part of an asset).
  - (2) Such a loss is allowable as a deduction from chargeable gains accruing to the company in a relevant accounting period or a later accounting period but not from chargeable gains so accruing in any earlier accounting period.
  - (3) “A relevant accounting period” means an accounting period of the company during which the asset (or part), or a part of the asset (or part), is the subject of a qualifying disposal.
  - (4) A disposal is a qualifying disposal if it is a disposal for the purposes of the 1992 Act (by the company or any person by whom the asset or part, or any part of the asset or part, is acquired directly or indirectly from the company) which is neither—
    - (a) a disposal to a company which is a member of the same group of companies as the company, nor
    - (b) a disposal to which section 139 of the 1992 Act applies by virtue of section 211 of that Act.
  - (5) Section 170 of the 1992 Act has effect for the interpretation of subsection (4)(a).
  - (6) Where a qualifying disposal is of only part of the asset (or part), the amount which may be deducted by reason of the qualifying disposal is the same proportion of the whole amount of the loss as—
    - (a) the value at the time of the qualifying disposal of the part of the asset (or part) disposed of, bears to
    - (b) the value of the asset (or part) at that time.”
- (2) This paragraph has effect in relation to allowable losses accruing on or after 23rd December 2002.

*Notional intra-group transfers*

- 4 (1) Section 171A of the Taxation of Chargeable Gains Act 1992 (c. 12) (notional transfers within group) is amended as follows.
- (2) After subsection (3) insert—
- “(3A) Section 440(3) of the Taxes Act does not cause subsection (3) to prevent the making of an election in a case where B is an insurance company; and in such a case the asset or part deemed to be transferred to B by A, and by B to C, is to be treated for the purposes of subsections (2)(c) and (3) as not being part of B’s long-term insurance fund.
- “Insurance company” and “long-term insurance fund” have the same meaning as in Chapter 1 of Part 12 of the Taxes Act (see section 431(2) of that Act).”
- (3) In subsection (4), for “that subsection” substitute “subsection (2)”.
- (4) This paragraph has effect in relation to disposals on or after 23rd December 2002.

*Case I profits: policy holders’ bonuses, tax etc.*

- 5 (1) For section 82 of the Finance Act 1989 (c. 26) (calculation of profits of insurance company in respect of life assurance business when computed in accordance with provisions applicable to Case I of Schedule D) substitute—

**“82 Calculation of profits: bonuses etc.**

- (1) This section and section 82A apply where the profits of an insurance company in respect of its life assurance business are, for the purposes of the Taxes Act 1988, computed in accordance with the provisions of that Act applicable to Case I of Schedule D.
- (2) Any amounts which are allocated to policy holders or annuitants in respect of a period of account are allowable as a deduction in calculating the profits for the period of account.
- (3) An amount is allocated to policy holders or annuitants if (but only if)—
- (a) bonus payments are made to them,
  - (b) reversionary bonuses are declared in their favour, or
  - (c) a reduction is made in the premiums payable by them.
- (4) The amount of the allocation is—
- (a) in the case of bonus payments, the amount of the payments,
  - (b) in the case of declared reversionary bonuses, the amount of the liabilities assumed by the company in consequence of the declaration, and
  - (c) in the case of a reduction in premiums, the amount of the liabilities assumed by the company in consequence of the reduction.

**82A Calculation of profits: policy holders' tax**

- (1) Tax expended on behalf of policy holders or annuitants in respect of a period of account is allowable as a deduction in calculating the profits for the period of account to the extent (but only to the extent) that regulations made by the Treasury so provide.
- (2) The regulations may include provision for tax so expended to be so allowable even if it is not brought into account.
- (3) The regulations—
  - (a) may make different provision for different cases, and
  - (b) may include provision having effect in relation to periods of account during which they are made.”
- (2) In section 83A(1) of the Finance Act 1989 (c. 26) (meaning of “brought into account”), for “83” substitute “82A”.
- (3) In sections 439B(3)(a) and 441(4)(a) of the Taxes Act 1988 (life reinsurance business and overseas life insurance business: separate charge on profits), for “82(1), (2) and (4)” substitute “82”.
- (4) This paragraph has effect for periods of account beginning on or after 1st January 2003.

*Case I profits: receipts etc. to be taken into account*

- 6 (1) For section 83(2) of the Finance Act 1989 (c. 26) (receipts etc. to be taken into account in Case I computations) substitute—
  - “(2) There shall be taken into account as receipts of a period of account amounts brought into account for the period of account as—
    - (a) investment income receivable before deduction of tax,
    - (b) an increase in the value of non-linked assets,
    - (c) an increase in the value of linked assets, or
    - (d) other income;
 and if amounts are brought into account for a period of account as a decrease in the value of non-linked assets or a decrease in the value of linked assets they shall be taken into account as an expense of the period of account.
  - (2A) But subsection (2) does not require to be taken into account as receipts of a period of account so much of the amounts brought into account as mentioned paragraphs (a) to (d) of that subsection for the period of account as—
    - (a) is entirely notional because an amount corresponding to it would fall to be taken into as an expense (for that or any other period of account), or
    - (b) is exempted by section 444AC(2) of the Taxes Act 1988;
 but, subject to that, the whole of the amounts so brought into account for a period of account shall be taken into account as receipts of the period of account.
  - (2B) The amount of any payments made, and the fair value of any assets transferred, by the company in a period of account which are not reflected in the amount brought into account for the period of

account as the long-term insurance fund carried forward shall also be taken into account under subsection (2) as receipts of the period of account unless the payments or assets are excluded from this subsection by—

- (a) subsection (2D) or (2F), or
  - (b) section 444AD of the Taxes Act 1988.
- (2C) “Fair value”, in relation to assets transferred, means the amount which, at the time of the transfer, would be obtained from an independent person purchasing them.
- (2D) Payments or assets are excluded from subsection (2B) if—
- (a) they are made or transferred to discharge liabilities in respect of deposits received from reinsurers or arising out of insurance operations, debenture loans or amounts owed to credit institutions, and
  - (b) the liabilities would be shown in a periodical return of the company if one were prepared for a period ending with the day of receipt by the company of the payment or assets which gave rise to the liabilities.
- (2E) “Periodical return” has the same meaning as in Chapter 1 of Part 12 of the Taxes Act 1988 (see section 431(2) of that Act).
- (2F) Payments or assets are also excluded from subsection (2B) if they are made or transferred for consideration at fair market value which, when received, forms part of the company’s long-term insurance fund.”
- (2) In the sidenote of section 83 of the Finance Act 1989 (c. 26), for “brought” substitute “taken”.
- (3) Section 432E of the Taxes Act 1988 (apportionment of receipts brought into account: participating funds) is amended as follows.
- (4) In subsection (1), for “subsection (2)” substitute “subsections (2) and (2B)”.
- (5) After subsection (2) insert—
- “(2A) In a case where an amount is taken into account under subsection (2) of section 83 of the Finance Act 1989 by virtue of subsection (2B) of that section, the amount determined under subsection (2) of this section is increased by—

$$\frac{\text{CAS}}{\text{AS}} \times \text{IRP}$$

where

CAS and AS have the same meanings as in subsection (2); and  
 IRP is the amount taken into account under subsection (2) of section 83 of the Finance Act 1989 by virtue of subsection (2B) of that section.”

- (6) This paragraph has effect for periods of account beginning on or after 1st January 2003.

*Transfers of business: deemed periodical return*

- 7 (1) In the Taxes Act 1988, after section 444A insert—

**“444AA Transfers of business: deemed periodical return**

- (1) This section applies where—
- (a) an insurance business transfer scheme has effect to transfer the whole of the long-term business of one person (“the transferor”) to another, and
  - (b) the last period covered by a periodical return of the transferor ends earlier than immediately before the transfer.
- (2) There is to be deemed for the purposes of corporation tax to be a periodical return of the transferor covering the period—
- (a) beginning immediately after the last period covered by an actual periodical return of the transferor, and
  - (b) ending immediately before the transfer takes place, containing such entries as would have been included in an actual periodical return of the transferor covering that period (and so making that period a period of account of the transferor).”
- (2) This paragraph has effect in relation to insurance business transfer schemes taking place on or after 1st January 2003 unless the accounting period of the transferor which ends with the day of the transfer began before that date.

*Transfers of business: charge on transferor retaining assets*

- 8 (1) In the Taxes Act 1988, after section 444AA (inserted by paragraph 7) insert—

**“444AB Transfers of business: charge on transferor retaining assets**

- (1) This section applies where, immediately after an insurance business transfer scheme has effect to transfer long-term business from one person (“the transferor”) to another, the transferor—
- (a) does not carry on long-term business, but
  - (b) holds assets which, immediately before the transfer, were assets of its long-term insurance fund.
- (2) The transferor shall be charged to tax under Case VI of Schedule D in respect of the taxable amount as if it had been received by the transferor during the accounting period beginning immediately after the day of the transfer.
- (3) If the transferor was charged to tax on the profits of its life assurance business under Case I of Schedule D for the accounting period ending with the day of the transfer, the taxable amount is the whole of the previously untaxed amount.
- (4) Otherwise, the taxable amount is the non-BLAGAB fraction of the previously untaxed amount.
- (5) The previously untaxed amount is the lesser of—

- (a) the fair value of such of the assets held by the transferor immediately after the transfer as were assets of its long-term insurance fund immediately before the transfer, and
  - (b) the amount by which the fair value of the assets of the transferor's long-term insurance fund immediately before the transfer exceeds the amount of the relevant pre-transfer liabilities.
- (6) "Fair value", in relation to assets, means the amount which would be obtained from an independent person purchasing them.
- (7) The amount of the relevant pre-transfer liabilities is the aggregate of the amounts shown in column 1 of lines 14 and 49 of Form 14 in the periodical return of the transferor covering the period of account ending with (or immediately before) the transfer.
- (8) The non-BLAGAB fraction of the previously untaxed amount is the fraction of which—
- (a) the numerator is the amount of the liabilities transferred, apart from those which are liabilities of basic life assurance and general annuity business, and
  - (b) the denominator is the amount of the liabilities transferred."
- (2) This paragraph has effect in relation to insurance business transfer schemes taking place in a period of account of the transferor beginning on or after 1st January 2003.

*Transfers of business: modifications of s.83 FA 1989*

- 9 (1) In the Taxes Act 1988, after section 444AB (inserted by paragraph 8) insert—

**"444AC Transfers of business: modifications of s.83(2) FA 1989**

- (1) This section applies where an insurance business transfer scheme has effect to transfer long-term business from one person ("the transferor") to another ("the transferee").
- (2) If—
- (a) the element of the transferee's line 15 figure representing the transferor's long-term insurance fund, exceeds
  - (b) the amount of the liabilities to policy holders and annuitants transferred to the transferee,
- the excess is not to be regarded as other income of the transferee for the purposes of section 83(2)(d) of the Finance Act 1989.
- (3) If—
- (a) the amount of the liabilities to policy holders and annuitants transferred to the transferee, exceeds
  - (b) the element of the transferee's line 15 figure representing the transferor's long-term insurance fund,
- the excess is to be taken into account under section 83(2) of the Finance Act 1989 as a receipt of the transferee of the first period of account ending after the transfer.

- (4) “The element of the transferee’s line 15 figure representing the transferor’s long-term insurance fund” means so much of—
- (a) the amount which is brought into account by the transferee as other income in the period of account of the transferee in which the transfer takes place, as represents
  - (b) the amount brought into account by the transferor as the fund carried forward in the period of account of the transferor ending with (or immediately before) the transfer.

**444AD Transfers of business: modifications of s.83(2B) FA 1989**

- (1) This section applies where an insurance business transfer scheme has effect to transfer long-term business from one person (“the transferor”) to another (“the transferee”).
- (2) If the transferor and transferee jointly elect, subsection (2B) of section 83 of the Finance Act 1989 does not apply to the transferor by reason of the transfer as respects so much of the value of the assets to which it would otherwise so apply as does not exceed the amount specified in subsection (4).
- (3) An election under subsection (2)—
  - (a) is irrevocable, and
  - (b) is to be made by notice to an officer of the Board no later than the end of the period of 28 days beginning with the day following that on which the transfer takes place;
 and a copy of the notice containing the election must accompany the tax return of the transferee for the first accounting period ending after the transfer.  
 Paragraphs 54 to 60 of Schedule 18 to the Finance Act 1998 (claims and elections for corporation tax purposes) do not apply to such an election.
- (4) The amount referred to in subsection (2) is the amount by which—
  - (a) the fair value of the assets of the long-term insurance fund of the transferee immediately after the transfer, is greater than
  - (b) what is reflected in the amount brought into account by the transferee in respect of the assets within paragraph (a) for the first period of account ending after the transfer.
- (5) “Fair value”, in relation to assets, means the amount which would be obtained from an independent person purchasing them.
- (6) Subsection (2B) of section 83 of the Finance Act 1989 does not apply to payments made, or assets transferred, by the transferee if —
  - (a) the payments are made, or assets transferred, by way of discharging liabilities,
  - (b) the liabilities arise by reason of the inclusion in the transferee’s long-term insurance fund of an amount deriving, whether directly or indirectly, from assets of the transferor,
  - (c) those assets either were not transferred to the transferee as part of the transfer of business or were so transferred but did not become assets of its long-term insurance fund, and

- (d) an amount is taken into account as a receipt of the transferor by virtue of that subsection by reason of its having transferred those assets (otherwise than to the transferee or to the transferee but not so as to become assets of its long-term insurance fund)."
- (2) In section 431(2) of the Taxes Act 1988, after the definition of "basic life assurance and general annuity business" insert—
  - “brought into account” has the meaning given by section 83A of the Finance Act 1989;”.
- (3) This paragraph has effect for periods of account beginning on or after 1st January 2003.
- (4) If 30th September 2003 is later than the end of the period specified in subsection (3)(b) of section 444AD of the Taxes Act 1988, an election under subsection (2) of that section may be made no later than that date.

*Transfers of business: unused losses*

- 10 (1) In the Taxation of Chargeable Gains Act 1992 (c.12), after section 211 insert—

**“211ZA Transfers of business: transfer of unused losses**

- (1) This section applies where—
  - (a) an insurance business transfer scheme has effect to transfer business consisting of or including basic life assurance and general annuity business from one person (“the transferor”) to one or more others (the “transferee” or “transferees”), and
  - (b) the transferor has relevant unused losses.
- (2) The transferor has relevant unused losses if—
  - (a) allowable losses accrue to the transferor on the disposal of assets of its long-term insurance fund in the accounting period ending with the day of the transfer or have so accrued in any earlier accounting period while it was within the charge to corporation tax, and
  - (b) they are not deducted from chargeable gains accruing to the transferor in that accounting period and have not been deducted from chargeable gains so accruing in any such earlier accounting period.
- (3) If the whole of the transferor’s basic life assurance and general annuity business is transferred—
  - (a) for the purposes of ascertaining the transferor’s total profits for any accounting period after that in which the transfer takes place, the relevant unused losses are deemed not to have accrued to the transferor, but
  - (b) (instead) they are treated as accruing to the transferee in the accounting period in which the transfer takes place.
- (4) If only part of that business is transferred, the transferor and transferee may jointly elect—

- (a) that, for the purposes of ascertaining the transferor's total profits for any accounting period after that in which the transfer takes place, so much of the relevant unused losses as is specified in the election is to be deemed not to have accrued to the transferor, but
  - (b) that (instead) it is to be treated as accruing to the transferee in the accounting period in which the transfer takes place.
- (5) The amount specified in the election must not exceed the appropriate fraction of the relevant unused losses.
- (6) The appropriate fraction is the fraction of which—
  - (a) the numerator is the market value, immediately before the transfer, of the chargeable assets of the transferor's basic life assurance and general annuity business which are transferred, and
  - (b) the denominator is the market value at that time of all of the chargeable assets of the transferor's basic life assurance and general annuity business.
- (7) If the transfer involves more than one transferee—
  - (a) in a case within subsection (3), paragraph (b) of that subsection has effect in relation to each transferee as if the reference to the relevant unused losses were to the relevant proportion of them, and
  - (b) in a case within subsection (4), that subsection and subsections (5) and (6) have effect separately in relation to each transferee and as if the references to the relevant unused losses were to the relevant proportion of them.
- (8) The relevant proportion, in relation to a transferee, is the proportion which—
  - (a) the market value, immediately before the transfer, of the chargeable assets of the transferor's basic life assurance and general annuity business which are transferred to the transferee, bears to
  - (b) the market value, immediately before the transfer, of all of the chargeable assets of the transferor's basic life assurance and general annuity business which are transferred.

#### **211ZB Use of unused losses by transferee**

- (1) Where the whole or any part of the relevant unused losses of the transferor are deemed by section 211ZA to accrue to the transferee, they are allowable as a deduction from chargeable gains accruing to the transferee as provided by subsections (2) to (5) (but subject to subsection (6)).
- (2) Where the assets transferred are the only assets of the long-term insurance fund of the transferee immediately after the transfer, they are allowable as a deduction from chargeable gains accruing to the transferee on the disposal of assets of that fund.
- (3) Where the assets transferred are treated by the transferee immediately after the transfer as assets of a fund including no other

assets, they are allowable as a deduction from chargeable gains accruing to the transferee on the disposal of assets of that fund.

- (4) In any other case, they are allowable as a deduction from the relevant fraction of chargeable gains accruing to the transferee on the disposal of assets of its long-term insurance fund.
- (5) The relevant fraction is the fraction of which—
  - (a) the numerator is the market value immediately before the transfer of the chargeable assets transferred to the transferee, and
  - (b) the denominator is the market value of the chargeable assets of the transferee's long-term insurance fund at the end of the period of account in which the transfer takes place.
- (6) Relevant unused losses are not allowable as a deduction from chargeable gains which accrued to the transferee before the transfer.

### **211ZC Sections 211ZA and 211ZB: supplementary**

- (1) In section 211ZA(2)(a)—
    - (a) “accounting period” means an accounting period whenever it begins or ends, and
    - (b) “long-term insurance fund”, in relation to losses accruing in an accounting period ending before 1st December 2001, means long term business fund.
  - (2) An election under section 211ZA(4)—
    - (a) is irrevocable, and
    - (b) is to be made by notice to an officer of the Board no later than the end of the period of 28 days beginning with the day following that on which the transfer takes place;

and a copy of the notice containing the election must accompany the tax return of the transferee for the first accounting period ending after the transfer.

Paragraphs 54 to 60 of Schedule 18 to the Finance Act 1998 (claims and elections for corporation tax purposes) do not apply to such an election.
  - (3) For the purposes of sections 211ZA and 211ZB assets are chargeable assets if a gain accruing on their disposal would be a chargeable gain unless that is so only by virtue of section 116(10).
  - (4) In this section and sections 211ZA and 211ZB expressions to which a meaning is given for the purposes of Chapter 1 of Part 12 of the Taxes Act by section 431(2) of that Act have the same meaning as in that Chapter; and in this section “long term business fund” has the same meaning as it had in that Chapter before 1st December 2001.”
- (2) This paragraph has effect in relation to insurance business transfer schemes taking place on or after 1st January 2003.
  - (3) If 30th September 2003 is later than the end of the period specified in subsection (2)(b) of section 211ZC of the Taxation of Chargeable Gains Act 1992 (c. 12), an election under section 211ZA(4) of that Act may be made no later than that date.

*Transfers of business: adjustment of opening and closing liabilities, values etc.*

- 11 (1) Section 431 of the Taxes Act 1988 (interpretative provisions relating to insurance companies) is amended as follows.
- (2) In subsection (2), after the definition of “insurance company” insert—
- “investment reserve”, in relation to an insurance company, means the excess of the value of the assets of the company’s long-term business over the aggregate of—
- (a) the liabilities of that business, and
- (b) any liabilities of the long-term insurance fund which represent a loan relationship;”.
- (3) After that subsection insert—
- “(2ZA) Subsections (2ZB) and (2ZC) apply where an insurance business transfer scheme has effect to transfer long-term business from one person (“the transferor”) to another (“the transferee”).
- (2ZB) If the transfer takes place otherwise than on the last day of a period of account of the transferor, references to—
- (a) opening liabilities of the transferor,
- (b) opening values or net values of assets of the transferor, or
- (c) the opening amount of the investment reserve of the transferor,
- for the period of account, so far as relating to the business transferred, are to the part of those liabilities or values, or that reserve, which bears to the whole the proportion A/C.
- (2ZC) If the transfer takes place otherwise than on the first day of a period of account of the transferee, references to—
- (a) closing liabilities of the transferee,
- (b) closing values or net values of assets of the transferee, or
- (c) the closing amount of the investment reserve of the transferee,
- for the period of account, so far as relating to the business transferred, are to the part of those liabilities or values, or that reserve, which bears to the whole the proportion B/C.
- (2ZD) In subsections (2ZC) and (2ZD)—
- A is the number of days in the period beginning with the period of account and ending with the day of the transfer,
- B is the number of days in the period beginning with the day of the transfer and ending with the period of account, and
- C is one-half of the number of days in the period of account.”
- (4) This paragraph has effect in relation to insurance business transfer schemes taking place on or after 1st January 2003 unless the accounting period of the transferor which ends with the day of the transfer began before that date.

*Transfers of business: reinsurance of BLAGAB risks*

- 12 (1) Section 442A of the Taxes Act 1988 (investment return treated as accruing in respect of reinsured risk) is amended as follows.

- (2) In subsection (1), for “over the period of” substitute “while the risk remains reinsured by the company under”.
- (3) After subsection (3) insert—
  - “(3A) Where a transfer of the reinsurance arrangement from one insurance company (“the transferor”) to another (“the transferee”) is effected by novation or an insurance business transfer scheme, for the purpose of calculating the investment return to be treated as accruing to the transferee in respect of the policy or contract after the transfer, the references to the company in subsection (3)(a), (b) and (c) include (as well as the transferee)—
    - (a) the transferor, and
    - (b) any insurance company from which the reinsurance arrangement was transferred on an earlier transfer effected by novation or an insurance business transfer scheme.”
- (4) In subsection (4), omit “to the company”.
- (5) This paragraph has effect in relation to transfers of reinsurance arrangements taking place on or after 1st January 2003.

*Transfers of business: carry over of losses*

- 13 (1) Section 444A of the Taxes Act 1988 (transfers of business: losses etc.) is amended as follows.
  - (2) In subsection (3), insert at the end “if the conditions in paragraphs (a) and (b) of section 343(1) are satisfied in relation to the business transferred (construing references to an event as to the transfer).”
  - (3) After that subsection insert—
    - “(3ZA) Where subsection (3) has effect, sections 343(2), (4), (5), and (7) to (12) and 344 apply in relation to the business in which the loss arose construing—
      - (a) references to the predecessor and the successor as to (respectively) the transferor and the transferee, and
      - (b) references to section 343(3) as to subsection (3) of this section.”
  - (4) This paragraph has effect in relation to insurance business transfer schemes taking place on or after 1st January 2003 unless the accounting period of the transferor which ends with the day of the transfer, or the accounting period of the transferee during which the transfer takes place, began before that date.

