
STATUTORY INSTRUMENTS

2004 No.

INCOME TAX

**The Finance Act 2004, Sections 38 to 40 and 45 and Schedule 6,
(Consequential Amendments to Enactments) Order 2004**

<i>Made</i> - - - -	<i>July 2004</i>
<i>Laid before the House of Commons</i>	<i>July 2004</i>
<i>Coming into force</i> - -	<i>August 2004</i>

The Treasury, in exercise of the powers conferred upon them by section 46 of the Finance Act 2004, make the following Order:

Citation and commencement

1.—(1) This Order may be cited as the Finance Act 2004, Sections 38 to 40 and 45 and Schedule 6 (Consequential Amendments to Enactments) Order 2004.

(2) [This Order shall come into force on [...] August 2004 and shall have effect in relation to accounting periods beginning on or after 1st April 2004, subject to the transitional provisions in sections 43 and 44 of the Finance Act 2004 and in paragraphs 10(4) and 11(4) of the Schedule to this Order.]

Amendments to enactments in consequence of sections 38, 40 and 45 of, and Schedule 6 to the Finance Act 2004

2. The Schedule to these Regulations, which contains amendments in consequence of the provisions of sections 38, 40 and 45 of, and Schedule 6 to, the Finance Act 2004, has effect.

July 2004 *Name*
Two of the Lords Commissioners of Her Majesty's Treasury

SCHEDULE

Regulation 2

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

Income and Corporation Taxes Act 1988

Relief for contributions to certain bodies

- 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.

(2) In subsection (2) (contribution by investing company treated as expenses of management) for “an investment company” substitute “a company with investment business”.

(3) After subsection (2) insert —

“(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 (7) of that section.”.

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—

- (a) if the company is a with investment business, shall be treated as expenses of management deductible under section 75, or
- (b) 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 (7) of that section”.

(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—

“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),
- (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.”.

Payment to trustees of approved profit sharing schemes

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
- (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

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
- (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 (7) of that section.”.

(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”.

(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),
- (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 service 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 (7) 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 the 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 purpose 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
- (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.

If the additional payment—

- (i) is made after 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.”.

(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).”.

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”.

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—

“(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.”.

(3) In subsection (4) (definitions) in paragraph (b) (definition of “investment company”) for “investment company” substitute “company with investment business”.

(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 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 investment company) substitute—

“(b) in the case of a company with investment business, within the meaning of Part 4, any such excess as is mentioned in subsection (8) of section 75 which falls to be treated in accordance with subsection (9) of that section;”.

(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;”.

(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—

- (a) the references in paragraph (b) to subsections (8) and (9) of section 75 include a reference to the old section 75(3), as read with section 43 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 this Schedule.

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 —

“(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 this period.

It does not include an amount deductible by virtue only of section 75(9) 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—

- (a) the reference to section 75(9) includes a reference to the old section 75(3), as read with section 43 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 this Schedule.

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(9)”.

(3) In section 403ZE(2)(b)(ii), the reference to section 75(9) 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

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.

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—

“(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 (7) of that section.”.

General annuity business

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(7)”.

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 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”.

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)—

- (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”.

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.—(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 Part 2 of the Capital Allowances Act) for “an investment company” substitute “a company with investment business”.

Business entertaining expenses

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 may be given under the Tax Acts)—

(a) after “and such expenses” insert “(i)”, and

(b) after “the Tax Acts;” insert—

“and

(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 may be given under the Tax Acts)—

(a) after “above” insert “(a)”, and

(b) after “the Tax Acts” insert—

“; and

(b) shall not be brought into account under section 76 as expenses payable”.

Expenditure on car hire

23.—(1) Section 578A of the Taxes Act 1988 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

(bb) 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(7).

(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 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(7)””.

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 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
- (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”.”.

(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 deduction to be made under section 76.”.

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—

- (a) in a case where the employer is a company with investment business, be deductible as expenses of management under section 75, or
- (b) in case where the employer is a company carrying on life assurance business, be brought into account under section 76 as expenses payable”.”.

Exempt approved schemes

28.—(1) Section 592 is amended as follows.

(2) For section (4) deduction of employer’s contributions) substitute—

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

- (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 period, or

- (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 (7) of that section, but no other sum shall for those purposes be so allowed, for 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(7).”.

(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 ordinary way of 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.”.

Social security benefits and contributions

29.—(1) Section 617 of the Taxes Act 1988 is amended as follows.

(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 section 76 as expenses payable”.

Limits on credit for foreign tax: corporation tax

30.—(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

31.—(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”.

(4) In paragraphs 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
- (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—

- (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 into account at Step 1 in section 76(7).”.

(5) The heading to paragraph 13 accordingly becomes “Application of provisions to expenses of management of companies with investment business etc”.

Controlled foreign companies: relief against liability for tax in respect of chargeable profits

32.—(1) Schedule 26 to the Taxes Act 1988 is amended as follows.

(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

33.—(1) Schedule 28A to the Taxes Act 1988 is amended as follows.

(2) In Part 2 (amounts in issue for the purpose 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)”.

(3) In paragraph 6(c) for “section 75(3)” substitute “section 75(9)”.

(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”.

(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

(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.”.

(6) In Part 4 (disallowed debits) in paragraph 11(1) (debits 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 accounting instead for the accounting period in which the security is redeemed); or

(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”.

(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)”.

(8) In Part 6 (apportionment for the purposes of section 768C) in paragraph 16(1), for paragraph (a) (sums and charges falling within paragraphs 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;”.

(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 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.”.

(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

34.—(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 (Earning and Pensions) Act 2003—

- (a) if paid or treated as paid by 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 (7) of that section”.

Finance Act 1989

Investment and Insurance companies: computation

35.—(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 the 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 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(7) of the Taxes Act 1988.”.
- (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
 - (b) Omit the definition of “investment company”
- (6) The side note to the section accordingly becomes “Companies with investment business and insurance companies: computation”.

Non-approved retirement benefit schemes

36.—(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”.

(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 —

“(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”.

Management expenses

37.—(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: policyholders’ fraction of profits

38.—(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—

- “(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 holder’s share of profits

39.—(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 —

“(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, and

(b) the basic deduction given by Step 8 in section 76(7) of the Taxes Act 1988.”.

(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 sentence of section 76(10)”.

Finance Act 1991

Basic life assurance and general annuity business: transitional relief for old annuity contracts

40.—(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.

(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(7) of the Taxes Act 1988,”.

Taxation of Chargeable Gains Act 1992

Allowable deductions: consideration chargeable to tax on income

41.—(1) Section 37 of the Taxation of Chargeable Gains Act 1992 (c.12) is amended as follows.

(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

42.—(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) (relief 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”.

Capital Allowances Act 2001

Qualifying activities

43.—(1) Section 15 of the Capital Allowance Act 2001 (c.2) is amended as follows.

(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,”.

Related definitions

44.—(1) For section 18 of the Capital Allowances Act 2001 (c.2) substitute—

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.

(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

45.—(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 investment business”.

(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

46.—(1) Section 256 of the Capital Allowance 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 brought into account at Step 3 in section 76(7)”.

Provisions supplementary to sections 255 and 256

47.—(1) Section 257 of 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—

“(b) finding, in accordance with subsection (10) of section 76 of ICTA, the amount D1 in Step 9 in subsection (7) of that section (calculation for purposes of complying with restriction on amount expenses deduction)”.

Management assets

48.—(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 ICTA”.

Finance Act 2001

Remediation of contaminated land; entitlement to land remediation tax credit

49.—(1) In Schedule 22 to the Finance Act 2001 (c.9) paragraph 14 is amended as follows.

(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 management under 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 (7) of that section”.

(3) In subparagraph (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(12) or (13)”; 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) —

- (a) for “section 75(3)” substitute “section 76(12) or (13)”; and
- (b) in paragraph (b) for “the amount” substitute “the total amount”.

(5) For sub-paragraph (9) (disregard of amounts brought forward from either periods under section 75(3) of the Taxes Act 1988 etc) substitute —

“(9) In determining for the purposes of sub-paragraph (7) and (8) above whether there is an amount which falls to be carried forward under subsection (12) or (13) of section 76 of 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 that period in question—

- (a) in accordance with Step 6 in subsection (7) of that section, by virtue of a previous application of subsection (12) or (13) of that section, or
- (b) in accordance with Step 3 in subsection (7) 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

50.—(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 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 (7) of that section”; and
- (b) in paragraph (b) (amount falls to be carried forward to succeeding accounting period under section 75(3) of the Taxes Act 1988)—
 - (i) for “section 75(3)” substitute “section 76(12) or (13)”; 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) —

- (a) for “the amount which” substitute “the total amount which”; and
- (b) for “section 75(3)” substitute “section 76(12) or (13)”

Land remediation tax credit: entitlement to relief: “I minus E” basis

51.—(1) in Schedule 22 to the Finance Act 2001 (c.9) paragraph 22 is amended as follows.

(2) In sub-paragraph (3) amount of company’s qualifying expenditure) for “reduced by the amount (if any) which 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 of paragraph (a) of Step 1 in section 76(7) of the Taxes Act 1988 is not to be brought into account at that Step as expenses payable for that period”.

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

52.—(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”.

(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(7) of the Taxes Act 1988”.

(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

53.—(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) —

(a) For “section 75(3)” substitute “section 76(12) or (13)”; 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 (12) or (13) 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—

(a) in accordance with Step 7 in subsection (7) of that section, by virtue if a previous application of subsection (12) or (13) of that section, or

(b) in accordance with Step 3 in subsection (7) 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 on carrying forward expenses of management as follows.

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

(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 —

(a) be carried forward under subsection (12) or (13) 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 7 in subsection (7) of that section,

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”.

Finance Act 2002

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

55.—(1) In Schedule 12 to the Finance Act 2002 (c.23) paragraph 13 is amended as follows.

(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(7) of the Taxes Act 1988.”.

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

56.—(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 —

“(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(7) of the Taxes Act 1988.”.

Intangible fixed assets: special provisions relating to insurance companies

57.—(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 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(7) of the Taxes Act 1988.”.

Income Tax (Earnings and Pensions) Act 2003

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

58.—(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 —

“(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),

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

Finance Act 2003

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

59.—(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.”.

(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(7) of the Taxes Act 1988.”.

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

60.—(1) In Schedule 23 to the Finance Act 2003, paragraph 16 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.”.

(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 to be brought into account at Step 1 in section 76(7) of the Taxes Act 1988.”.

Restriction of deductions for employee benefit contributions: life assurance business

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

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

“Life assurance business

(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.

(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).

(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(7) of the Taxes Act 1988.

(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

(b) references to deduction shall be construed accordingly.”.

EXPLANATORY NOTE

(This note is not part of the Regulations)

1. The Schedule to the Regulations contains consequential adjustments to the Corporation Tax Acts required by the amendments to sections 75 and 76 ICTA. These have been grouped by theme rather than in statutory order.
2. In the following places, changes are made to reflect the fact that relief for management expenses is now available to a company with investment business, not just an investment company.
 - Paragraph 1(2) – sections 79, 79A & 79B ICTA 1988 (Relief for contributions to certain bodies)
 - Paragraph 9 – section 93 ICTA (Other grants under Industrial Development Act 1982 etc)
 - Paragraph 10(3) - section 392A ICTA (Schedule A losses)
 - Paragraph 12(2) – section 403ZD ICTA (Group relief: meaning of "management expenses" in section 403)
 - Paragraph 18(2)(a) – section 468 ICTA (Authorised unit trusts)
 - Paragraph 20 – section 487 ICTA (Credit unions)
 - Paragraph 23(2) – section 578A ICTA (Expenditure on car hire)
 - Paragraph 31(2) & (5) – Schedule 4AA ICTA (Share incentive plans: corporation tax deductions)
 - Paragraph 35(5) & (6) – section 44 FA 1989 (Investment and insurance companies: computation)
 - Paragraph 42 – Schedule 8 FA 1996 (Loan relationships: claims etc relating to deficits)
 - Paragraph 43 – section 15 CAA 2001 (Qualifying activities)
 - Paragraph 44 – section 18 CAA 2001 (Related definitions)
 - Paragraph 45 – section 253 CAA 2001 (Giving of allowances: companies with investment business)
 - Paragraph 59 – paragraph 9 Schedule 23 FA 2003 (Corporation tax relief for employee share acquisition: shares: method of giving relief)
 - Paragraph 60 – paragraph 16 Schedule 23 FA 2003 (Corporation tax relief for employee share acquisition: options: method of giving relief)
3. In the following places legislation which refers to both sections 75 and 76 in the same way (expenses of management) is changed to reflect that section 76 has been decoupled from section 75 and uses a different phraseology (expenses payable brought into account in Step 1 of section 76(7)).
 - Paragraph 1(3) – sections 79, 79A & 79B ICTA 1988 (Relief for contributions to certain bodies)
 - Paragraph 2(2) – section 84A ICTA (Costs of establishing share option or profit sharing schemes: relief)
 - Paragraph 3 – section 85 ICTA (Payments to trustees of approved profit sharing schemes)

- Paragraph 4(2) – section 85A ICTA (Costs of establishing employee share ownership trusts)
 - Paragraph 5 – section 86 ICTA (Employees seconded to charities and educational establishments)
 - Paragraph 8(2) – section 90 ICTA (Additional payments to redundant employees)
 - Paragraph 12(4) – section 403ZD ICTA (Group relief: meaning of "management expenses" in section 403)
 - Paragraph 13(4) – section 403ZE ICTA (Computation of gross profits)
 - Paragraph 21 – section 577 ICTA (Business entertaining expenses)
 - Paragraph 22 – section 577A ICTA (Expenditure involving crime)
 - Paragraph 23 – section 578A ICTA (Expenditure on car hire)
 - Paragraph 24(2) – section 579 ICTA (Statutory redundancy payments)
 - Paragraph 26(2) – section 588 ICTA (Training courses for employees)
 - Paragraph 27 – section 589A ICTA (Counselling services for employees)
 - Paragraph 28 – section 592(4) – (6) ICTA (Exempt approved schemes)
 - Paragraph 29 – section 617 ICTA (Social security benefits and contributions)
 - Paragraph 30 – section 797 ICTA (Limits on credit for foreign tax; corporation tax)
 - Paragraph 31(4) – Schedule 4AA ICTA (Share incentive plans: corporation tax deductions)
 - Paragraph 32 – Schedule 26 ICTA (Controlled foreign companies: reliefs against liability for tax in respect of chargeable profits)
 - Paragraph 34 – section 73 FA 1988 (Consideration for certain restrictive undertakings)
 - Paragraph 36 – section 76 FA 1989 (Non-approved retirement benefit schemes)
 - Paragraph 51 – Schedule 22 FA 2001 (Land remediation tax credit: entitlement to relief: "I minus E" basis)
 - Paragraph 58 – section 357 ITEPA (Business entertainment and gifts: exception where employer's expenses disallowed)
4. In the following places, references to “disbursed” are replaced by “deductible” or other phrases appropriate to the new section 75.
- Paragraph 10(2) – section 392A ICTA (Schedule A losses)
 - Paragraph 11(3) – section 400 ICTA (Write-off of government investment)
 - Paragraph 12(3) – section 403ZD ICTA (Group relief: meaning of "management expenses" in section 403)
 - Paragraph 14(2) – section 404 ICTA (Limitation of group relief in relation to certain dual resident companies)
 - Paragraph 18(2)(b) – section 468 ICTA (Authorised unit trusts)
 - Paragraph 19 – section 468L ICTA (Interest distributions)
 - Paragraph 31(4) – Schedule 4AA ICTA (Share incentive plans: corporation tax deductions)
 - Paragraph 33(2) & (5) – Schedule 28A ICTA (Change in ownership of investment company: deductions)

5. In the following places special timing rules that apply to section 75 are amended to reflect the new language of section 75.
 - Paragraph 1(3) – sections 79, 79A & 79B ICTA (Relief for contributions to certain bodies)
 - Paragraph 2(3) – section 84A ICTA (Costs of establishing share option or profit sharing schemes: relief)
 - Paragraph 3(3) & (4) – section 85A ICTA (Costs of establishing employee share ownership trusts)
 - Paragraph 8(2) – section 90 ICTA (Additional payments to redundant employees)
 - Paragraph 24(2) – section 579 ICTA (Statutory redundancy payments)
 - Paragraph 26(3) – section 588 ICTA (Training courses for employees)
 - Paragraph 31(3) – Schedule 4AA ICTA (Share incentive plans: corporation tax deductions)
 - Paragraph 33(4) & (6) – Schedule 28A ICTA (Change in ownership of investment company: deductions)
 - Paragraph 35(2) – section 44 FA 1989 (Investment and insurance companies: computation)

6. In the following places, references to a carry forward of management expenses under old section 75(3) are replaced by references to new section 75(9).
 - Paragraph 11(2) – section 400 ICTA (Write-off of government investment)
 - Paragraph 12(3) – section 403ZD ICTA (Group relief: meaning of "management expenses" in section 403)
 - Paragraph 13(2)(3) – section 403ZE ICTA (Computation of gross profits)
 - Paragraph 33(3) – Schedule 28A ICTA (Change in ownership of investment company: deductions)

7. In the following places references to amounts being treated and expenses of management under old section 76 are replaced by references to being expenses payable (including expenses brought into account in Step 1 or Step 3 in new section 76) or an expenses deduction.
 - Paragraph 15 – section 432AB ICTA (Losses from Schedule A business or overseas property business)
 - Paragraph 16 – section 437 ICTA (General annuity business)
 - Paragraph 17 – section 444A ICTA (Transfers of business)
 - Paragraph 25 – section 587B ICTA (Gifts of shares, securities and real property to charities etc)
 - Paragraph 35(4) – section 44(7) FA 1989 (Investment and insurance companies: computation)
 - Paragraph 40 – Schedule 7 FA 1991 (Basic life assurance and general annuity business: transitional relief for old annuity contracts)
 - Paragraph 46 – section 256 CAA 2001 (Life assurance business: different giving effect rules for different categories of business)
 - Paragraph 49(2) – paragraph 14 Schedule 22 FA 2001 (Remediation of contaminated land: entitlement to land remediation tax credit)

- Paragraph 50(2)(a) – paragraph 17 Schedule 22 FA 2001 (Land remediation tax credit: entitlement to relief: "I minus E" basis)
 - Paragraph 52 – paragraph 23 Schedule 22 FA 2001 (Land remediation tax credit: giving effect to relief: enhanced expenses of management)
 - Paragraph 54(3) – paragraph 27 Schedule 22 FA 2001 (Land remediation tax credit: restriction on carrying forward expenses of management)
 - Paragraph 55 – Schedule 12 FA 2002 (Tax relief for research and development: entitlement to relief in respect of "I minus E" Basis)
 - Paragraph 56 – Schedule 13 FA 2002 (Expenditure on vaccine research etc: entitlement to relief in respect of "I minus E" basis)
 - Paragraph 57 – Schedule 29 FA 2002 (Intangible fixed assets: special provisions relating to insurance companies)
8. In the following places references to old sections 75 & 76 are amended to reflect that the payments fall to be treated as expenses payable under new section 76 without needing to be so treated.
- Paragraph 6 – section 86A ICTA (Charitable donations: contributions to agent's expenses)
 - Paragraph 7 – section 88 ICTA (Payment to Export Credits Guarantee Department)
9. In the following places references change the language of the carry forward under the old section 76(5) (minimum profits test) to reflect the new section 76(13).
- Paragraphs 49(3) to (5) – paragraph 14 Schedule 22 FA 2001 (Remediation of contaminated land: entitlement to land remediation tax credit)
 - Paragraph 50 – paragraph 17 Schedule 22 FA 2001 (Land remediation tax credit: restriction of losses carried forward)
 - Paragraph 53 – paragraph 24 Schedule 22 FA 2001 (Land remediation tax credit: entitlement to life assurance company tax credit)
 - Paragraph 54(2) – paragraph 27 Schedule 22 FA 2001 (Land remediation tax credit: restriction on carrying forward expenses of management)
10. Life assurance provisions not covered in previous paragraphs.
- Paragraph 37 – section 87 FA 1989 (Management expenses)
This paragraph repeals the transitional provisions for the pool of pre-1990 expenses. In FA 2003 the pool was restricted to being set off only where there was headroom within the BLAGAB income and gains, so could no longer be set against pension etc business Case VI profits. Following that restriction, the carry forward provisions no longer retain any utility.
 - Paragraph 38 – section 88 FA 1989 (Corporation tax: policy holders' fraction of profits)
This paragraph rewrites section 88(3)(a) and (b) and the fullout words, so that the words limiting all the amount in section 88(3)(aa) to (b) to those which are referable to BLAGAB only apply to charge on income. This is

because the amounts of non-trading loan relationships deficits and expenses payable (with the language here being rewritten to refer to the Step 8 basic deduction) can only now refer to the BLAGAB amounts.

- Paragraph 39 – section 89 FA 1989 (Policy holders' share of profits)
Paragraph 39(2) makes a similar change to that in paragraph 38 to section 89(1B) FA 1989. Paragraph 39(3) amends subsection (7) to change the language of the loss carry forward rule derived from the minimum profits test in old section 76(2C) and (2D) to the new section 76(12).
- Paragraph 41 – section 37 TCGA 1992 (Allowable deductions: consideration chargeable to tax on income)
This repeals a reference to the old minimum profits test in section 76 which has been redundant since the enactment of section 65 Finance (No. 2) Act 1992.
- Paragraph 47 – section 257 CAA 2001 (Provisions supplementary to sections 255 and 256)
This paragraph changes the language of the reference to capital allowances in the old section 76(5) (minimum profits test) to reflect the new Step 9 of section 76(7).
- Paragraph 48 – section 544 CAA 2001 (Management assets)
This paragraph defines in the new language of section 76 what is meant by management of life assurance business for determining whether capital allowances are due on “management assets”.
- Paragraph 61 – paragraph 7 Schedule 24 FA 2003 (Restriction of deductions for employee benefit contributions: life assurance business)
This paragraph is rewritten to bring it into line with the new language in several places.

11. Transitional provisions for specific measures are in:

- Paragraph 10(4) – section 392A ICTA (Schedule A losses)
- Paragraph 11(4) – section 400 ICTA (Write-off of government investment).