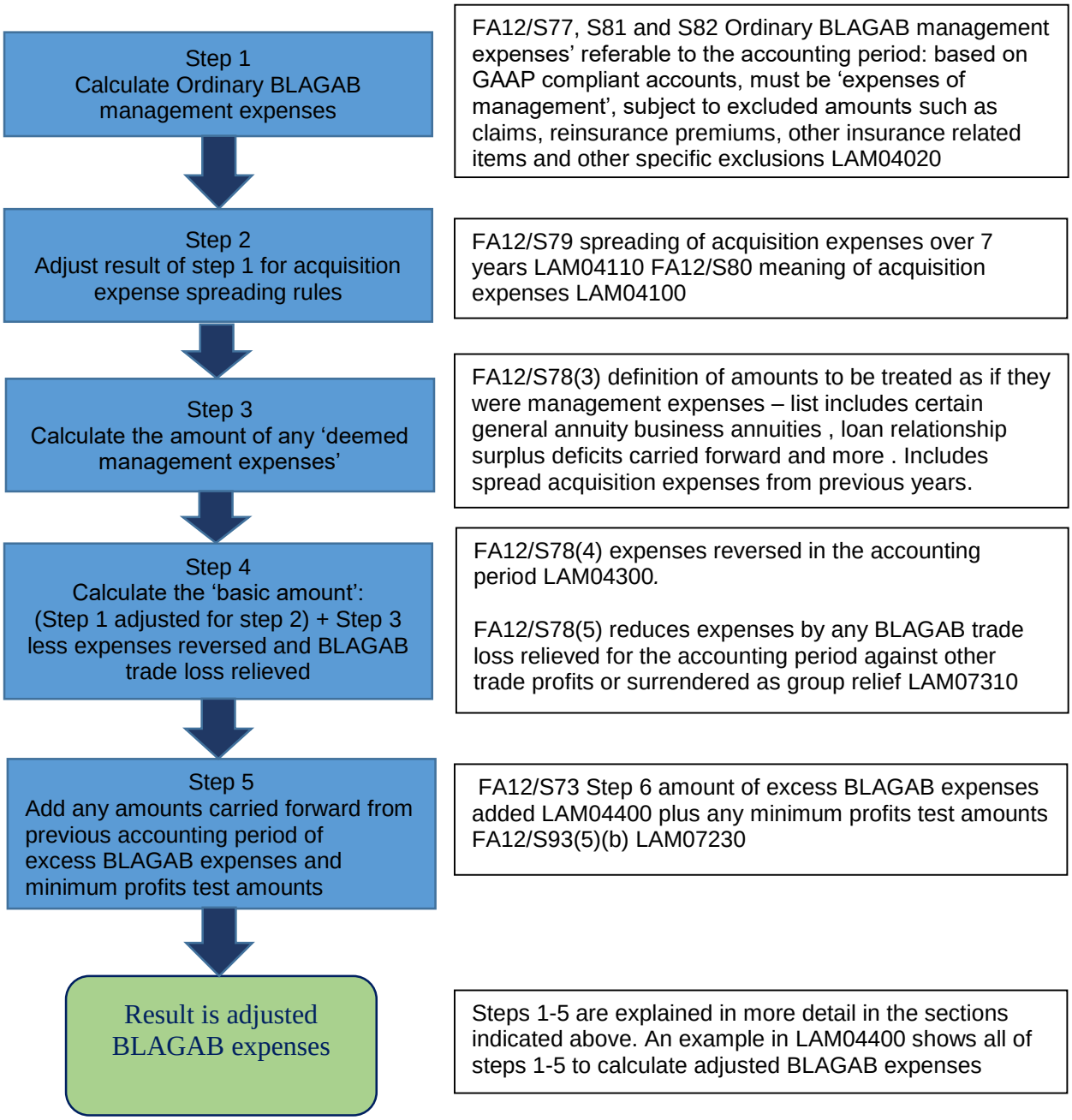
Step 1
Calculate Ordinary BLAGAB management expenses
FA12/S77, S81 and S82 Ordinary BLAGAB management expenses' referable to the accounting period: based on GAAP compliant accounts, must be 'expenses of management', subject to excluded amounts such as claims, reinsurance premiums, other insurance related items and other specific exclusions LAM04020
Step 2
Adjust result of step 1 for acquisition expense spreading rules
FA12/S79 spreading of acquisition expenses over 7 years LAM04110 FA12/S80 meaning of acquisition expenses LAM04100
Step 3
Calculate the amount of any 'deemed management expenses'
FA12/S78(3) definition of amounts to be treated as if they were management expenses – list includes certain general annuity business annuities , loan relationship surplus deficits carried forward and more . Includes spread acquisition expenses from previous years.
Step 4
Calculate the 'basic amount':
(Step 1 adjusted for step 2) + Step 3 less expenses reversed and BLAGAB trade loss relieved
FA12/S78(4) expenses reversed in the accounting period LAM04300.
FA12/S78(5) reduces expenses by any BLAGAB trade loss relieved for the accounting period against other trade profits or surrendered as group relief LAM07310
Step 5
Add any amounts carried forward from previous accounting period of excess BLAGAB expenses and minimum profits test amounts
FA12/S73 Step 6 amount of excess BLAGAB expenses added LAM04400 plus any minimum profits test amounts FA12/S93(5)(b) LAM07230
Result is adjusted BLAGAB expenses
Steps 1-5 are explained in more detail in the sections indicated above. An example in LAM04400 shows all of steps 1-5 to calculate adjusted BLAGAB expenses