

**LAM08000 Full example computation
LifeCo Limited**

A1 - BLAGAB I minus E computation (LAM03000)

		Total
Step 1 – BLAGAB income	Property business (LAM3090)	47,701
	Loan relationship and derivative income (LAM03070)	<u>527,136</u>
		574,837
Step 2 – BLAGAB chargeable gains less losses	Net chargeable gains (LAM03200)	(G) 230,333
Step 3 – Sundry receipts and minimum profits charge	Sundry receipts (LAM03100)	455
	Minimum profits charge (A2) (LAM03500)	<u>9,500</u>
		9,955
Step 4 – Sum of steps 1 – 3, deduct any BLAGAB non-trading deficit. Result is 'I'	Sum of steps 1 – 3	821,247
	Non-trading deficit (LAM03070)	<u>(2,501)</u>
	'I'	<u>818,746</u>
Step 5 – Adjusted BLAGAB management expenses 'E'	Less BLAGAB management expenses (LAM04000)	(A3) (288,650)
Step 6 – subtract 'E' from 'I'	I minus E profit / (excess BLAGAB expenses)	(A8) <u>536,218</u>
	Less non-BLAGAB allowable losses under s95 FA 2012 (LAM03400)	(6,122)
		<u>530,096</u>

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A2 - Minimum profits charge (LAM03510)

			Total
<i>Adjusted I- E profit / excess BLAGAB expenses</i>	I minus E profit	(A1) 530,096	
	Ignore minimum profits charge	(9,500)	
	Add BLAGAB non-taxable distributions	<u>118,577</u>	639,173
<i>Adjusted BLAGAB trade profit</i>	BLAGAB trade profit	(A4) 650,273	
	Less BLAGAB trade loss b/f	<u>(1,600)</u>	648,673
<i>Compare the adjusted BLAGAB trade profit with adjusted I- E profit</i>	Minimum profits charge	(A1)	<u>9,500¹</u>

A3 - BLAGAB management expenses (LAM04000)

			Total
<i>Step 1 – Company’s ordinary BLAGAB management expenses of the AP</i>	Ordinary BLAGAB management expenses		109,620
<i>Step 2</i>	less six-sevenths of the acquisition expenses of the period		<u>(42,500)</u> <u>67,120</u>
<i>Step 3 – deemed BLAGAB management expenses – FA2012/S78(3)</i>	Spreading of acquisition expenses	169,150	
	Capital allowances on management assets	22,500	
	Transitional relief for old annuity contracts	<u>8,350</u>	200,000
<i>Step 4 – total of steps 1-3, adjust for expenses reversed in the AP and BLAGAB trade loss utilised</i>	Sum of steps 1 to 3	267,120	
	Deduct relief previously given for expenses repaid in the AP	(3,600)	
	Adjust for BLAGAB trade loss relieved	<u>0</u>	<u>263,520</u>
<i>Step 5 – add management expenses brought forward to the sum of step 4</i>	Management expenses brought forward	12,500	
	Minimum profits charge of previous AP	<u>12,630</u>	<u>25,130</u>
	Adjusted BLAGAB management expenses	(A1)	<u>288,650</u>

¹ The Minimum Profits Charge is carried forward to the next accounting period as an excess management expense

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A4 - BLAGAB trade (LAM07000)

		Total
<i>Accounting profit before tax</i>	Profit before tax	677,211
<i>Adjustments to accounting profit</i>	Disallowed expenses	9,430
	Capital allowances – management assets	(27,350)
	Pre 2013 Deferred Acquisition Costs (DAC)	11,620
	Pre 2013 Deferred income	(1,350)
	Transitional receipt/(expense)	(19,288)
	Policyholder tax adjustment (A7)	<u>nil</u>
		LAM07150 LAM07150 LAM07040 LAM07040 LAM07130 LAM07210
		(26,938)
<i>BLAGAB trade profit for tax</i>	BLAGAB trade profit	<u>650,273</u>
<i>Less BLAGAB trade loss brought forward</i>	BLAGAB trade loss brought forward	(1,600)
		LAM07310
		(A2) (A7) <u>648,673</u>

A5 - Non-BLAGAB trade (LAM07000)

		Total
<i>Accounting profit/loss before tax</i>	Loss before tax	(6,253)
<i>Adjustments to accounting profit</i>	Disallowed expenses	3,650
	Capital allowances – management assets	(2,460)
	Pre 2013 Deferred Acquisition Costs (DAC)	10,340
	Pre 2013 Deferred income	(7,630)
	Transitional receipt/(expense)	<u>4,350</u>
		8,250
	Non-BLAGAB trade profit/loss before foreign tax	1,997
	Foreign tax deducted	(7,602)
<i>Non-BLAGAB loss for tax</i>	Non-BLAGAB trade loss	<u>(5,605)</u>
	Less offset against other profits	(A8) (5,605)
<i>Non-BLAGAB trade losses</i>	Current period loss carried forward	Nil
	Non-BLAGAB trade loss brought forward	(5,840)

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A6 - Long-term business fixed capital and other non-trade (LAM11000)

		Total
<i>LTBFC contains structural assets and those grandfathered from pre 1 January 2013 shareholders' funds. Tax rules applicable to investment companies apply.</i>	Loan relationships and derivative income	21,540
	Non-trading gain on intangible assets	7,660
	Chargeable gains	655
	Capital losses not arising from BLAGAB	(655)
	Management expenses	(5,880)
	Non-trading loan relationship deficit brought forward CTA2009/S457(1)	<u>(1,250)</u>
	Profit / (loss) (A8)	<u>22,070</u>

A7 - Policyholders' share of I minus E profit (LAM06000)

		Total
<i>Policyholders' share calculation</i>	I minus E profit (A1)	530,096
	Reduced by adjusted BLAGAB trade profit(below)	<u>(530,096)</u>
	Policyholders' share (A8)	<u>nil</u>
<i>Adjusted amount of BLAGAB trade profit</i>	BLAGAB trade profit reduced by brought forward losses (A4)	648,673
	Reduced by shareholders share of BLAGAB non-taxable distributions	<u>(118,577)</u>
	Adjusted BLAGAB trade profit	<u>530,096</u>
<i>Shareholders' share of BLAGAB non-taxable distributions</i>	BLAGAB non-taxable distributions (A2)	118,577
	Shareholders' share of BLAGAB non-taxable distributions (LAM05050)	<u>118,577</u>

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A8 - Tax calculation

		<u>BLAGAB I - E</u>		<u>LTBFC</u>	<u>Total per return</u>
Non-trade loan relationship income	(A1)	527,136	(A6)	21,540	548,676
Property business	(A1)	47,701			47,701
Sundry and minimum profits	(A1)	9,955			9,955
Profits before gains	(A1)	<u>584,792</u>	(A6)	<u>21,540</u>	<u>606,332</u>
Net chargeable gains	(G)	236,455		0	236,455
Non-trading gain on intangible fixed assets			(A6)	7,660	7,660
Non trading deficit on loan relationship	(A1)	(2,501)			(2,501)
Management expenses	(A3)	(288,650)	(A6)	(5,880)	(294,530)
Non-trading loan relationship deficits brought forward CTA09/S457(1)			(A6)	(1,250)	(1,250)
Net profits before reliefs	(A1)	<u>530,096</u>	(A6)	<u>22,070</u>	<u>552,166</u>
Shareholders' profits before reliefs		530,096		22,070	552,166
Less trading losses CTA10/S37 (non-BLAGAB)	(A5)	(5,605)			(5,605) ²
Group relief		<u>(120,650)</u>		—	<u>(120,650)</u>

² This example does not reflect the operation of the loss streaming rules introduced in F (No 2)A 2017

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Shareholders' share of profits	403,841	22,070	(A9)	425,911
Policyholders' share of profits	(A7) nil		(A9)	nil
Total taxable profits	<u>403,841</u>	<u>22,070</u>		<u>425,911</u>

A9 - Tax liability

	<u>Tax</u>		<u>Profit</u>	<u>Rate</u>
Corporation tax				
On policyholders' share of profits				
2016				20.00%
2017				20.00%
Tax on policyholders' profit	<u>nil</u>	(A8)	<u>nil</u>	
On shareholders' profits				
2016	21,016.20		105,081	20.00%
2017	60,957.70		320,830	19.00%
Tax on shareholders' profits	<u>82,063.90</u>	(A8)	<u>425,911</u>	
Tax before DTR	82,063.90			
DTR relief	(B) (1,112)			
Income Tax set off	(3,556.10)			
Corporation tax liability	<u>77,395.8</u>			

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B1 – Double tax relief – summary (LAM09000)

Category	Relevant income	Foreign tax	Creditable tax before limitations	Excess foreign tax	Actual creditable tax	Tax deductible
BLAGAB (B2)	81,420	1,112	1,112	0	(A9) 1,112	0
Non-BLAGAB (B3)	302,897	7,602	6,700	902	(A9) 0	7,602
Total	384,317	8,714	7,812	0	1,112	(A5) 7,602

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G – Capital gains and losses (LAM03200)

		Total
Capital gains		
BLAGAB chargeable gains		89,556
TCGA/S212		<u>221,621</u> (LAM03300)
Total before losses offset		311,117
BLAGAB losses	(below)	(68,540)
Net capital gains	(A1)	<u>236,455</u>
Capital losses		
BLAGAB losses arising		22,875
TCGA/S212 losses arising		<u>45,665</u>
		68,540