

The Actuarial Profession
making financial sense of the future

Current Tax Developments



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Topics

- Transition to the new life tax regime
- Solvency II
- CFC legislation
- GAAR
- Eurobond consultation
- FATCA
- Corporation tax rate changes

Transition to the new life tax regime

- Comparison of cumulative surplus (regulatory return) with retained earnings (accounts) at 31 December 2012
- Compare on fund by fund basis then exclude specified items
- Remaining relevant computational items (RCIs) allocated to categories of business
- Spread over 10 years as receipts or expenses in BLAGAB or OLTB trade computations

Accounting and reserving transition issues

- Ensure appropriate granularity in ledgers (mapping profit and income to categories)
- Other systems changes: product pricing, MCEV, unit pricing
- Basis of liabilities for GAAP accounts

Solvency II tax issues

- Pillar I in/out of model tax calculation and loss absorbency of deferred tax
- Pillar II modelling horizon
- Pillar III reporting timetable and weight of material

CFC legislation

- Complicated but more proportional
- Gateway and entity exemptions
- Finance company exemption
- Insurance company exemption

GAAR

- General Anti-Abuse rule
- To deter artificial tax avoidance schemes
- But not to impact certainty and UK attractiveness
- Consultation ran 12 June to 14 September
- Legislation to be included in FB 2013

Eurobond consultation

- Consultation closed 22 June 2012, legislation in FB 2013?
- Whether to withhold tax on interest paid to group company where no/minimal trading in bond
- Consider restructuring debt

FATCA

- Foreign Account Tax Compliance Act
- US legislation to identify US persons with overseas assets
- Policies with surrender value caught, including pensions
- Intra-governmental agreement announced
- Need to be compliant Foreign Financial Institution
- Otherwise 30% WHT on income and disposal proceeds

Corporation tax rate changes

Enacted changes 24% from 1 April 2012 and 23% from 1 April 2013; announced reduction to 22% from 1 April 2014

Impacts UK GAAP/IFRS accounts when substantially enacted, but US GAAP account only when enacted

Reserving and pricing impacts:

- MCEV - can use announced rates
- Unit pricing – ensure new rates used from date they apply

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