



Alphalife Release Notes Spring 2011

Alphatax software may not be copied, photocopied, reproduced, translated, or reduced to any electronic medium or machine-readable form, in whole or in part, without the express written permission of:

Tax Computer Systems Limited
Centurion House
London Road
Staines TW18 4AX

Tel: +44 (0) 1784 410369
Fax: +44 (0) 1784 410335

Email: support@taxcomputersystems.com
Web: www.taxcomputersystems.com

Spring 2011
Copyright © 1991–2011 Tax Computer Systems Limited
All rights reserved
Alphatax is a trademark of Tax Computer Systems Limited.

Contents

Introduction.....	4
E-Filing.....	4
Legislative changes.....	5
ICTA s432C apportionments.....	5
Capital allowances.....	6
Investment assets.....	7
Management assets.....	9
Capital gains.....	12
Other changes.....	14
Enhanced expenditure reliefs.....	14
Transfers of business.....	15
Other miscellaneous changes.....	16
Composite insurers.....	17
Optional modules.....	18
Tax Accounting.....	18
Group.....	19

Introduction

Welcome to the Alphalife Spring 2011 edition. The key features of this release are:

- Implementation of full capital allowances functionality for life computations
- Implementation of capital disposals functionality for life computations
- Legislative change to ICTA 1988 s432C apportionments

Note. For details on installation and other changes to the base Alphatax product, refer to the Alphatax UK Spring 2011 Release Notes.

E-Filing

We have made improvements to the E-Filing process in this release, details of which are included in the Alphatax UK Spring 2011 Release Notes.

Legislative changes

ICTA s432C apportionments

The draft Finance Bill 2011 contains proposed modifications to ICTA 1988 s432C for periods beginning on or after 1 January 2011.

s432C is relevant for calculating the proportion of non-linked income and gains attributable to Gross roll-up business (GRB) in non-profit funds. The appropriate fraction for GRB is $C/C+D$ where:

- C is the mean of opening and closing GRB liabilities reduced, but not below nil, by the mean of opening and closing GRB linked assets.
- D is the mean of opening and closing BLAGAB and PHI liabilities reduced, but not below nil, by the mean of assets linked to BLAGAB or PHI.

Currently 'D' is calculated for BLAGAB and PHI in total, such that a negative adjusted mean for one category can offset a positive adjusted mean in the other, as long as the overall total is not negative.

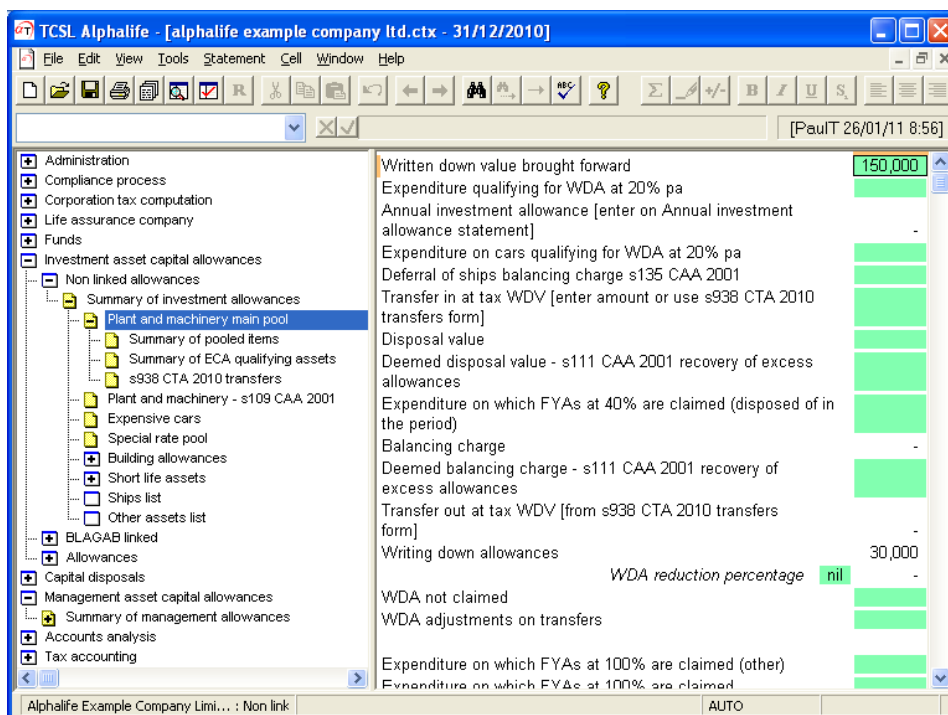
The change proposed in Finance Bill 2011 requires the adjusted mean liabilities to be calculated separately for BLAGAB and PHI (so that neither can be negative) and then the adjusted mean liabilities added together to give 'D'.

An option is available **Calculate BLAGAB and PHI net liabilities separately for s423C?** in the Configuration options (Life assurance options section) for periods beginning on or after 1 January 2011. This will apply the modifications as per the draft Finance Bill clauses. The final legislation will be applied as standard for relevant periods (i.e. without the need to set a configuration option) from the Autumn 2011 release.

Capital allowances

Full capital allowances functionality has been introduced to Alphalife with separate sets of statements for:

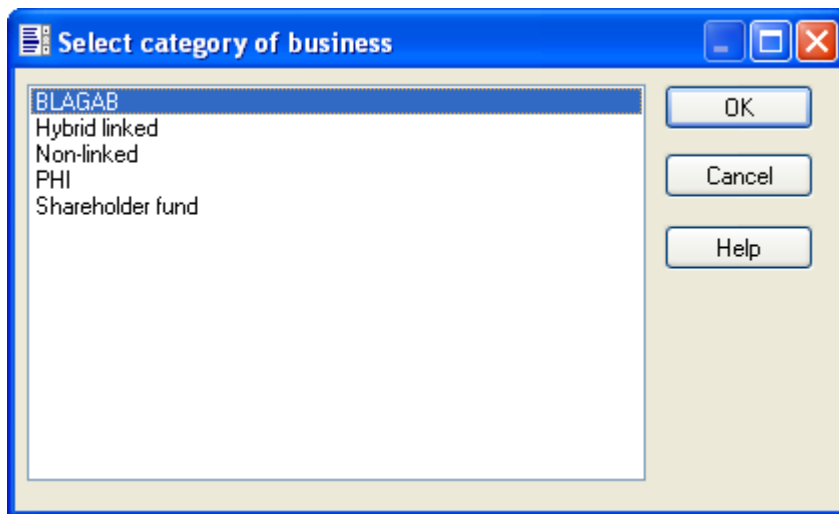
- Investment assets capital allowances (corresponding to Trade capital allowances for Alphatax computations)
- Management assets capital allowances (corresponding to management expenses allowances in Alphatax computations).

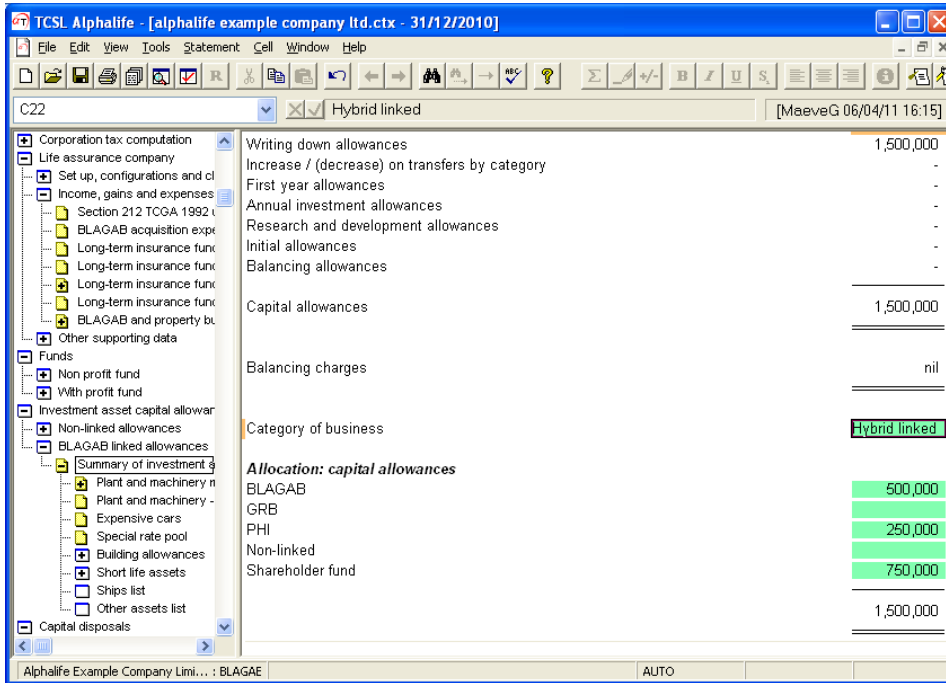


Investment assets

Multiple calculation blocks may be inserted (to allow for separate calculations of amounts linked to different categories or business and/or non-linked amounts) by double clicking on the Investment asset capital allowances heading.

Capital allowance details should be entered using the available pools. On the Summary of investment allowances statement users should select the relevant category of business for the calculation block from the drop down list. Where allowances are linked to more than one category, **Hybrid linked** should be selected. Additional inputs will then be activated to allocate the calculated allowances between categories of business.





For composite insurers Investment asset capital allowance blocks are inserted via the Trading sources list. A trade should be inserted and the flag **Life assurance investment asset capital allowances computation (i.e. not a trade)** set to Yes on the Capital allowances statement.

Fixed assets

Totals for additions and disposal proceeds per the capital allowances calculations are automatically included in the Fixed assets statement. Inputs for NBV of disposals, Depreciation and NBVs b/fwd and c/fwd should be completed to reconcile the movement in Net book value in the period.

	Eligible for CAs	Intangibles (Qualifying)	Finance leases SP3/31	Other	Revenue costs Allowable	A/cs basis	Ineligible costs	Total
<i>Movement in net book value</i>								
NBV brought forward	175,000	-	-	-	-	-	-	175,000
Adjustment								
Adjusted NBV brought forward	175,000	-	-	-	-	-	-	175,000
Additions	2,500,000							2,500,000
Difference in additions tax value								
Pre-trading additions								
Additions deferred for allowances								
Taxable capital grants - amount of reduction of CA cost								
NBV of disposals	-	-	-	-	-	-	-	-
Depreciation	250,000							250,000
Impairment loss								
Revaluation credits								
Capital items expensed								
Other								
Unreconciled amount								
NBV carried forward	2,425,000	nil	nil	nil	nil	nil	nil	2,425,000
<i>Disposals analysis</i>								
Disposal proceeds								
Transfers at tax WDV								
Difference in tax value								
NBV of disposals								
Capital items expensed disposal proceeds								
Unreconciled amount								
Profit / (loss) on disposals	nil	nil	nil	nil	nil	nil	nil	nil

Summary of capital allowances

The Summary of capital allowances report displays investment and management asset capital allowances from the detailed calculations.

	BLAGAB	GRB	PHI	Non-linked	Shareholder fund	Total
	£	£	£	£	£	£
Investment asset capital allowances						
Non-linked allowances	11 11,193	-	-	800,000	-	811,193
BLAGAB linked allowances	J1 500,000	-	250,000	-	750,000	1,500,000
	<u>511,193</u>	<u>nil</u>	<u>250,000</u>	<u>800,000</u>	<u>750,000</u>	<u>2,311,193</u>
	D4	D4	D4	D4	C6	
Management asset capital allowances						
	L1	<u>15,600</u>		<u>1,413,300</u>	<u>nil</u>	<u>1,428,900</u>
		D4		D4		

The Capital allowances statement (within the Other supporting data section) which was previously used to enter total management and investment allowances has been removed for periods ending on or after 31 December 2010 unless the statement had already been populated with figures. Detailed calculations can be used for periods ending prior to 31 December 2010 instead of the summary inputs if required. Where summary inputs have been used in addition to detailed calculations the summary inputs are also displayed on the Summary of capital allowances report.

Configuration options

An optional CT600 capital allowances reconciliation report is available which shows the breakdown of figures as disclosed in the CT600 between management and investment allowances.

Where the period being worked on is the first one for which the detailed capital allowances calculations are being used but it is not the earliest period in the Alphalife file this may be flagged in the configuration options. Written down values may then be entered without the need to disclose these as adjustments to the brought forward amount.

Capital gains

Capital gains functionality has been introduced which enables detailed calculations to be undertaken and combined with existing summary inputs for BLAGAB, PHI and Shareholder fund disposals.

Disposals may be entered by double clicking the Capital disposals list and entering relevant details in the statements provided. Calculated indexed gains from these calculations are then summarised in the Chargeable gains summary. Calculated losses are summarised in the Capital losses summary. Inputs should be used to allocate the calculated gains or losses to BLAGAB, PHI, Non-linked or Shareholder fund. An exempt column is also available to reconcile hybrid linked disposals where an element is attributable to GRB.

An element of non-linked gains and losses are allocated to BLAGAB and PHI using s432A allocation percentages. A different basis of calculation may apply for PHI purposes and an adjustment cell is provided to adjust the non-linked subtotal for I minus E purposes (used for allocation to BLAGAB) to a suitable total to be used for allocation to PHI.

	BLAGAB	PHI	Non-linked	Exempt	Shareholder fund	Unallocated	Total
	£	£	£	£	£	£	£
Shares in XYZ plc			1,429,166			-	1,429,166
Office building	3,453,500					-	3,453,500
Other disposals:							nil
							nil
Non linked gains (I minus E basis)			1,429,166				
Adjustment from I minus E to PHI basis of taxation			(1,429,166)				(1,429,166)
	3,453,500	nil	nil	nil	nil	nil	3,453,500

For composite insurers additional inputs are available for **Other non L-TIF** which should be used for other disposals arising which are not long-term fund assets (i.e. disposals arising in respect of general insurance business). Non L-TIF amounts are combined with Shareholder fund amounts and the totals treated as Non-BLAGAB for the purposes of s210A ring fencing.

Figures from the Chargeable gains and Capital losses summaries are transferred to the Long-term insurance fund: gains statement where they are combined with other summary amounts as entered to calculate total gains and losses for allocation to BLAGAB and PHI.

Shareholder fund gains and losses are transferred to the Shareholder inputs – tax basis statement where they are combined with summary inputs to calculate total Non-BLAGAB gains and losses for inclusion in the Chargeable gains and allowable losses statement.

Other changes

Enhanced expenditure reliefs

A new statement is available to enable relief to be claimed for Research and development, Land remediation expenditure and Tax credits on enhanced capital allowances.

	Rate (%)	BLAGAB	GRB	PHI	TOTAL
R&D expenditure					
Qualifying R&D expenditure in this trade	30	1,000,000			1,000,000
Minimum limit for expenditure qualifying under Ch 5 Part 13 CTA 2009					
					10,000
Land remediation expenditure - trade amounts					
Qualifying land remediation expenditure					
Unrelieved trading loss		9,673,377		11,689	
Enhanced qualifying land remediation expenditure					
Surrenderable loss available (lower of above amounts)					
Losses surrendered for land remediation tax credit					
Land remediation expenditure - UK property business amounts					
Qualifying land remediation expenditure - BLAGAB linked					
Qualifying land remediation expenditure - PHI linked					
Qualifying land remediation expenditure - non-linked					
Qualifying land remediation expenditure - non-LTIF					
Unrelieved trading loss		139,000			
Enhanced qualifying land remediation expenditure					
Surrenderable loss available (lower of above amounts)					
Losses surrendered for land remediation tax credit					

Qualifying R&D expenditure may be entered and the additional 30% deduction given in the BLAGAB management expense, GRB or PHI computations as applicable.

Qualifying land remediation expenditure may be entered in relation to PHI business, BLAGAB management assets or assets held for use in the UK property business (either life or non-life). Inputs are available for each of these situations and the additional 50% deduction given in the applicable computations.

Inputs are also available for companies to surrender unrelieved losses in return for a 16% tax credit. Maximum possible surrenders are displayed in the statement.

Inputs are available for surrendering unrelieved losses in respect of enhanced capital allowances (energy-saving plant or machinery). Expenditure as entered in the investment asset allowances calculations is displayed, together with the maximum unrelieved losses available.

Details of the conditions and calculations of unrelieved losses for each situation are included in the help system.

Separate inputs for tax credits in respect of management asset enhanced capital allowances are contained within the Management asset allowances section.

Transfers of business

Alphalife can now calculate BLAGAB acquisition expenses and s212 gains where there has been a transfer out part way through the period. New inputs have been added to the Section 212 TCGA unit trust deemed gains and BLAGAB acquisition expenses Input statements.

The **Transfer out (may enter % transferred)** inputs may be used to indicate that either the whole of the brought forward amounts have been transferred or to specify the percentage transferred. The date of transfer may be entered and the taxable/relievable in the period amounts will be adjusted pro-rata in respect of amounts transferred.

Alternatively the **Transfer out (override)** inputs may be used to specify the amounts transferred from each of the prior period spread amounts.

		Period start date	Period end date	Deemed disposal (before cy c/b)	Adjustment	Loss brought back (later periods)	Loss carry back (current period)	Deemed disposal (revised)
CY - 7	01/01/2003	31/12/2003	35,176,985					35,176,985
CY - 6	01/01/2004	31/12/2004	62,157,500					62,157,500
CY - 5	01/01/2005	31/12/2005	8,105,190					8,105,190
CY - 4	01/01/2006	31/12/2006	(577,910)					(577,910)
CY - 3	01/01/2007	31/12/2007	(45,650,250)					(45,650,250)
CY - 2	01/01/2008	31/12/2008	13,982,760					13,982,760
CY - 1	01/01/2009	31/12/2009	37,182,182					37,182,182
Current period				110,376,457				110,376,457
Current period								-
				110,376,457				110,376,457
Transfer out (may enter % transferred)					50			
Date of transfer					31/03/2010			

	Period start date	Period end date	AP fraction	Acquisition expenses	Adjustment	Transfer in	Acquisition expenses rest
<i>Enter previous periods on set up screen (first AT period)</i>							
Current period - 7	01/01/2003	31/12/2003		36,046,000			36,046,000
Current period - 6	01/01/2004	31/12/2004		34,672,000			34,672,000
Current period - 5	01/01/2005	31/12/2005		22,952,000			22,952,000
Current period - 4	01/01/2006	31/12/2006		10,297,000			10,297,000
Current period - 3	01/01/2007	31/12/2007		968,000			968,000
Current period - 2	01/01/2008	31/12/2008		1,292,000			1,292,000
Current period - 1	01/01/2009	31/12/2009		1,748,482			1,748,482
				<u>107,975,482</u>	nil	nil	<u>107,975,482</u>
Current period	01/01/2010	31/12/2010	1.00				
Arising				-			
Disallowable				-			
				<u>nil</u>			
Transfers in							
Date of transfer in (for transfers in the period)							
Transfers in are assumed to occur at the start of the period where the date of transfer has not been entered							
Transfers out							
Transfer out (may enter % transferred)							
Date of transfer							
				Yes			
				31/03/2010			

Other miscellaneous changes

- A new Qualifying charitable donations summary report has been added for periods ending on or after 31 December 2010 which shows how qualifying charitable donations have been utilised against total profits, surrendered as group relief or unutilised.
- For periods ending on or after 31 December 2010 statements containing no data have been automatically suppressed from appearing in Report mode. A configuration option is available to re-activate these in report mode if required.
- Options have been added in the Life assurance set up details statement to allocate the free asset amount between categories of business for the purposes of s432A based on with profit liabilities. This is an override to the default position which allocates the free asset amount based on with profit liabilities where they exceed 5% of total liabilities and otherwise allocates based on total liabilities.

- An issue with the default calculation of the PHI loss which may be offset against total profits has been corrected. Previously the calculation was not taking into account shareholder fund management expenses in calculating available profits and therefore was overstating the possible claim.
- An issue with the display of the prior periods sub-total on the Section 212 TCGA 1992 unit trust deemed gains statement has been fixed.
- The Appendix 9.4 adjustments statement has been removed for periods ending after 31 December 2009 as spreading of these adjustments will have ceased by this date.
- An issue where rows and columns in certain statements could, in some circumstances, have been removed when linked to a supporting Freeformat on deletion of that Freeformat has been fixed.
- The Section 432A allocation of income and gains – BLAGAB report has been amended for periods ending on or after 31 December 2010. UK dividends and exempt foreign dividends have been moved to a non-taxable sub heading to distinguish between taxable and non-taxable income and gains. The Franked investment income row has been removed to aid clarity and relevance as this figure was not used anywhere in the computation.
- Incorrect references to ‘linked liabilities’ in the Summary of liabilities report have been changed to ‘liabilities’.

Composite insurers

- The Qualifying charitable donations statement within the Non-trade deductions section of the contents tree has been enabled. This may be used to enter non-trade qualifying charitable donations relating to the General insurance business.
- The UK property business Report statement now includes profits calculated using trades which have been marked as property businesses in the Trading sources list. Profits or losses from ‘trade’ calculations are combined with shareholder fund and the PHI element of long-term fund amounts to produce the total non-life profit or loss from UK property business. Calculated profits from the trade calculations should be entered in the Claims – other statement.
- Non-trade financial profits and losses statements have been enabled to capture income and expenses which have been included within general insurance profits. A new Non long-term fund loan relationships Report statement combines amounts from these statements with any shareholder fund amounts to give total non-life non-trade financial profits or losses.
- For companies using Accounts analysis the tax categoriser has been refined to only display relevant categorisations.

Optional modules

Tax Accounting

Where the detailed capital allowances statements have been used, net fixed asset timing differences are now calculated by comparing written down values per the capital allowance pools with Net book values per the Fixed assets statement. The resulting timing differences are displayed in the Gross timing differences report. Within the Fixed asset timing differences statement the total opening and closing gross timing differences as calculated are displayed. Inputs provided should be used to allocate the total opening and closing amounts between long term fund and shareholder fund amounts.

		Opening amounts	Movement	Closing amounts
		£	£	£
Fixed asset differences				
NEV - assets eligible for CAs	M1	175,000	2,250,000	2,425,000
		175,000	2,250,000	2,425,000
Tax WDV - Non-linked allowances - main pool	12	(4,000,000)	800,000	(3,200,000)
Tax WDV - BLAGAB linked allowances - main pool	J2	-	(6,000,000)	(6,000,000)
Tax WDV - Non-linked allowances - expensive cars	10	(27,000)	3,000	(24,000)
Tax WDV - Non-linked allowances P&M - SR pool	14	(40,500)	4,050	(36,450)
Tax WDV - Non-linked allowances P&M - SLAs	16	(17,600)	3,520	(14,080)
Tax WDV - Non-linked allowances CAs - IB	15	(36,000)	2,000	(36,000)
Tax WDV - management expenses CAs	L2,L3,L4	(137,000)	(7,621,100)	(7,758,100)
		(4,260,100)	(12,808,530)	(17,068,630)

Group

Life assurance companies now appear in the Annual investment allowance statement. Group AIA limit may be allocated to life companies and this will appear in the Annual investment allowance statement in the company file in a similar manner to non-life companies.

Life assurance companies now appear in the Capital allowances summary report. Values for TWDV brought forward, TWDV carry forward and Max WDA available are based on the detailed capital allowances calculations in line with non-life companies. New rows are included in the Capital allowances claimed section for Annual investment allowance life assurance management assets and Other charges and allowances management assets to distinguish these from other allowances.

