



Alphalife-EV Release Notes

Autumn 2009

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Introduction

Welcome to the Alphalife-EV Autumn 2009 edition. These release notes contain information on enhancements and updates in this release of Alphalife-EV. Major enhancements include:

- FA 2009 changes
- CTA 2009 terminology changes
- Tax technical commentary document

Installation

To update your existing version of Alphalife-EV, simply insert the Alphalife-EV Installation CD and press the enter key at the prompts. This will overwrite the old version of Alphalife-EV.

Before running Alphalife-EV, you must update the Alphalife-EV using Microsoft SQL Enterprise Manager.

Note. If you are upgrading from v4 or v3 use the update.sql provided with the Alphalife-EV 5 Update CD instead of the Alphalife-EV 5 Create.sql.

For further details, refer to the Alphalife-EV Installation Guide.

Finance Act 2009 updates

Exempt foreign dividends

FA 2009 Sch 14 has aligned the tax treatment of UK and foreign dividend receipts. As a result, the majority of foreign dividends received on or after 1 July 2009 are no longer taxable and become part of franked investment income.

Former references to 'UK dividends' in the mapping window and reports have been changed to 'non-taxable dividends'. Exempt foreign dividends should be mapped to non-taxable dividends and figures used should be net of any withholding tax. Taxable foreign dividends should continue to be mapped to unfranked investment income.

Apportionment: foreign business assets

Finance Act 2009 introduced changes to the ICTA 1988 s432E floor calculation. Foreign business assets are now excluded from the definition of GRB adjusted mean liabilities. Income attributable to foreign business assets is treated as unlinked investment return for the purpose of calculating the floor percentage.

The floor percentage and GRB floor return calculations have been updated to reflect the above changes. Where a block of business is marked as **Backed by foreign business assets?** in the Model Configuration window the linked assets for the block of business are now identified as Foreign business assets and presented on a new line beneath linked assets in the tax computation. These are then excluded from the adjusted mean liabilities for the purpose of the floor percentage calculation. Income of the block of business is similarly treated as unlinked for this purpose. Foreign business assets continue to be treated as linked for the purpose of the s432A and s432C apportionments.

As foreign business is now distinguished for other Gross Roll-up Business the Revenue accounts filters have been updated to reflect this. Categories of business which can be selected are now:

- BLAGAB
- PHI
- GRBPB (Pension business)
- GRBFB (Overseas life business, backed by foreign business assets)
- GRBNPB (Other Gross Roll-up Business which is not Pension or foreign business. This includes Life Reinsurance (LRB), Child Trust Fund (CTF) and Individual Savings Accounts (ISAB))

Corporation Tax Act 2009

Terminology changes

Changes to terminology have been made to reflect the first stage of the corporation tax law rewrite. Income is no longer classified by Schedules and Cases and this is now reflected in Model configuration screens and reports.

The table below describes the changes to schedular references relevant for Alphalife-EV.

Former designation	CTA 2009 equivalent
Notional Case I (NCI)	Life assurance trade profits
Proprietary Case VI profits	Gross Roll-up Business
PHI Case I	PHI trade profits

Tax technical commentary

A new tax technical commentary has been included in printed format to accompany this release and also in pdf format on the installation CD. The purpose of this document is to provide a commentary on the tax and other logic in Alphalife-EV and has the following aims:

- To remove ambiguity from the interpretation of the output from the Model.
- To provide the explanations required to manually verify the figures displayed in the tax computations produced by the Model.
- To highlight the tax and non-tax assumptions that have been taken as defaults in the Model to allow the necessary review of these before the Model is used to see whether these are reasonable, if not, what action is required in terms of selecting alternative approaches where these are available in the Model or appropriate adjustments to base data.
- To identify and explain those circumstances which are beyond the current scope of the Model.

Miscellaneous tax rule enhancements and fixes

Linked assets

The logic for calculating linked assets has been refined, in particular to rectify the issue created in the Summer 2008 whereby linked assets were not being automatically calculated for unit linked blocks of business. The logic now works as follows, calculated separately for each block of business:

- Where linked assets are mapped from the source data those values are used.
- Where no amounts have been mapped as linked assets from the source data and the block of business has been marked as 'backed by foreign business assets' then linked assets are calculated as being equal to total liabilities.
- Where no amounts have been mapped as linked assets from the source data and the block of business is not 'backed by foreign business assets' then linked assets are calculated as being equal to unit linked liabilities.

Where the 'Basis on which reserves have been reflected in source data' is opening (i.e. reserves are as at the start of each year in the source data) then the opening linked assets are now calculated in line with the last two bullet points above where no linked assets are defined in the source data.

Section 432C apportionments for non-profit funds

The Section 432C apportionment section of the tax computation now includes a division logic check to indicate where the denominator in the s432C(5) apportionment fraction is nil (LAB division logic check).

The LAB apportionment is used for the purposes of calculating the PHI apportionment adjustment in the Life assurance trade profits computation, so as to calculate the appropriate LAB post tax surplus (formerly Notional Case I). Where the LAB division logic check fails, the default has been changed to 100% LAB (formerly 100% PHI) so as to be consistent with the default of 100% BLAGAB for the s432C GRB fraction which is followed where the s432C(9) GRB fraction fails.

LAB trade losses

The life assurance trade profits computation has been enhanced to display LAB losses carried forward more clearly as a new line. Losses b/f utilised now correctly displays the loss b/fwd utilised whereas previously it was offsetting the full loss b/fwd with no restriction.

LAB taxed on an actual trade profits basis

Issues with LAB losses brought forward or arising in the year resulting in incorrect LAB shareholder profits for companies taxed on an actual trade profits basis have now been fixed.

The 'effect of actual trade profits basis' item in the tax reconciliation (formerly 'effect of ACI') has been updated to correctly reflect the effect of applying an actual trade profits basis.

The warning message encountered where an actual trade profits basis has been selected but liabilities are less than 95% GRB has been updated to now specify which company the warning relates to.

Warning messages

Additional warning messages have been added for the following scenarios:

- Where there are no reserves in a fund and there is non-linked income
- Where there are with-profit reserves in a non-profit fund
- The warning message where all components of a yield are nil now specifies which block of business the yield is being applied to.
- The wording of the error message encountered when a 0% policyholder tax rate is selected has been updated to remove references obsolete references to UFIL.

Other enhancements and fixes

- An issue with structural assets being included in the BLAGAB s432A calculation in error has been fixed.
- The ratio to bonus percentages in the Revenue accounts table have been updated to correctly recalculate based on the parameters selected.
- The default policyholder tax rate when creating a new model has been changed to 20% (previously 0%).
- Obsolete references to shareholder excess income and with profit support assets have been removed

System enhancements

Loading source data

- Source data contained in Excel 2007 file types are now supported (files with extensions .XLSX).
- When loading source files which contained external links, a message offers users the option of updating linked information. Previously this message was encountered for each worksheet in a workbook being uploaded. This has now been enhanced to only display once for each workbook being loaded.

Generating reports

The generation of reports has been enhanced to only open Excel once (previously a separate instance of Excel was opened for each report). This provides flexibility in switching between reports and should improve performance by reducing the number of instances of Excel open at one time.

Other enhancements and fixes

The format of numeric inputs in the Model configuration window have been improved.

