

THE FIRST SCHEDULE

INSURANCE BUSINESS

[See [section 44](#)]

A.—Life insurance business

Profits of life insurance business to be computed separately.

1. In the case of a person who carries on or at any time in the previous year carried on life insurance business, the profits and gains of such person from that business shall be computed separately from his profits and gains from any other business.

Computation of profits of life insurance business.

2. The profits and gains of life insurance business shall be taken to be the annual average of the surplus arrived at by adjusting the surplus or deficit disclosed by the actuarial valuation made in accordance with the Insurance Act, 1938 (4 of 1938), in respect of the last inter-valuation period ending before the commencement of the assessment year, so as to exclude from it any surplus or deficit included therein which was made in any earlier inter-valuation period.

Deductions.

3. [Omitted by the Finance Act, 1976, w.e.f. 1-4-1977. Earlier, the rule was first amended by the Finance Act, 1966, w.e.f. 1-4-1966 and by the Finance Act, 1965, w.e.f. 1-4-1965.]

Adjustment of tax paid by deduction at source.

4. Where for any year an assessment of the profits of life insurance business is made in accordance with the annual average of a surplus disclosed by a valuation for an inter-valuation period exceeding twelve months, then, in computing the income-tax payable for that year, credit shall not be given in accordance with [section 199](#) for the income-tax paid in the previous year, but credit shall be given for the annual average of the income-tax paid by deduction at source from interest on securities or otherwise during such period.

B.—Other insurance business

Computation of profits and gains of other insurance business.

5. The profits and gains of any business of insurance other than life insurance shall be taken to be the profit before tax and appropriations as disclosed in the profit and loss account prepared in accordance with the provisions of the Insurance Act, 1938 (4 of 1938) or the rules made thereunder or the provisions of the Insurance Regulatory and Development Authority Act, 1999 (4 of 1999) or the regulations made thereunder, subject to the following adjustments:—

- (a) subject to the other provisions of this rule, any expenditure or allowance including any amount debited to the profit and loss account either by way of a provision for any tax, dividend, reserve or any other provision as may be prescribed which is not admissible under the provisions of [sections 30](#) to 43B in computing the profits and gains of a business shall be added back;
- (b) (i) any gain or loss on realisation of investments shall be added or deducted, as the case may be, if such gain or loss is not credited or debited to the profit and loss account;
- (ii) any provision for diminution in the value of investment debited to the profit and loss account, shall be added back;

⁹⁸(c) such amount carried over to a reserve for unexpired risks as may be prescribed in this behalf shall be allowed as a deduction.

C.—Other provisions

Profits and gains of non-resident person.

6. (1) The profits and gains of the branches in India of a person not resident in India and carrying on any business of insurance, may, in the absence of more reliable data, be deemed to be that proportion of the world income of such person which corresponds to the proportion which his premium income derived from India bears to his total premium income.

(2) For the purposes of this rule, the world income in relation to life insurance business of a person not resident in India shall be computed in the manner laid down in this Act for the computation of the profits and gains of life insurance business carried on in India.

Interpretation.

7. (1) For the purposes of these rules—

(i) [***]

(ii) "investments" includes securities, stocks and shares;

(iii) [***]

(iv) "life insurance business" means life insurance business as defined in clause (II) of section 2 of the Insurance Act, 1938 (4 of 1938) ;

(v) "rule" means a rule contained in this Schedule.

(2) References in these rules to the Insurance Act, 1938 (4 of 1938), or any provision thereof, shall, in relation to the Life Insurance Corporation of India, be construed as references to that Act or provision as read with section 43 of the Life Insurance Corporation Act, 1956 (31 of 1956).