These notes refer to the Finance Act 2010 (c.13) which received Royal Assent on 8 April 2010

FINANCE ACT 2010

EXPLANATORY NOTES

INTRODUCTION

Section 64: Fscs Intervention in Relation to Insurance Contracts

Summary

1. Section 64 provides HM Treasury with a power to make regulations in connection with how taxes apply after an intervention by the Financial Services Compensation Scheme (FSCS) in relation to insurance contracts. The power to make regulations will come into force when Finance Bill 2010 receives Royal Assent.

Details of the Section

2. Subsection (1) provides that HM Treasury may make regulations in relation to how taxes apply when there is a relevant intervention by the FSCS in connection with protected insurance contracts. Subsection (2) explains when there will be a relevant intervention.

3. Subsection (3) identifies the contracts that are included by referring to the definition included in Financial Services Authority Handbook.

4. Subsection (6) provides that the regulations can apply to a period before they were made, but only if they do not increase any person's tax liability.

5. Subsections (7) and (8) provide that the regulations may amend or modify primary and secondary legislation.

6. Subsection (10) provides that the regulations are to be made under the negative resolution procedure.

Background Note

7. The Financial Services Compensation Scheme (FSCS) is an independent body established by Part 15 of the Financial Services and Markets Act 2000. It is the UK's statutory fund of last resort for customers of authorised financial services firms, including insurers, banks, building societies and investment firms.

8. The FSCS protect policyholders of insurance companies authorised by the Financial Services Authority that are unable, or likely to be unable, to meet claims made against them.

9. Insurance companies offer a range of products which are protected by the FSCS, including life insurance policies, life annuity contracts, and permanent health insurance policies.

10. This section provides the power to make regulations adapting the tax treatment applicable where the FSCS intervenes to protect insurance policyholders.

11. These regulations will address unintended tax consequences arising from FSCS interventions and provide broadly the same tax treatment that would have applied had the FSCS not intervened

12. This section will primarily affect the tax impacts for non-pension related savings and investments. Similar powers to make regulations addressing tax impacts arising from FSCS interventions for pension saving with insurers were introduced by section 74 of the Finance Act 2009.