

Status: Point in time view as at 27/07/1999.

Changes to legislation: Finance Act 1999, SCHEDULE 6 is up to date with all changes known to be in force on or before 21 June 2024. There are changes that may be brought into force at a future date. Changes that have been made appear in the content and are referenced with annotations. (See end of Document for details)

SCHEDULES

SCHEDULE 6

Section 54.

TAX TREATMENT OF RECEIPTS BY WAY OF REVERSE PREMIUM

Application of this Schedule

- 1 (1) This Schedule applies where—
- (a) a person receives a payment or other benefit by way of inducement in connection with a transaction being entered into by him or a person connected with him;
 - (b) that transaction (the “relevant transaction”) is one under which the person receiving the payment or other benefit, or as the case may be the person connected with him, becomes entitled to an estate or interest in, or a right in or over, land; and
 - (c) the payment or other benefit is paid or provided by—
 - (i) the person (“the grantor”) by whom that estate, interest or right is granted or was granted at an earlier time, or
 - (ii) a person connected with the grantor, or
 - (iii) a nominee of, or a person acting on the directions of, the grantor or a person connected with the grantor.
- (2) The payment or other benefit is referred to in this Schedule as a “reverse premium”.

Tax treatment of receipts by way of reverse premium

- 2 (1) A reverse premium shall be regarded for the purposes of the Tax Acts as a receipt of a revenue nature.
- (2) Where the relevant transaction is entered into—
- (a) by the person receiving the reverse premium, and
 - (b) for the purposes of a trade, profession or vocation carried on or to be carried on by that person,
- the reverse premium shall be taken into account in computing the profits of that trade, profession or vocation under Case I or II of Schedule D.
- (3) If sub-paragraph (2) does not apply, the person receiving the reverse premium is chargeable to tax as if it were a receipt of a transaction entered into by him for the exploitation, as a source of rents or other receipts, of an estate, interest or right in or over the land in question.

Arrangements not at arm’s length

- 3 (1) Where—

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- (a) two or more of the parties to the relevant arrangements are connected persons, and
 - (b) the terms of those arrangements are not such as would reasonably have been expected if those persons had been dealing at arm's length,
- the whole amount or value of the reverse premium shall be brought into account under paragraph 2(2) or (3) in the first relevant period of account.
- (2) The “first relevant period of account” means the period of account in which the relevant transaction is entered into, subject to sub-paragraph (3).
- (3) If the relevant transaction is entered into—
- (a) by the person receiving the reverse premium, and
 - (b) for the purposes of a trade, profession or vocation which is not then carried on by him but which he subsequently begins to carry on,
- the first relevant period of account is the first period of account in which he carries on the trade, profession or vocation.
- (4) The condition in sub-paragraph (1)(b) is met if the terms differ to a significant extent from the terms which at the time the arrangements were entered into would be regarded as normal and reasonable in the market conditions then prevailing between persons dealing with each other at arm's length in the open market.
- (5) In this paragraph “period of account” means a period for which accounts of the trade, profession, vocation or business in question are drawn up.

Special rules for insurance companies carrying on life assurance business

- 4 (1) Paragraphs 2 and 3 have effect subject to the provisions of this paragraph.
- (2) Nothing in paragraph 2 or 3 shall prevent any amount from being brought into account in accordance with section 83 of the ^{M1}Finance Act 1989 (receipts to be brought into account in Case I computation of profits in respect of life assurance).
- (3) Where a reverse premium is received by an insurance company carrying on life assurance business in respect of which it is chargeable to tax otherwise than in accordance with the rules applicable to Case I of Schedule D, there shall be deducted from the amount treated as the company's expenses of management for the accounting period in which the reverse premium is received such part of the reverse premium as is attributable—
- (a) to its life assurance business, and
 - (b) to its basic life assurance and general annuity business.
- (4) In this paragraph “insurance company”, “life assurance business” and “basic life assurance and general annuity business” have the same meaning as in Chapter I of Part XII of the Taxes Act 1988.

Modifications etc. (not altering text)

C1 Sch. 6 para. 4 modified (13.10.1999) by 1997/473, reg. 53B (as inserted (13.10.1999) by [S.I. 1999/2636, reg. 7](#))

Marginal Citations

M1 1989 c.26.

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Exclusion of receipts taken into account for capital allowances

- 5 This Schedule does not apply to a payment or benefit if or to the extent that it is taken into account under section 153 of ^{M2}the Capital Allowances Act 1990 (subsidies, contributions, etc.) to reduce the recipient's expenditure qualifying for capital allowances.

Marginal Citations

M2 1990 c.1.

Exclusion of transaction relating to individual's only or main residence

- 6 This Schedule does not apply to a payment or benefit received in connection with a relevant transaction where the person entering into the transaction is an individual and the transaction relates to premises occupied or to be occupied by him as his only or main residence.

Exclusion of consideration under sale and lease-back arrangement

- 7 This Schedule does not apply to a payment or benefit to the extent that it is consideration for the transfer of an estate or interest in land which constitutes the sale in a sale and lease-back arrangement.

A "sale and lease-back arrangement" means any such arrangement as is described in section 779(1) or (2) or section 780(1) of the Taxes Act 1988.

Connected persons and relevant arrangements

- 8 (1) For the purposes of this Schedule persons are connected with each other if they are connected within the meaning of section 839 of the Taxes Act 1988 at any time during the period when the relevant arrangements are entered into.
- (2) In this Schedule "the relevant arrangements" means the relevant transaction and any arrangements entered into in connection with it, whether before, at the same time or after it.

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