



# Finance Act 2007

## 2007 CHAPTER 11

### PART 3

#### INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

##### *Insurance and friendly societies*

#### **38 Insurance companies: gross roll-up business etc**

- (1) Part 1 of Schedule 7 contains provisions relating to gross roll-up business, capital redemption business and miscellaneous minor matters relating to insurance companies.
- (2) The amendments made by that Part of that Schedule have effect—
  - (a) for the purposes of corporation tax, for periods of account of insurance companies beginning on or after 1st January 2007, and
  - (b) for the purposes of income tax, for the tax year 2007-08 and subsequent tax years.
- (3) Subsection (2) is subject to the transitional provisions in Part 2 of that Schedule.

#### **39 Insurance companies: basis of taxation etc**

- (1) Part 1 of Schedule 8 contains provision about the basis of taxation of insurance companies and related matters.
- (2) The amendments made by that Part of that Schedule have effect for periods of account of insurance companies beginning on or after 1st January 2007.
- (3) Subsection (2) is subject to the transitional provisions in Part 2 of that Schedule.

*Status: Point in time view as at 19/07/2007.*

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**40 Insurance companies: transfers etc**

Schedule 9 contains provision about transfers by insurance companies and related matters.

**41 Insurance companies: miscellaneous**

Schedule 10 contains miscellaneous provisions relating to insurance companies.

**42 Technical provisions made by general insurers**

Schedule 11 contains provision in relation to technical provisions made by general insurers.

**43 Lloyd's: cessation of business by corporate members**

(1) In FA 1994, after section 227A (inserted by section 33) insert—

**“227B Transfer of underwriting business without change of ownership**

(1) This section applies where, in accordance with the rules or practice of Lloyd's, a corporate member (“the successor”) has taken up the syndicate capacity of another corporate member (“the predecessor”).

(2) Section 343 of the Taxes Act 1988 (company reconstructions without a change of ownership) applies as if—

- (a) the trade mentioned in that section were the underwriting business of the predecessor,
- (b) the predecessor ceases to carry it on, and the successor begins to carry it on, at the end of the first underwriting year in which profits or losses of the predecessor's last active underwriting year are declared, and
- (c) subsections (8) to (10) and (12) were omitted.

(3) For the purposes of subsection (1) above the successor has taken up the predecessor's syndicate capacity if it has taken up the rights to participate in syndicates which were (or otherwise would be) offered to the predecessor.

(4) In subsection (2)(b) above “last active underwriting year” has the same meaning as in section 227A above (see subsections (2) to (4) of that section).”

(2) The amendment made by subsection (1) has effect in any case where the first underwriting year in which profits or losses of the predecessor's final underwriting year are declared is 2007 or a later underwriting year.

**44 Transfers of business by friendly societies to insurance companies etc**

Schedule 12 contains provisions about transfers of business by friendly societies to insurance companies etc.

**45 Tax exempt business of friendly societies**

(1) Section 462 of ICTA (conditions for tax exempt business) is amended as follows.

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(2) For subsection (1) substitute—

“(1) Subject to subsections (2) to (4) below, section 460 does not afford any exemption from corporation tax in relation to so much of the profits arising to a friendly society or insurance company from any business as is attributable to a policy which—

- (a) is not a qualifying policy (by virtue of sub-paragraph (2) of paragraph 6 of Schedule 15) and is not an excluded policy, and
- (b) would not be a qualifying policy (by virtue of that sub-paragraph) if all excluded policies were left out of account.

(1A) For the purposes of subsection (1) above a policy is an excluded policy if—

- (a) it is a policy held otherwise than with the friendly society or insurance company, or
- (b) the person who has the contract effecting the policy acquired the rights under it on an assignment (or, in Scotland, assignation) otherwise than for money or money's worth.”

(3) In subsection (2), for “under section 460(1) for profits arising from any part of a life or endowment” substitute “ in relation to profits arising from any part of a ”.

(4) In subsection (3), for the words after “section” substitute “ 460 does not afford any exemption from corporation tax in relation to so much as is attributable to that policy of the profits of the friendly society or insurance company concerned. ”

(5) In section 462A(8)(b) of ICTA (election to tax exempt business), for “ “societies” ” substitute “ “policies” ”

(6) The amendments made by this section are deemed to have come into force on 1st January 2007.

#### **46 Purchased life annuities: self-assessment**

(1) In section 437(1C) of ICTA (general annuity business), omit paragraphs (c)(i) and (d)(i).

(2) In section 656 of that Act (purchased life annuities other than retirement annuities), omit subsections (5) and (6).

(3) In section 658 of that Act (supplementary), omit subsections (1) and (4) to (6).

(4) In section 828(4) of that Act (parliamentary procedure for orders and regulations), omit “658(3)”.

(5) In section 717 of ITTOIA 2005 (exemption for part of purchased life annuity payment), omit subsection (3).

(6) Omit section 723 of that Act (officer of Revenue and Customs to determine certain questions).

(7) In section 724 of that Act (regulations)—

- (a) in subsection (1)(a), for “723” substitute “ 722 ”, and
- (b) omit subsection (2).

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- (8) In section 873(3) of that Act (parliamentary procedure for orders and regulations), omit paragraph (b).
- (9) The amendments made by subsections (1) to (3) and (5) to (7) come into force on such day as the Treasury may by order appoint; and different days may be appointed for different purposes.

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