

SCHEDULES

SCHEDULE 12

Section 44

FRIENDLY SOCIETIES: TRANSFERS TO INSURANCE COMPANIES ETC

Exempt life or endowment business

- 1 (1) Section 460 of ICTA (exemption from tax in respect of life or endowment business) is amended as follows.
- (2) In subsection (10A), after “the transfer” insert “, other than any to which subsection (11) or (12) below applied immediately before the transfer had effect,”.
- (3) In subsection (11), for “thereafter continue to be tax exempt life or endowment business for the purposes of this Chapter.” substitute “continue to be exempt from corporation tax (whether on income or chargeable gains) on profits arising from it.”
- (4) For subsection (12) substitute—
- “(12) Where at any time an insurance company acquires by way of transfer of engagements from a friendly society any life or endowment business consisting of business which—
- (a) relates to contracts made before that time; and
- (b) immediately before that time was tax exempt life or endowment business,
- that business shall continue to be exempt from corporation tax (whether on income or chargeable gains) on profits arising from it.
- (13) But if any contracts constituting or forming part of the business of a company covered by subsection (11) or (12) above are varied during an accounting period of the company so as to increase the premiums payable under them, the business relating to those contracts is not exempt from corporation tax for that or any subsequent accounting period.
- (14) For the purposes of the Corporation Tax Acts any part of a company’s business which is exempt from corporation tax by virtue of subsection (11) or (12) above shall be treated as a separate business from any other business carried on by the company.”
- (5) Insert at the end—
- “(15) The Treasury may by regulations provide that, where any part of the business of a company is exempt from corporation tax by virtue of subsection (11) or (12) above, the Corporation Tax Acts have effect subject to such modifications (or exceptions) as the Treasury consider appropriate.
- (16) Regulations under subsection (15) above—
- (a) may make different provision for different cases,

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- (b) may include any incidental, supplementary, consequential or transitional provisions which the Treasury consider appropriate, and
 - (c) may include retrospective provision.”
- 2 (1) Section 464 of ICTA (maximum benefits payable to members) is amended as follows.
- (2) For the first sentence of subsection (1) substitute—
- “(1) Subject to subsections (2) and (3) below, a person is not entitled to have at any time outstanding contracts with any one or more friendly societies, registered branches or insurance companies which (taking them all together) are for the assurance of—
- (a) more than £750 by way of gross sum under business which is afforded exemption from corporation tax by section 460, or
 - (b) more than £156 by way of annuity under such business.”
- (3) In subsection (3), for the words preceding the paragraphs substitute “With respect to contracts for the assurance of gross sums under business which is afforded exemption from corporation tax by section 460, a person is not entitled to have outstanding at any time with any one or more friendly societies, registered branches or insurance companies—”.
- (4) In subsection (4A), for “tax exempt life or endowment business” substitute “business which is afforded exemption from corporation tax by section 460 if they are”.
- (5) In subsection (6), for “member has outstanding with one or more society or branch” substitute “person has outstanding with one or more societies, branches or companies”.
- (6) In subsection (7)—
- (a) for “or registered branch” substitute “, registered branch or insurance company”,
 - (b) for “member” (in both places) substitute “person”, and
 - (c) for “or registered branches (taking together all such societies or branches throughout the United Kingdom)” substitute “, registered branches or insurance companies (taken together)”.
- 3 In section 466(2) of ICTA, in the definition of “tax exempt life or endowment business”, for “(11)” substitute “(10A)”.

Other exempt business

- 4 (1) Section 461 of ICTA (exemption of registered friendly societies from tax in respect of business which is not life or endowment business) is amended as follows.
- (2) After subsection (4) insert—
- “(4A) Where—
- (a) at any time an insurance company acquires by way of transfer of engagements from a registered friendly society any business other than life or endowment business, and
 - (b) immediately before that time the society was exempt from corporation tax on profits arising from that business,

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the insurance company shall be exempt from corporation tax on its profits arising from any part of that business which relates to contracts made before that time.

(4B) But if during an accounting period of the insurance company there is an increase in the scale of benefits which it undertakes to provide in the course of carrying on any such part of that business, the company shall not be exempt from corporation tax by virtue of subsection (4A) above for that or any subsequent accounting period.”

(3) In subsection (5), after “(4)” insert “or (4A)”.

(4) Insert at the end—

“(12) The Treasury may by regulations provide that, where any part of the business of a company is exempt from corporation tax by virtue of subsection (4) or (4A) above, the Corporation Tax Acts have effect subject to such modifications (or exceptions) as the Treasury consider appropriate.

(13) Regulations under subsection (12) above—

- (a) may make different provision for different cases,
- (b) may include any incidental, supplementary, consequential or transitional provisions which the Treasury consider appropriate, and
- (c) may include retrospective provision.”

5 (1) Section 461B of ICTA (exemption of incorporated friendly societies from tax in respect of business which is not life or endowment business) is amended as follows.

(2) For subsection (6) substitute—

“(6) But if during an accounting period of the company there is an increase in the scale of benefits which it undertakes to provide in the course of carrying on any such part of its business, the company shall not be exempt from corporation tax by virtue of subsection (5) above for that or any subsequent accounting period.

(6A) Where—

- (a) at any time an insurance company acquires by way of transfer of engagements from a qualifying society any business other than life or endowment business, and
- (b) immediately before that time the society was exempt from corporation tax on profits arising from that business,

the insurance company shall be exempt from corporation tax on its profits arising from any part of that business which relates to contracts made before that time.

(6B) But if during an accounting period of the insurance company there is an increase in the scale of benefits which it undertakes to provide in the course of carrying on any such part of that business, the company shall not be exempt from corporation tax by virtue of subsection (6A) above for that or any subsequent accounting period.”

(3) In subsection (7), after “(5)” insert “or (6A)”.

(4) Insert at the end—

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“(8) The Treasury may by regulations provide that, where any part of the business of a company is exempt from corporation tax by virtue of subsection (5) or (6A) above, the Corporation Tax Acts have effect subject to such modifications (or exceptions) as the Treasury consider appropriate.

(9) Regulations under subsection (8) above—

- (a) may make different provision for different cases,
- (b) may include any incidental, supplementary, consequential or transitional provisions which the Treasury consider appropriate, and
- (c) may include retrospective provision.”

Commencement

- 6 (1) The amendment made by sub-paragraph (2) of paragraph 1, so far as relating to section 460(11) of ICTA, and the amendments made by sub-paragraph (3) of that paragraph and paragraph 3 are deemed always to have had effect.
- (2) The amendments made by paragraph 2 have effect in relation to contracts made after the passing of this Act.
- (3) The amendment made by sub-paragraph (2) of paragraph 1, so far as relating to section 460(12) of ICTA, and the amendments made by sub-paragraph (4) of that paragraph and paragraphs 4(2) and (3) and 5(2) and (3) have effect in relation to transfers of engagements and conversions taking place on or after the day on which this Act is passed.