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STATUTORY INSTRUMENTS

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**2008 No. 1937**

**CORPORATION TAX**

**The Friendly Societies (Modification of the Corporation Tax Acts) (Amendment) Regulations 2008**

<i>Made</i>	- - - -	<i>22nd July 2008</i>
<i>Laid before the House of Commons</i>	- - - -	<i>22nd July 2008</i>
<i>Coming into force</i>	- -	<i>12th August 2008</i>

The Treasury make the following regulations in exercise of the powers conferred by section 463 of the Income and Corporation Taxes Act 1988(1).

**Citation, commencement and effect**

1.—(1) These Regulations may be cited as the Friendly Societies (Modification of the Corporation Tax Acts) (Amendment) Regulations 2008 and shall come into force on 12th August 2008.

(2) These regulations shall have effect in relation to accounting periods beginning on or after 1st January 2008.

(3) But regulation 4(5) shall have effect in relation to accounting periods beginning on or after 1st January 2007.

**Amendments to the Friendly Societies (Modification of the Corporation Tax Acts) Regulations 2005**

2. The Friendly Societies (Modification of the Corporation Tax Acts) Regulations 2005(2) are amended as follows.

**Amendment of regulation 5 (modifications of section 76 of the Taxes Act)**

3. In regulation 5 (modifications of section 76 of the Taxes Act) after paragraph (5) insert—  
“(5A) In paragraph (a) of subsection (9E)(3) before “basic life” insert “taxable”.”.

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(1) 1988 c.1; section 463 was amended by section 50 of the Finance Act 1990 (c. 29), paragraph 10 of Schedule 9 to the Finance (No. 2) Act 1992 (c. 48), section 171(5) of the Finance Act 1996 (c. 8), article 52(2)(i) of S.I. 2001/3629 and paragraph 4 of Schedule 18 to the Finance Act 2008 (c. 9).  
(2) S.I. 2005/2014; amended by S.I. 2007/2134.  
(3) Subsection (9E) of section 76 was inserted by paragraph 5(3) of Schedule 17 to the Finance Act 2008.

#### **Amendment of regulation 6 (modifications of section 431 of the Taxes Act)**

- 4.—**(1) Regulation 6 (modifications of section 431 of the Taxes Act) is amended as follows.
- (2) For paragraph (1) substitute—
- “(1) In this regulation—
- (a) paragraphs (2), (2A), (5A) and (5B) prescribe modifications of section 431(4) of the Taxes Act so far as it applies to long-term business carried on by friendly societies, and
- (b) paragraphs (3) to (5) and (6) prescribe modifications of that section so far as it applies to the long-term business carried on by non-directive friendly societies.”.
- (3) In the definition of “tax exempt PHI business”(5) in paragraph (2)—
- (a) in paragraph (a) for “section 466(1)(d)” substitute “section 466(1)(b)(6)”, and
- (b) in paragraph (b) for “section 466(1)(d)” substitute “section 466(1)(b) which is long term business”.
- (4) For the definition of “taxable PHI business” in paragraph (2) substitute—
- ““taxable PHI business” means—
- (a) business specified in section 466(1)(b) other than tax exempt PHI business, and
- (b) business other than that specified in section 466(1)(b) which is PHI business the profits arising from which are not exempt from tax by virtue of section 461(1) or 461B(1)(7);”.
- (5) After paragraph (2) insert—
- “(2A) In subsection (2) in the definition of “foreign currency assets”(8) before “gross roll-up business” in each place insert “taxable”.”.
- (6) After paragraph (2A) (inserted by paragraph (5) above) insert—
- “(2B) In the definition of “foreign business assets”(9) before “overseas life assurance business” in both places insert “taxable”.”.
- (7) After paragraph (5) insert—
- “(5A) In subsection (2YB)(10) before “BLAGAB income” and before “BLAGAB deductions” insert “taxable”.
- (5B) In subsection (2YC)(a)(11) before “basic life assurance” insert “taxable”.”.

#### **Amendment of regulation 7A (modifications of section 431H of the Taxes Act)**

- 5.—**(1) Regulation 7A (modifications of section 431H of the Taxes Act)(12) is amended as follows.
- (2) In paragraph (1) for “life or endowment” substitute “long-term”.
- (3) In paragraph (2), in the substitution, for paragraphs (a) to (d) substitute—

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- (4) Section 431 was relevantly amended by paragraph 1 of Schedule 6 to the Finance Act 1990, paragraph 2 of Schedule 9 to the Finance (No. 2) Act 2005 (c. 22), article 26 of S.I. 2001/3629 and article 4(2)(e) of S.I. 2006/3270.
- (5) The definition of “tax exempt class 1V business” was amended to become the definition of “tax exempt PHI business” by regulation 6 of S.I. 2007/2134.
- (6) Section 466(1)(b) was inserted by paragraph 43 of Schedule 7 to the Finance Act 2007 (c.11).
- (7) Section 461B(1) was inserted by paragraph 7 of Schedule 9 to the Finance (No. 2) Act 1992 and amended by paragraph 82 of Schedule 1 to the Finance Act 2007.
- (8) The definition of “foreign currency assets” was inserted by Schedule 7 to the Finance Act 2007.
- (9) The definition of “foreign business assets” was substituted for the definition of “foreign currency assets” by paragraph 10(1) of Schedule 17 to the Finance Act 2008.
- (10) Subsection 431(2YB) was inserted by paragraph 18(1) of Schedule 17 to the Finance Act 2008.
- (11) Subsection 431(2YC) was inserted by paragraph 18(1) of Schedule 17 to the Finance Act 2008.
- (12) Regulation 7A was inserted by regulation 7 of S.I. 2007/2134.

- “(a) life assurance business,
- (b) taxable PHI business and taxable insurance business of any other kind (other than life assurance business), and
- (c) tax exempt PHI business and tax exempt business of any other kind.”.

**Amendment of regulation 9 (modifications of section 432A of the Taxes Act)**

- 6.—(1) Regulation 9 (modifications of section 432A of the Taxes Act)(13) is amended as follows.
  - (2) For paragraph (1) substitute—
    - “(1) In this regulation—
      - (a) paragraphs (1A), (2), (4) and (4A) prescribe modifications of section 432A(14) of the Taxes Act so far as it applies to long-term business carried on by friendly societies, and
      - (b) paragraph (3) prescribes a further modification of that section so far as it applies to the long-term business carried on by partnership pensions societies.”.
    - (3) After paragraph (1) insert—
      - “(1A) In subsection (1ZC)(15) before “PHI” insert “taxable”.”.
    - (4) After paragraph (4) insert—
      - “(4A) For subsection (3A)(16) substitute—
        - “(3A) Amounts falling within—
          - (a) section 442A(17), or
          - (b) section 85(2C)(18) of the Finance Act 1989,
- are directly referable to taxable basic life assurance and general annuity business to the extent that the amounts are referable to that business.”.”.

**Omission of regulation 9A (modifications of section 432B of the Taxes Act)**

- 7. Omit regulation 9A (modifications of section 432B of the Taxes Act)(19).

**Amendment of Regulation 10 (modifications of section 432AA of the Taxes Act)**

- 8. In paragraph (1) of regulation 10 (modifications of section 432AA of the Taxes Act) for “life or endowment” substitute “long-term”.

**Omission of regulation 20A (modifications of section 502H of the Taxes Act)**

- 9. Omit regulation 20A (modifications of section 502H of the Taxes Act)(20).

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(13) Regulation 9 was amended by regulation 9 of [S.I. 2007/2134](#).

(14) Section 432A was inserted by paragraph 4 of Schedule 6 to the Finance Act 1990 and amended by paragraph 13(2) and (3) of Schedule 8 to the [Finance Act 1995 \(c. 4\)](#) and paragraph 13 of Schedule 7 to the Finance Act 2007.

(15) Subsection 432A(1ZC) was inserted by paragraph 17(3) of Schedule 17 to the Finance Act 2008.

(16) Subsection 432(3A) was inserted by paragraph 17(6) of Schedule 17 to the Finance Act 2008.

(17) Section 442A was inserted by paragraph 34 of Schedule 8 to the Finance Act 1995 and amended by paragraph 23 of Schedule 33 to the [Finance Act 2003 \(c. 14\)](#).

(18) Section 85(2C) was inserted by paragraph 7 of Schedule 6 to the [Finance Act 2004 \(c. 12\)](#) and amended by paragraph 15 of Schedule 9 to the Finance (No. 2) Act 2005.

(19) Regulation 9A was inserted by regulation 10 of [S.I. 2007/2134](#).

(20) Regulation 20A was inserted by regulation 19 of [S.I. 2007/2134](#).

**Amendment of regulation 23 (modifications of section 804B of the Taxes Act)**

10. In paragraph (1) of regulation 23 (modifications of section 804B of the Taxes Act) for “life or endowment” substitute “long-term”.

**Amendment of regulation 32 (modifications of section 88 of the Finance Act 1989)**

11. In paragraph (1) of regulation 32(21) (modifications of section 88 of the Finance Act 1989)—
- (a) for “88(3A)(a) and (3B)” substitute “88(3)(a)(22)”, and
  - (b) for “they apply” substitute “it applies”.

**Amendment of regulation 40 (modifications of Schedule 11 to the Finance Act 1996)**

12.—(1) Regulation 40 (modifications of Schedule 11 to the Finance Act 1996)(23) is amended as follows.

- (2) In paragraph (1) for “life or endowment” substitute “long-term”.
- (3) In paragraph (2) for “paragraphs 2(1) and” substitute “paragraph”.

**Amendment of regulation 43A (modifications of section 255 of the Capital Allowances Act 2001)**

13.—(1) Regulation 43A (modifications of section 255 of the Capital Allowances Act 2001)(24) is amended as follows.

- (2) In paragraph (1) for “life or endowment” substitute “long-term”.
- (3) For paragraph (2) substitute—
  - “(2) In subsection (1)—
  - (a) for “basic life assurance and general annuity business” substitute “taxable basic life assurance and general annuity business, tax exempt basic life assurance and general annuity business”, and
  - (b) for “and PHI business” substitute “, taxable PHI business and tax exempt PHI business”.

*Claire Ward*

*Dave Watts*

Two of the Lords Commissioners of Her Majesty’s Treasury

22nd July 2008

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(21) Regulation 32 was substituted by regulation 25 of [S.I. 2007/2134](#).

(22) Section 88(3)(a) was inserted by paragraph 21(2) of Schedule 8 to the Finance Act 1995 and amended by paragraph 45 of the Schedule to [S.I. 2004/2310](#) and paragraph 15 of Schedule 8 to the Finance Act 2007.

(23) Regulation 40 was amended by regulation 31 of [S.I. 2007/2134](#).

(24) Regulation 43A was inserted by regulation 33 of [S.I. 2007/2134](#).

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## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

Section 463 of the Income and Corporation Taxes Act 1988 (“ICTA 1988”) as amended by paragraph 4 of Schedule 18 to the Finance Act 2008 (“FA 2008”) provides that enactments relating to corporation tax apply to the long-term business carried on by friendly societies in the same way as they apply to long-term business of insurance companies, subject to such modifications and exceptions as may be prescribed by the Treasury.

These Regulations amend the regulations making such modifications, the Friendly Societies (Modification of the Corporation Tax Acts) Regulations 2005 (S.I. 2005/2014: “the principal Regulations”). The Regulations take into account a number of changes made to the life assurance tax provisions, in particular by the Finance Act 2008.

Regulation 1 provides for the citation, commencement and effect. The power to make retrospective provision is conferred by section 463(4) of ICTA 1988.

Regulation 2 introduces the amendments. The remaining regulations amend the principal Regulations so as to make technical modifications to the enactments relating to corporation tax in consequence of FA 2008, with the exceptions of regulations 4(3) and 4(4) which make amendments in consequence of the Finance Act 2007.

Regulations 3 to 10 amend or omit regulations of the principal regulations which modify provisions of ICTA 1988.

Regulation 11 amends regulation 32 of the principal Regulations which modifies section 88 of the Finance Act 1989.

Regulation 12 amends regulation 40 of the principal Regulations which modifies Schedule 11 to the Finance Act 1996.

Regulation 13 amends regulation 43A of the principal Regulations which modifies section 255 of the Capital Allowances Act 2001.

A full and final Impact Assessment has not been produced for this instrument as a negligible impact on the private or voluntary sectors is foreseen.