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SCHEDULES

SCHEDULE 9

Section 16.

LIFE POLICIES, LIFE ANNUITY CONTRACTS AND CAPITAL REDEMPTION POLICIES

PART I

LIFE POLICIES: QUALIFICATION FOR RELIEF UNDER S.219 OF THE INCOME TAX ACT 1952

General rules applicable to whole life and term assurances

- 1 (1) Subject to the following provisions of this Part of this Schedule, if a policy secures a capital sum which is payable only on death, or one payable either on death or on earlier disability, it is a qualifying policy if—
- (a) it satisfies the conditions appropriate to it under sub paragraphs (2) to (4) below, and
 - (b) except to the extent permitted by sub-paragraph (5) below, it does not secure any other benefits.
- (2) If the capital sum referred to in sub-paragraph (1) above is payable whenever the event in question happens, or if it happens at any time during the life of a specified person—
- (a) the premiums under the policy must be payable at yearly or shorter intervals, and either—
 - (i) until the happening of the event, or, as the case may require, until the happening of the event or the earlier death of the specified person, or
 - (ii) until the time referred to in sub-paragraph (i) above or the earlier expiry of a specified period ending not earlier than ten years after the making of the insurance, and
 - (b) the total premiums payable in any period of twelve months must not exceed—
 - (i) twice the amount of the total premiums payable in any other such period, or
 - (ii) one-eighth of the total premiums which would be payable if the policy were to continue in force for a period of ten years from the making of the insurance, or, in a case falling within paragraph (a) (ii) above, until the end of the period therein referred to.
- (3) If the capital sum referred to in sub-paragraph (1) above is payable only if the event in question happens before the expiry of a specified term ending more than ten years after the making of the insurance, or only if it happens both before the expiry of such a term and during the life of a specified person—
- (a) the premiums under the policy must be payable at yearly or shorter intervals, and either—

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- (i) until the happening of the event or the earlier expiry of the said term, or, as the case may require, until the happening of the event or, if earlier, the expiry of the term or the death of the specified person, or
- (ii) as in sub-paragraph (i) above, but with the substitution for references to the term of references to a specified shorter period, being one ending not earlier than ten years after the making of the insurance of, if sooner, the expiry of three-quarters of the said term, and
- (b) the total premiums payable in any period of twelve months must not exceed—
 - (i) twice the amount of the total premiums payable in any other such period, or
 - (ii) one-eighth of the total premiums which would be payable if the policy were to continue in force for the term referred to in paragraph (a)(i) above, or, as the case may require, for the shorter period referred to in paragraph (a)(ii) above.
- (4) If the capital sum referred to in sub-paragraph (1) above is payable only if the event in question happens before the expiry of a specified term ending not more than ten years after the making of the insurance, or only if it happens both before the expiry of such a term and during the life of a specified person, the policy must provide that any payment made by reason of its surrender during that period is not to exceed the total premiums previously paid thereunder.
- (5) Notwithstanding sub-paragraph (1)(b) above, if a policy secures a capital sum payable only on death, it may also secure benefits (including benefits of a capital nature) to be provided in the event of a person's disability ; and no policy is to be regarded for the purposes of that provision as securing other benefits by reason only of the fact that it confers a right to participate in profits, that it carries a guaranteed surrender value, that it gives an option to receive payments by way of annuity, or that it makes provision for the waiver of premiums by reason of a person's disability or for the effecting of a further insurance or insurances without the production of evidence of insurability.
- (6) In applying sub-paragraph (2) or (3) above to any policy—
 - (a) no account shall be taken of any provision for the waiver of premiums by reason of a person's disability, and
 - (b) if the term of the policy runs from a date earlier, but not more than three months earlier, than the making of the insurance, the insurance shall be treated as having been made on that date, and any premium paid in respect of the period before the making of the insurance, or in respect of that period and a subsequent period, as having been payable on that date.
- (7) References in this paragraph to a capital sum payable on any event include references to any capital sum, or series of capital sums, payable by reason thereof; and a policy secures a capital sum payable either on death or on disability notwithstanding that the amount payable may vary with the event.

General rules applicable to endowment assurances

- 2 (1) Subject to the following provisions of this Part of this Schedule, a policy which secures a capital sum payable either on survival for a specified term or on earlier death, or earlier death or disability, including a policy securing the sum on death

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only if occurring after the attainment of a specified age not exceeding sixteen, is a qualifying policy if it satisfies the following conditions—

- (a) the term must be one ending not earlier than ten years after the making of the insurance,
- (b) premiums must be payable under the policy at yearly or shorter intervals, and—
 - (i) until the happening of the event in question, or
 - (ii) until the happening of that event, or the earlier expiry of a specified period shorter than the term but also ending not earlier than ten years after the making of the insurance, or
 - (iii) if the policy is to lapse on the death of a specified person, until one of those times or the policy's earlier lapse,
- (c) the total premiums payable under the policy in any period of twelve months must not exceed—
 - (i) twice the amount of the total premiums payable in any other such period, or
 - (ii) one-eighth of the total premiums which would be payable if the policy were to run for the specified term,
- (d) the policy—
 - (i) must guarantee that the capital sum payable on death, or on death occurring after the attainment of a specified age not exceeding sixteen, will, whenever that event may happen, be equal to three-quarters at least of the total premiums which would be payable if the policy were to run for that term, disregarding any amounts included in those premiums by reason of their being payable otherwise than annually, and
 - (ii) if it is a policy which does not secure a capital sum in the event of death before the attainment of a specified age not exceeding sixteen, must not provide for the payment in that event of an amount exceeding the total premiums previously paid thereunder, and
- (e) the policy must not secure the provision (except by surrender) at any time before the happening of the event in question of any benefit of a capital nature other than a payment falling within paragraph (d)(ii) above, or benefits attributable to a right to participate in profits or arising by reason of a person's disability.

(2) Sub-paragraphs (6) and (7) of paragraph 1 above shall, with any necessary modifications, have effect for the purposes of this paragraph as they have effect for the purposes of that paragraph.

(3) For the purposes of sub-paragraph (1)(d)(i) above, ten per cent, of the premiums payable under any policy issued in the course of an industrial assurance business as defined in section 1(2) of the Industrial Assurance Act 1923 shall be treated as attributable to the fact that they are not paid annually.

Special types of policy

(i) Friendly Society policies

- 3 A policy issued by any friendly society, or branch of a friendly society, in the course of its tax exempt life or endowment business, as defined in section 29(9) of the

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Finance Act 1966, is a qualifying policy notwithstanding that it does not comply with the conditions specified in paragraph 1 or 2 above.

(ii) Industrial Assurance policies

4 (1) A policy issued in the course of an industrial assurance business, as defined in section 1(2) of the Industrial Assurance Act 1923, and not constituting a qualifying policy by virtue of paragraph 1 or 2 above, is nevertheless a qualifying policy if—

- (a) the sums guaranteed by the policy, together with those guaranteed at the time the assurance is made by all other policies issued in the course of such a business to the same person and not constituting qualifying policies apart from this paragraph, do not exceed £1,000,
- (b) it satisfies the conditions with respect to premiums specified in paragraph 1(2) above,
- (c) except by reason of death or surrender, no capital sum other than one falling within paragraph (d) below can become payable under the policy earlier than ten years after the making of the assurance, and
- (d) where the policy provides for the making of a series of payments during its term—
 - (i) the first such payment is due not earlier than five years after the making of the assurance, and the others, except the final payment, at intervals of not less than five years, and
 - (ii) the amount of any payment, other than the final payment, does not exceed four-fifths of the premiums paid in the interval before its payment, and
 - (iii) if the first such payment is due earlier than ten years after the making of the assurance, or any other such payment except the last is due earlier than ten years after the preceding one, the sums guaranteed by the policy, together with the other sums referred to in paragraph (a) above so far as guaranteed by policies the payments under which also fall within this sub-paragraph, do not exceed £500.

(2) For the purpose of this paragraph, the sums guaranteed by a policy do not include any bonuses, or, in the case of a policy providing for a series of payments during its term, any of those payments except the first, or any sum payable on death during the term by reference to one or more of those payments except so far as that sum is referable to the first such payment.

(iii) Family income policies and mortgage protection policies

5 (1) The following provisions apply to any policy which is not a qualifying policy apart from those provisions, and the benefits secured by which consist of or include the payment on or after a person's death of—

- (a) one capital sum of an amount which does not vary according to the date of death, plus a series of capital sums payable if the death occurs during a specified period, or
- (b) a capital sum, the amount of which is less if the death occurs in a later part of a specified period than if it occurs in an earlier part of that period.

(2) A policy falling within sub-paragraph (1)(a) above is a qualifying policy if—

- (a) it would be one if it did not secure the series of capital sums there referred to, and the premiums payable under the policy were such as would be chargeable if that were in fact the case, and
- (b) it would also be one if it secured only that series of sums, and the premiums thereunder were the balance of those actually so payable.

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- (3) A policy falling within sub-paragraph (1)(b) above is a qualifying policy if—
- (a) it would be one if the amount of the capital sum there referred to were equal throughout the period to its smallest amount, and the premiums payable under the policy were such as would be chargeable if that were in fact the case, and
 - (b) it would also be one if it secured only that capital sum so far as it from time to time exceeds its smallest amount, and the premiums payable thereunder were the balance of those actually so payable.

Other special provisions

(i) Exceptional mortality risk

- 6 For the purpose of determining whether any policy is a qualifying policy, there shall be disregarded—
- (a) so much of any premium thereunder as is charged on the grounds that an exceptional risk of death is involved, and
 - (b) any provision under which, on those grounds, any sum may become chargeable as a debt against the capital sum guaranteed by the policy on death.

(ii) Connected policies

- 7 Where the terms of any policy provide that it is to continue in force only so long as another policy does so, neither policy is a qualifying policy unless, if they had constituted together a single policy issued in respect of an insurance made at the time of the insurance in respect of which the first-mentioned policy was issued, that single policy would have been a qualifying policy.

(iii) Premiums paid out of sums due under previous policies

- 8 (1) Where, in the case of a policy under which a single premium only is payable, liability for the payment of that premium is discharged in accordance with sub-paragraph (2) below, the policy is a qualifying policy notwithstanding anything in paragraph 1(2) or 1(3) above, or in paragraph (b) or (c) of paragraph 2(1); and where, in the case of any other policy, liability for the payment of the first premium thereunder, or of any part of that premium, is so discharged, the premium or part shall be disregarded for the purposes of paragraph 1(2)(b) and 1(3)(b) above, and of paragraph (c) of paragraph 2(1).
- (2) Liability for the payment of a premium is discharged in accordance with this sub-paragraph if it is discharged by the retention by the company with whom the insurance is made of the whole or a part of any sum which has become payable on the maturity of, or on the surrender more than ten years after its issue of the rights conferred by, a policy—
- (a) previously issued by the company to the person making the insurance, or, if it is made by trustees, to them or any predecessors in office, or
 - (b) issued by the company when the person making the insurance was an infant, and securing a capital sum payable either on a specified date falling not more than one month after his attaining twenty-five or on the anniversary of the policy immediately following his attainment of that age,
- being, unless it is a policy falling within paragraph (b) above and the premium in question is a first premium only, a policy which was itself a qualifying policy, or which would have been a qualifying policy if issued in respect of an insurance made after 19th March 1968.

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(iv) Substitutions, variations &c

- 9 (1) Where one policy (hereafter referred to as " the new policy ") is issued in substitution for, or on the maturity of and in consequence of an option conferred by, another policy (hereafter referred to as " the old policy ") the question whether the new policy is a qualifying policy shall, to the extent provided by the rules in sub-paragraph (2) below, be determined by reference to both policies.
- (2) The said rules (for the purposes of which, the question whether the old policy was a qualifying policy shall be determined in accordance with this Part of this Schedule, whatever the date of the insurance in respect of which it was issued) are as follows—
- (a) if the new policy would apart from this paragraph be a qualifying policy, but the old policy was not, the new policy is not a qualifying policy unless the person making the insurance in respect of which it is issued was an infant when the old policy was issued, and the old policy was one securing a capital sum payable either on a specified date falling not later than one month after his attaining twenty-five or on the anniversary of the policy immediately following his attainment of that age ;
 - (b) if the new policy would apart from this paragraph be a qualifying policy, and the old policy was also a qualifying policy, the new policy is a qualifying policy unless—
 - (i) it takes effect before the expiry of ten years from the making of the insurance in respect of which the old policy was issued, and
 - (ii) the highest total of premiums payable thereunder for any period of twelve months expiring before that time is less than one-half of the highest total paid for any period of twelve months under the old policy, or under any related policy issued less than ten years before the issue of the new policy (" related policy " meaning any policy in relation to which the old policy was a new policy within the meaning of this paragraph, any policy in relation to which that policy was such a policy, and so on);
 - (c) if the new policy would not apart from this paragraph be a qualifying policy, and would fail to be so by reason only of paragraph 1(2) or 1(3) above, or of paragraph (a), (b) or (c) of paragraph 2(1), it is nevertheless a qualifying policy if the old policy was a qualifying policy and—
 - (i) the old policy was issued in respect of an insurance made more than ten years before the taking effect of the new policy, and the premiums payable for any period of twelve months under the new policy do not exceed the smallest total paid for any such period under the old policy, or
 - (ii) the old policy was issued outside the United Kingdom, and the circumstances are as specified in sub-paragraph (3) below.
- (3) The said circumstances are—
- (a) that the person in respect of whom the new insurance is made became resident in the United Kingdom during the twelve months ending with the date of its issue,
 - (b) that the issuing company certify that the new policy is in substitution for the old, and that the old was issued either by a branch or agency of theirs outside the United Kingdom or by a company outside the United Kingdom with whom they have arrangements for the issue of policies in substitution for ones held by persons coming to the United Kingdom, and

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- (c) that the new policy confers on the holder benefits which are substantially equivalent to those which he would have enjoyed if the old policy had continued in force.
- 10 (1) Subject to the provisions of this paragraph, where the terms of a policy are varied, the question whether the policy after the variation is a qualifying policy shall be determined in accordance with the rules in paragraph 9 above, with references in those rules to the new policy and the old policy construed for that purpose as references respectively to the policy after the variation and the policy before the variation, and with any other necessary modifications.
- (2) In applying any of those rules by virtue of this paragraph, the question whether a policy after a variation would be a qualifying policy apart from the rule shall be determined as if any reference in paragraphs 1 to 7 of this Schedule to the making of an insurance,
- or to a policy's term, were a reference to the taking effect of the variation or, as the case may be, to the term of the policy as from the variation.
- (3) This paragraph does not apply by reason of—
- (a) any variation which, whether or not of a purely formal character, does not affect the terms of a policy in any significant respect, or
- (b) any variation effected before the end of the year 1968 for the sole purpose of converting into a qualifying policy any policy issued (but not one treated by virtue of section 16(6) of this Act as issued) in respect of an insurance made after 19th March 1968.

PART II

PROVISIONS CHARGING TAX ON GAINS

Meaning of "chargeable event", and computation of gain arising

(i) Life policies

- 11 (1) Subject to the provisions of this paragraph, in this Part of this Schedule "chargeable event" means, in relation to a policy of life insurance—
- (a) unless it is a policy which falls within sub-paragraph (2) below, any of the following—
- (i) any death giving rise to benefits under the policy,
- (ii) the maturity of the policy,
- (iii) the surrender in whole or in part of the rights conferred by the policy, and
- (iv) the assignment for money or money's worth of those rights or of any share therein ; and
- (b) if it is a policy falling within sub-paragraph (2) below, any of the above events, but—
- (i) in the case of death or maturity, only if the policy is converted into a paid-up policy before the expiry of ten years from the making of the insurance, or, if sooner, of three-quarters of the term for which the policy is to run if not ended by death or disability,

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- (ii) in the case of a surrender or assignment, only if it is effected within that time, or the policy has been converted into a paid-up policy within that time.
 - (2) A policy falls within this sub-paragraph if (whether or not the premiums thereunder are eligible for relief under section 219 of the Income Tax Act 1952) it is a qualifying policy within the meaning of Part I of this Schedule.
 - (3) The maturity of a policy is not a chargeable event in relation thereto if a new policy is issued in consequence of the exercise of an option conferred by the maturing policy unless the person making the insurance in respect of which the new policy is issued was an infant when the former policy was issued, and the former policy was one securing a capital sum payable either on a specified date falling not later than one month after his attaining twenty-five or on the anniversary of the policy immediately following his attainment of that age.
 - (4) No event is a chargeable event in relation to a policy if the rights conferred by the policy have at any time before the event been assigned for money or money's worth.
 - (5) No account shall be taken for the purposes of this paragraph of any assignment effected by way of security for a debt, or on the discharge of a debt secured by the rights or share concerned, or of any assignment between spouses living together ; and references in sub-paragraph (1) above to the surrender of the rights conferred by a policy do not include references to the surrender of any right to a bonus.
 - (6) Where sub-paragraph (1)(b) above applies to a policy which has been varied so as to increase the premiums payable thereunder, it shall so apply as if the references in sub-paragraph (i) to the making of the insurance and the term of the policy were references respectively to the taking effect of the variation and the term of the policy as from the variation.
- 12 (1) On the happening of a chargeable event in relation to any policy of life insurance, there shall be treated as a gain arising in connection with the policy—
- (a) if the event is a death, the excess (if any) of the surrender value of the policy immediately before the death, plus the amount or value of any relevant capital payments, over the total amount previously paid under the policy by way of premiums ;
 - (b) if the event is the maturity of the policy, or the surrender in whole or in part of the rights thereby conferred, the excess (if any) of the amount or value of the sum payable or other benefits arising by reason of the event, plus the amount or value of any relevant capital payments, over the total amount previously paid under the policy by way of premiums, or, in the case of a partial surrender, over the same proportion of that amount as is borne by the amount or value of the said sum or other benefits to the amount or value of the sum or other benefits which would have been payable, or would have arisen, if the rights had been wholly surrendered;
 - (c) if the event is an assignment—
 - (i) if it is an assignment of all the rights conferred by the policy, the excess (if any) of the amount or value of the consideration, plus the amount or value of any relevant capital payments, over the total amount previously paid under the policy by way of premiums, and
 - (ii) if it is an assignment of a share only in those rights, the excess (if any) of the amount or value of the consideration, plus the amount or value of any relevant capital payments so far as attributable to the

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share assigned and received by the assignor or by any person at his direction, over the same proportion of the total amount previously paid under the policy by way of premiums as is borne by the amount or value of the consideration to the market value of the rights.

- (2) Where, in a case falling within sub-paragraph (1)(b) above, a right to periodical payments arises by reason of the event, there shall be treated as payable by reason thereof an amount equal to the capital value of those payments at the time the right arises.
- (3) Where, in a case falling within sub-paragraph (1)(c) above, the assignment is between persons who are connected with each other within the meaning of paragraph 21 of Schedule 7 to the Finance Act 1965, the assignment shall be deemed to have been made for a consideration equal to the market value of the rights or share assigned.
- (4) In this paragraph, "relevant capital payments" means, in relation to any policy, any sum or other benefit of a capital nature, other than one attributable to a person's disability, paid or conferred under the policy before the happening of the chargeable event, and any sum paid, or other benefit conferred, by reason of any surrender before that time of a right to a bonus under the policy; and references in this sub-paragraph and (in relation to premiums) in sub-paragraph (1) above to "the policy" include references to any related policy, that is to say, to any policy in relation to which the policy is a new policy within the meaning of paragraph 9 above, any policy in relation to which that policy is such a policy, and so on.

(ii) Life annuity contracts

- 13 (1) Subject to sub-paragraphs (2) and (3) below, in this Part of this Schedule "chargeable event" means, in relation to any contract for a life annuity, the surrender in whole or in part of the rights conferred by the contract, or the assignment for money or money's worth of those rights or of any share therein.

Where the terms of a contract provide for the payment of a capital sum as an alternative, in whole or in part, to payments by way of annuity, the taking of the capital sum shall be treated for the purposes of this and the next following paragraph as a surrender in whole or in part of the rights conferred by the contract

- (2) An event referred to in sub-paragraph (1) above is not a chargeable event in relation to any contract if the rights conferred by the contract have at any time before the event been assigned for money or money's worth.
 - (3) Sub-paragraph (5) of paragraph 11 above shall, with any necessary modification, apply for the purposes of this paragraph as it applies for the purposes of the said paragraph 11.
- 14 (1) On the happening of a chargeable event in relation to any contract for a life annuity, there shall be treated as a gain arising in connection with the contract—
- (a) if the event is the surrender in whole or in part of the rights conferred by the contract, the excess (if any) of the amount payable by reason of the event over—
 - (i) the total amount previously paid under the contract, whether by way of premiums or as lump sum consideration, reduced, if before the happening of the event one or more payments have been made on account of the annuity, by the capital element in the said payment or payments, as determined in accordance with section 27 of the Finance Act 1956, or

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- (ii) in the case of a partial surrender, the same proportion of that amount (as so reduced where appropriate) as is borne by the amount payable by reason of the event to the amount which would have been so payable if the rights had been wholly surrendered;
- (b) if the event is the assignment for money or money's worth of the rights conferred by the contract, or of any share therein, the excess (if any) of the amount or value of the consideration over—
 - (i) the amount specified in sub-paragraph (1)(a)(i) above, or
 - (ii) if the assignment is of a share only, the same proportion of that amount (reduced as therein mentioned where appropriate) as is borne by the amount or value of the consideration to the market value of the rights.
- (2) Sub-paragraph (3) of paragraph 12 above shall apply for the purposes of sub-paragraph (1) above as it applies for the purposes of sub-paragraph (1)(c) of that paragraph.
- (iii) Capital redemption policies
- 15 (1) Subject to sub-paragraph (2) below, in this Part of this Schedule "chargeable event" means, in relation to a capital redemption policy, any of the following—
 - (i) the maturity of the policy,
 - (ii) the surrender in whole or in part of the rights conferred by the policy, and
 - (iii) the assignment for money or money's worth of those rights or of any share therein.
- (2) Sub-paragraph (5) of paragraph 11 above shall apply for the purposes of this paragraph as it applies for purposes of the said paragraph 11.
- 16 (1) The provisions of paragraph 12 above, except sub-paragraph (3) thereof, shall, so far as appropriate and subject to sub-paragraph (2) below, apply to capital redemption policies as they apply to policies of life insurance.
- (2) Where a chargeable event happens in relation to a capital redemption policy which has previously been assigned for money or money's worth, the said paragraph 12 shall have effect in relation thereto as if, for the references to the total amount previously paid under the policy by way of premiums, there were substituted references to the amount or value of the consideration given for the last such assignment, plus the total amount of the premiums paid under the policy since that assignment

Method of charging gain to tax

- 17 (1) Where, under the preceding provisions of this Schedule, a gain is to be treated as arising in connection with any policy or contract—
 - (a) if, immediately before the happening of the chargeable event in question, the rights conferred by the policy or contract were vested in an individual as beneficial owner, or were held on trusts created by an individual (including trusts arising under section 11 of the Married Women's Property Act 1882, section 2 of the Married Women's Policies of Assurance (Scotland) Act 1880, or section 4 of the Law Reform (Husband and Wife) Act (Northern Ireland) 1964) or as security for a debt owed by an individual, the amount of the gain shall be deemed for the purposes of surtax (but not for any other income tax purpose except the furnishing of information) to form part of that individual's total income for the year in which the event happened ;

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- (b) if, immediately before the happening of that event, the said rights were in the beneficial ownership of a close company within the meaning of Part IV of the Finance Act 1965, or were held on trusts created, or as security for a debt owed, by such a company, then—
 - (i) for the purposes of section 77 of that Act (shortfall in distributions) the company's distributable income (but not its estate or trading income) for the accounting period in which the event happened shall be treated as increased by the amount of the gain, and
 - (ii) the amount of the gain shall also be deemed to form part of the company's income for that period for the purposes of section 78 of that Act (surtax apportionments) ;
- (c) if, immediately before the happening of that event, the said rights were vested in personal representatives within the meaning of Part XIX of the Income Tax Act 1952, the amount of the gain shall, as regards surtax, be deemed for the purposes of the said Part XIX to be part of the aggregate income of the estate of the deceased:

Provided that nothing in this sub-paragraph shall apply to any amount which is chargeable to income tax or to corporation tax apart from this sub-paragraph.

- (2) Where, immediately before the happening of a chargeable event, the rights conferred by any policy or contract were vested beneficially in two or more persons, or were held on trusts created,
 - or as security for a debt owed, by two or more persons, paragraphs (a) and (b) of sub-paragraph (1) above shall have effect in relation to each of those persons as if he had been the sole owner, settlor or debtor, but with references to the amount of the gain construed as references to the part of it proportionate to his share in the rights at the time of the event or, as the case may require, when the trusts were created.
- (3) References in sub-paragraphs (1) and (2) above to the rights conferred by a policy or contract are, in the case of an assignment of a share only in any rights, references to that share.

Relief where gain charged directly to surtax

- 18 (1) The following provisions of this paragraph shall have effect for the purpose of giving relief, on a claim in that behalf being made by him to the Board, in respect of any increase in an individual's liability to tax which is attributable to one or more amounts being included in his total income for a year of assessment by virtue of paragraph 17(1)(a) above.
- (2) Where one amount only is so included, there shall be computed—
 - (a) the surtax which would be chargeable in respect of the amount if relief under this paragraph were not available and it constituted the highest part of the claimant's total income for the year, and
 - (b) the surtax (if any) which would be chargeable in respect of the amount if calculated, in accordance with sub-paragraph (3) below, by reference to its appropriate fraction,

and the relief shall consist of a reduction or repayment of tax equal to the difference between the two amounts of surtax so computed, or, if surtax would not be chargeable on a calculation by reference to the appropriate fraction, of a reduction or repayment of the tax equal to the surtax computed under paragraph (d) above.

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- (3) In sub-paragraph (2) above " appropriate fraction" means, in relation to any amount, such a sum as bears thereto the same proportion as that borne by one to the number of complete years for which the policy or contract has run before the happening of the chargeable event; and the computation required by paragraph (b) of that sub-paragraph shall be made by applying to the amount in question the rate or rates of surtax (if more than one, in corresponding proportions) which would apply if it were reduced to that fraction, treating it, as so reduced, as still constituting the highest part of the claimant's total income for the year, and treating so much of it (if any) as would then not be chargeable to surtax as if it were chargeable thereto at a nil rate.

For the purposes of this sub-paragraph, the number of years for which a policy of life insurance has run before the happening of a chargeable event shall be calculated, where appropriate, from the issue of the earliest related policy, meaning, any policy in relation to which the policy is a new policy within the meaning of paragraph 9 above, any policy in relation to which that policy is such a policy, and so on.

- (4) Where by virtue of the said paragraph 17(1)(a) two or more amounts are included in an individual's total income for any year of assessment, sub-paragraphs (2) and (3) above shall apply as if they together constituted a single amount, but with the appropriate fraction of the whole determined by adding together the appropriate fractions of the individual amounts.
- (5) A provision of this paragraph requiring surtax to be calculated as if an amount constituted the highest part of a claimant's total income shall apply notwithstanding any provision of the Income Tax Acts directing any other amount to be treated as the highest part thereof, but, for the purposes of this paragraph, a claimant's total income shall be deemed not to include any amount in respect of which he is chargeable to tax under section 37 of the Finance Act 1960 (payments on retirement or removal from office or employment) or sections 22 to 24 of the Finance Act 1963 (premiums, &c, treated as rent).
- (6) For the purposes of any provision of the Income Tax Acts, other than this paragraph or Schedule 6 to the Finance Act 1963, requiring an amount to be treated as the highest part of an individual's income, his income shall be calculated without regard to any amount included therein as mentioned in sub-paragraph (1) above ; and where an individual claims relief for any year of assessment under the said Schedule 6 or paragraph 7 of Schedule 4 to the Finance Act 1960, then, in calculating the relief, the claimant's income shall be deemed to include, in respect of any amount which would otherwise be included therein as aforesaid, no greater amount than the appropriate fraction thereof.
- (7) Section 9 of the Income Tax Management Act 1964 shall apply to any claim for relief under this paragraph.

Right of individual to recover tax from trustees

- 19 (1) Where an amount is included in an individual's income by virtue of paragraph 17(1) (a) above, and the rights or share in question were held immediately before the happening of the chargeable event on trust, the individual shall be entitled to recover from the trustees, to the extent of any sums, or to the value of any benefits, received by them by reason of the event, an amount equal to that (if any) by which the tax with which he is chargeable for the year of assessment in question, reduced by the amount of any relief available under paragraph 18 above in respect of the amount so

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included, exceeds the tax with which he would have been chargeable for the year if the said amount had not been so included.

- (2) Where, for the purposes of relief under the said paragraph 18, two or more amounts are to be treated as one, the reduction required by sub-paragraph (1) above on account of the relief available in respect of any of them shall consist of a proportionate part of the relief available in respect of their aggregate.
- (3) An individual may require the Board to certify any amount recoverable by him by virtue of this paragraph, and the certificate shall be conclusive evidence of the amount.

PART III

SUPPLEMENTARY PROVISIONS

*Duty of insurers, etc. to certify qualifying policies,
and to give information about chargeable events*

- 20 (1) Subject to sub-paragraph (3) below, where a policy of life insurance issued in respect of an insurance made after 19th March 1968 is, in the opinion of the body by whom it is issued, a qualifying policy within the meaning of Part I of this Schedule, it shall be the duty of that body to give to the policy holder a duly authenticated certificate to that effect.

Any such certificate shall be given within three months of the issue of the policy, or, if later, within three months of the passing of this Act, and shall specify the name of the policy holder, the name of the person whose life is assured, the reference number or other means of identification allocated to the policy, the capital sum or sums assured, and the amounts and dates for payment of the premiums.

- (2) Subject to the said sub-paragraph (3), where a policy of life insurance is varied after the said 19th March and, in the opinion of the body by whom it was issued, is after the variation a qualifying policy within the meaning of the said Part I, it shall be the duty of that body, within three months of the making of the variation, or, if later, within three months of the passing of this Act, to give to the policy holder a like certificate with respect to the policy after the variation.
- (3) Where, in the case of any policy, or any policy after a variation, the total premiums payable in any period of twelve months do not exceed £26, a certificate need be given under sub-paragraph (1) or (2) above only if requested in writing by the policy holder, and, if so requested, shall be given within three months of receipt of the request; and sub-paragraph (2) above shall not apply by reason of—
 - (a) any variation which, whether or not of a purely formal character, does not affect the terms of a policy in any significant respect, or
 - (b) any variation of a policy issued in respect of an insurance made on or before 19th March 1968, other than a variation by virtue of which the policy falls, under section 16(6) of this Act, to be treated as issued in respect of an insurance made after that date.
- (4) Subject to sub-paragraph (5) below, where a chargeable event within the meaning of Part II of this Schedule has happened in relation to any policy or contract, the body by or with whom the policy or contract was issued, entered into or effected

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shall, within three months of the event or, if it is a death or an assignment, within three months of their receiving written notification thereof, deliver to the inspector a certificate specifying—

- (a) the name and address of the policy holder,
- (b) the nature of the event, and the date on which it happened,
- (c) as may be required for computing the gain to be treated as arising by virtue of the said Part II—
 - (i) the surrender value of the policy, or the sum payable, or other benefits to be conferred, by the body in question by reason of the event,
 - (ii) the amount or value of any relevant capital payments,
 - (iii) the amounts previously paid under the policy or contract by way of premiums, or otherwise by way of consideration for an annuity, and
 - (iv) the capital element in any payment previously made on account of an annuity, and
- (d) the number of years relevant for computing the appropriate fraction of the gain for the purposes of paragraph 18(3) above.

(5) Sub-paragraph (4) above shall not apply where—

- (a) the body in question are satisfied that no gain is to be treated as arising by reason of the event, or
- (b) the amount of the surrender value or sum, or the value of the other benefits, referred to in paragraph (c)(i) of that sub-paragraph, together with the amount or value of any payments within paragraph (c)(ii) thereof, does not exceed £500,

but the inspector may by notice in writing require a like certificate in any such case, and it shall be the duty of the body to deliver the certificate within thirty days of receipt of the notice.

(6) Sections 46 and 47 of the Finance Act 1960 (penalties) shall have effect as if sub-paragraphs (4) and (5) above were included in the third column of Schedule 6 to that Act.

Interpretation

In this Schedule " assignment", in relation to Scotland, means an assignation.