



Income and Corporation Taxes Act 1970

1970 CHAPTER 10

PART XII

SPECIAL CLASSES OF COMPANIES AND BUSINESSES

CHAPTER III

FRIENDLY SOCIETIES AND TRADE UNIONS

Unregistered friendly societies

331 Unregistered friendly societies

An unregistered friendly society whose income does not exceed £160 a year shall, on making a claim, be entitled to exemption from income tax and corporation tax (whether on income or on chargeable gains).

Registered friendly societies

332 Registered friendly societies

- (1) Subject to subsection (2) below, a registered friendly society shall, on making a claim, be entitled to exemption from income tax and corporation tax (whether on income or on chargeable gains).
- (2) Subsection (1) above—
 - (a) shall not apply to profits arising from life or endowment business consisting of the assurance of gross sums exceeding £500 or of the granting of annuities of annual amounts exceeding £104, and
 - (b) as respects other life or endowment business (in this Chapter referred to as "tax exempt life or endowment business") has effect subject to the following provisions of this Chapter.

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- (3) In applying the said limits of £500 and £104 any bonus or addition declared upon an assurance of a gross sum or annuity shall be disregarded.

333 Life or endowment business: distinction between old and new societies

- (1) So far as section 332 above relates to profits arising from life or endowment business it shall not exempt—
- (a) a friendly society registered after 31st December 1957 which at any time in the period of three months ending on 3rd May 1966 entered into any transaction in return for a single premium, being a transaction forming part of its life or endowment business, or
 - (b) subject to subsections (2) and (3) below, a friendly society registered after 3rd May 1966, or a friendly society which was registered in the period of three months ending on 3rd May 1966 but which at no time earlier than 3rd May 1966 carried on any life or endowment business.
- (2) Subsection (1)(b) above shall not apply to a friendly society if, by the rules of the society, the only life or endowment business which it may carry on is—
- (a) industrial assurance business,
 - (b) assurance affording provision for sickness or other infirmity, whether bodily or mental, which is also assurance for a gross sum independent of sickness or other infirmity, where not less than sixty per cent. of the amount of the premiums is attributable to the provision afforded during sickness or other infirmity, and no bonus or addition may be declared upon the assurance of the gross sum, or
 - (c) contracts exclusively for the assurance of a gross sum or annuity payable on death to or for the benefit of the deceased's widow or dependent child,
- or business which falls within any two or all three of paragraphs (a),(b) or (c) above taken together.
- (3) Subsection (1)(b) above shall not apply to any part of a friendly society's tax exempt life or endowment business which it acquires by way of transfer of engagements or amalgamation from another friendly society, and which consists of business relating to contracts made not later than the time of transfer or amalgamation.

334 Conditions for tax exempt business

- (1) Section 332(1) above shall not apply to profits arising from tax exempt life or endowment business unless the following provisions of this section are satisfied in relation to that business.
- (2) The following conditions shall apply to every policy for the assurance of a gross sum, or of an annuity, which the friendly society issues, or has issued at any time since 3rd May 1966—
- (a) the period (in this section called " the term " of the policy) between the payment of the first premium and the time when the gross sum assured is payable (or as the case may be when the first instalment of the annuity is payable) shall be not less than ten years, and must not, on any contingency other than the death, or retirement on grounds of ill health, of the person liable to pay the premiums or whose life is insured, become less than ten years,

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- (b) the premiums payable under the policy shall be premiums of equal or rateable amounts payable at yearly or shorter intervals over the whole term of the policy of assurance, or over the whole term of the policy of assurance apart from any period after the person liable to pay the premiums or whose life is insured attains a specified age, being an age which he will attain at a time not less than ten years after the beginning of the term of the policy of assurance,
- (c) until the expiration of three-quarters of the term of the policy of assurance, or of ten years from the beginning of the term, whichever is the shorter, the policy may not be surrendered to the friendly society for consideration exceeding the amount of the premiums paid, except that, if a surrender value is prescribed for the surrender by section 24 of the Industrial Assurance Act 1923 or section 3 of the Industrial Assurance and Friendly Societies Act 1929, or by the Industrial Assurance and Friendly Societies Act (Northern Ireland) 1929, the limit on the consideration shall be either that value or the amount of the premiums paid, whichever is the greater;

and the friendly society shall not be a party to any variation of the terms of a policy which infringes the conditions in this subsection.

- (3) Notwithstanding subsection (2)(a) above, the policy—
 - (a) may provide for a payment to a person of an age not exceeding 18 years at any time not less than five years from the beginning of the term of the policy if the premium or premiums payable in any period of twelve months in the term of the policy do not exceed £13,
 - (b) may provide for a payment at any time not less than five years from the beginning of the term of the policy, if it is one of a series of payments falling due at intervals of not less than five years, and 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.
- (4) Notwithstanding subsection (2)(b) above, the policy—
 - (a) may allow a payment at any time after the expiration of one-half of the term of the policy of assurance, or of ten years from the beginning of the term, whichever is the earlier, being a payment in commutation of the liability to pay premiums falling due after that time,
 - (b) may allow the person liable to pay the premiums to commute any liability for premiums where he ceases to reside in the United Kingdom or gives satisfactory proof of intention to emigrate, and
 - (c) may allow any liability for premiums to be discharged in consideration of surrendering a sum which has become payable on the maturity of any other policy of assurance issued by the same friendly society to the person liable to pay the premiums, or to his parent, where that other policy of assurance is issued as part of the friendly society's tax exempt life or endowment business.

335 Life or endowment business: further provisions

- (1) Subject to section 332(1) above, the Corporation Tax Acts shall apply to the life or endowment business carried on by registered friendly societies in the same way as they apply to mutual life assurance business carried on by insurance companies, so however that the Treasury may by regulations contained in a statutory instrument subject to annulment in pursuance of a resolution of the Commons House of Parliament provide that those Acts as so applied shall have effect subject to such modifications and

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exceptions as may be prescribed by the regulations, and those regulations may in particular require any part of any business to be treated as a separate business.

- (2) If a friendly society registered not later than 3rd May 1966 begins after that date to carry on tax exempt life or endowment business or, in the opinion of the Chief Registrar of Friendly Societies, begins to carry on tax exempt life or endowment business on an enlarged scale, or of a new character, and it appears to the Chief Registrar, having regard to the restrictions placed on friendly societies registered after the said date by subsection (1)(b) of section 333 above, that for the protection of the revenue it is expedient to do so, he may serve a notice on the friendly society referring to the provisions of this subsection and stating that he is considering the question whether, for the protection of the revenue, it is expedient to give a direction that, as from such date as may be specified in the notice, being the date when in the opinion of the Chief Registrar the relevant change in the society's activities took place, the society is to be treated as one within the said subsection (1)(b).
- (3) The Chief Registrar shall consider any representations or undertakings made or offered to him by the friendly society within the period of one month from service of the notice, and if the society so requests shall afford it an opportunity of being heard by him not later than three weeks after the end of that period of one month.
- (4) If after consideration of any such representations or undertakings, the Chief Registrar remains of opinion that it is expedient to do so, he shall direct that the society shall, subject to any further direction given by him cancelling that direction, be treated for the purposes of section 333 above as a friendly society registered after 3rd May 1966, but subject to the like right of appeal as is conferred by section 77(6) of the Friendly Societies Act 1896 on cancellation of registration.
- (5) In the application of this section to Scotland for references to the Chief Registrar of Friendly Societies there shall be substituted references to the assistant registrar for Scotland.

336 Saving for contracts made not later than 3rd May 1966

Sections 333, 334 and 335 above shall not withdraw exemption under section 332(1) above for profits arising from any part of a life or endowment business relating to contracts made not later than 3rd May 1966.

337 Interpretation

- (1) This section has effect for the interpretation of the preceding provisions of this Chapter, together with this section, but excluding section 331 (unregistered friendly societies).
- (2) In the said provisions " life or endowment business" means any business within section 8(1)(b) or (d) or (dd) of the Friendly Societies Act 1896 (life insurance and endowments and insurance of money payable on the duration of a life for a specified period) and any other life assurance business, but—
 - (a) shall include business within section 8(1) (a) of the Friendly Societies Act 1896 for the relief or maintenance of any person in old age (meaning any age after fifty),
 - (b) shall not include the granting of approved annuities (as defined in section 226(13) of this Act),
 - (c) shall not include the assurance of any annuity the consideration for which consists of sums obtainable on the maturity, or on the surrender, of any other

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policy of assurance issued by the friendly society, being a policy of assurance forming part of the tax exempt life or endowment business of the friendly society.

(3) In the said provisions—

" industrial assurance business " has the meaning given by section 1(2) of the Industrial Insurance Act 1923,

" life assurance business " means the issue of, or the undertaking of liability under, policies of assurance upon human life, or the granting of annuities upon human life, not being industrial assurance business,

" tax exempt life or endowment business " has the meaning given by subsection (2)(b) of section 332 above, that is to say, it means life or endowment business other than business profits arising from which are excluded from subsection (1) of that section by subsection (2)(a) of that section,

" policy ", in relation to life or endowment business, includes an instrument evidencing a contract to pay an annuity upon human life, and references in the said provisions to a friendly society include references to any branch of that friendly society.

(4) It is hereby declared that for the purposes of the said provisions a registered friendly society formed on the amalgamation of two or more friendly societies is to be treated as different from the amalgamated societies:

Provided that—

- (a) the society shall be treated as registered not later than 3rd May 1966 if at the time of the amalgamation all the friendly societies amalgamated were societies which, subject to satisfying the conditions of section 334 above, were eligible for the exemption conferred by section 332(1) above in respect of life or endowment business and at least one of them was a society not within section 333(1)(b) above,
- (b) in determining, as respects a society resulting from an amalgamation and coming within section 335(2) above by virtue of proviso (a) above, the questions in that subsection in the period immediately following the amalgamation, the activities of the amalgamated societies in the period immediately preceding the amalgamation shall be treated as if they were the activities then being carried on by the society resulting from the amalgamation.

(5) In the application of the said provisions to a friendly society which is for the time being registered or deemed to be registered in Northern Ireland under the enactments relating to friendly societies in Northern Ireland—

- (a) for references to section 1(2) and section 24 of the Industrial Assurance Act 1923 there shall be substituted references to section 1(2) and section 24 respectively of the Industrial Assurance Act (Northern Ireland) 1924,
- (b) for references to the Friendly Societies Act 1896 or to any provision of that Act there shall be substituted references to that Act or provision as it applies in Northern Ireland,
- (c) for references to the Chief Registrar of Friendly Societies there shall be substituted references to the registrar having corresponding functions under the law of Northern Ireland.

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Trade unions

338 Exemption for trade unions

- (1) A registered trade union which is precluded by Act of Parliament, or by its rules, from assuring to any person a sum exceeding £500 by way of gross sum or £104 a year by way of annuity shall, on the making of a claim, be entitled—
 - (a) to exemption from income tax and corporation tax in respect of its income which is not trading income and which is applicable and applied for the purpose of provident benefits,
 - (b) to exemption from tax in respect of chargeable gains which are applicable and applied for the purpose of provident benefits.
- (2) In this section " provident benefits " includes any payment, expressly authorised by the registered rules of the trade union, which is made to a member during sickness or incapacity from personal injury or while out of work, or to an aged member by way of superannuation, or to a member who has met with an accident, or has lost his tools by fire or theft, and includes a payment in discharge or aid of funeral expenses on the death of a member or the wife of a member or as provision for the children of a deceased member.
- (3) In determining for the purposes of this section whether a registered trade union is by Act of Parliament or by its rules precluded from assuring to any person a sum exceeding £104 a year by way of annuity, there shall be disregarded any approved annuities (as defined in section 226(13) of this Act).