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Income and Corporation Taxes Act 1988

1988 CHAPTER 1

PART XII

SPECIAL CLASSES OF COMPANIES AND BUSINESSES

CHAPTER I

INSURANCE COMPANIES, UNDERWRITERS AND CAPITAL REDEMPTION BUSINESS

Insurance companies: general

Modifications etc. (not altering text)

C1 See 1989 ss.82-92 for changes made by Finance Act 1989 and 1990 ss.41-48 for changes made by Finance Act 1990.

431 Interpretative provisions relating to insurance companies.

(1) ^{M1}This section has effect for the interpretation of this Chapter.

(2) ^{M2}Unless the context otherwise requires—

“annuity business” means the business of granting annuities on human life;

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[F2F3

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[^{F5}“basic life assurance and general annuity business” has the meaning given by section 431F;]

“closing” and “opening”, in relation to a period of account, refer respectively to the position at the end and at the beginning of the period and,

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in relation to an accounting period, refer respectively to the position at the end and at the beginning of the period of account in which the accounting period falls;

“closing liabilities” includes liabilities assumed at the end of the period of account concerned in consequence of the declaration of reversionary bonuses or a reduction in premiums;

[^{F6F7}]
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[^{F9}“insurance company” means any company which is—

- (a) a company to which Part II of the ^{M3}Insurance Companies Act 1982 applies, or
- (b) an EC company carrying on insurance business through a branch or agency in the United Kingdom,

and in this definition “EC company” and “insurance business” have the same meanings as in that Act of 1982;

[^{F10F11}

“liabilities”, in relation to an insurance company, means the liabilities of the company estimated as for the purposes of its periodical return (excluding any that have fallen due or been reinsured and any not arising under or in connection with policies or contracts effected as part of the company’s insurance business);]

“life assurance business” includes annuity business;

[^{F12}“life reinsurance business” has the meaning given by section 431C;

[^{F13}[^{F14}“linked assets”, and related expressions, shall be construed in accordance with section 432ZA;]

“long term business” has the meaning given by section 1(1) of the Insurance Companies Act 1982;

“long term business fund” means the fund maintained by an insurance company in respect of its long term business ^{F15}. . . .];

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[^{F17F18}

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[^{F20}“overseas life assurance business” has the meaning given by section 431D;

“overseas life assurance fund” shall be construed in accordance with Schedule 19AA;]

“overseas life insurance company” means an insurance company [^{F21}not resident in] the United Kingdom but carrying on life assurance business through a branch or agency in the United Kingdom; ^{F22}. . . .

[^{F23}“pension business” has the meaning given by section 431B;

“periodical return”, in relation to an insurance company, means a return deposited with the [^{F24}Treasury] under Part II of the Insurance Companies Act 1982.

F25

[^{F26}“reinsurance business” includes retrocession business;

[^{F27F28}]

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“value”, in relation to assets of an insurance company, means the value of the assets as taken into account for the purposes of the company’s periodical return;

“with-profits liabilities” means liabilities in respect of policies or contracts under which the policy holders or annuitants are eligible to participate in surplus;]

F30 [F31]
 (2A)
 (3) F31
 (4) F31
 (5) F31
 (6) F31]]]]]]

Textual Amendments

- F1** S. 431(2): definition of "general annuity business" and "pension business" repealed (with effect in accordance with Sch. 8 para. 57, Sch. 29 Pt. 8(5) Notes 2, 3 of the repealing Act) by [Finance Act 1995 \(c. 4\)](#), [Sch. 29 Pt. 8\(5\)](#)
- F2** S. 431(2): definitions inserted by [Finance Act 1990 \(c. 29\)](#), [Sch. 6 para. 1\(2\)](#)
- F3** S. 431(2): definition of "basic life assurance business" repealed (with effect in accordance with Sch. 8 para. 57 of the repealing Act) by [Finance Act 1995 \(c. 4\)](#), [Sch. 29 Pt. 8\(5\)](#), Note 2
- F4** S. 431(2): definition of "basic life assurance and general annuity business" repealed (with effect in accordance with Sch. 8 para. 57 of the repealing Act) by [Finance Act 1995 \(c. 4\)](#), [Sch. 29 Pt. 8\(5\)](#), Note 2
- F5** S. 431(2): definition of "basic life assurance and general annuity business" inserted (with effect in accordance with [Sch. 8 para. 57](#) of the amending Act) by [Finance Act 1995 \(c. 4\)](#), [Sch. 8 para. 1](#)
- F6** S. 431(2): definition of "foreign income dividends" inserted (3.5.1994) by [Finance Act 1994 \(c. 9\)](#), [Sch. 16 para. 4](#)
- F7** S. 431(2): definition of "foreign income dividends" repealed (with effect in accordance with Sch. 6 para. 5(2) of the repealing Act) by [Finance \(No. 2\) Act 1997 \(c. 58\)](#), Sch. 6 para. 5(1), [Sch. 8 Pt. 2\(11\)](#), Note
- F8** S. 431(2): definition of "industrial assurance business" repealed (with effect in accordance with Sch. 41 Pt. 5(26) Note of the repealing Act) by [Finance Act 1996 \(c. 8\)](#), [Sch. 41 Pt. 5\(26\)](#)
- F9** S. 431(2): definition of "insurance company" substituted (with effect in accordance with s. 52(5) of the amending Act) by [Finance Act 1995 \(c. 4\)](#), [s. 52\(1\)](#)
- F10** S. 431(2): definitions inserted by [Finance Act 1990 \(c. 29\)](#), [Sch. 6 para. 1\(2\)](#)
- F11** S. 431(2): definition of "investment reserve" repealed (with effect in accordance with s. 109(10) of the repealing Act) by [Finance Act 2000 \(c. 17\)](#), s. 109(9)(a), [Sch. 40 Pt. 2\(16\)](#), Note 1
- F12** S. 431(2): definition of "life reinsurance business" inserted (with effect in accordance with [Sch. 8 para. 57](#) of the amending Act) by [Finance Act 1995 \(c. 4\)](#), [Sch. 8 para. 1](#)
- F13** S. 431(2): definitions inserted by [Finance Act 1990 \(c. 29\)](#), [Sch. 6 para. 1\(2\)](#)
- F14** S. 431(2): definition of "linked assets" substituted (with effect in accordance with [Sch. 8 para. 57](#) of the amending Act) by [Finance Act 1995 \(c. 4\)](#), [Sch. 8 para. 11\(1\)](#)
- F15** S. 431(2): words in definition of "long term business fund" repealed (with effect in accordance with [Sch. 41 Pt. 5\(26\)](#) Note of the repealing Act) by [Finance Act 1996 \(c. 8\)](#), [Sch. 41 Pt. 5\(26\)](#)
- F16** S. 431(2): definition of "offshore income gain" repealed (with effect in accordance with [Sch. 8 para. 55](#) of the repealing Act) by [Finance Act 1995 \(c. 4\)](#), [Sch. 29 Pt. 8\(5\)](#), Note 1
- F17** S. 431(2): definitions inserted by [Finance Act 1990 \(c. 29\)](#), [Sch. 6 para. 1\(2\)](#)

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- F18** S. 431(2): definition of "ordinary long term business" and "ordinary life assurance business" repealed (with effect in accordance with Sch. 41 Pt. 5(26) Note of the repealing Act) by [Finance Act 1996 \(c. 8\)](#), [Sch. 41 Pt. 5\(26\)](#)
- F19** S. 431(2): definition of "overseas life assurance business" repealed (with effect in accordance with Sch. 8 para. 55 of the repealing Act) by [Finance Act 1995 \(c. 4\)](#), [Sch. 29 Pt. 8\(5\)](#), Note 1
- F20** S. 431(2): definition of "overseas life assurance business" inserted (with effect in accordance with Sch. 8 para. 55 of the amending Act) by [Finance Act 1995 \(c. 4\)](#), [Sch. 8 para. 1](#)
- F21** S. 431(2): words in the definition of "overseas life insurance company" substituted (27.7.1993 as mentioned in s. 103(3)(4) of the amending Act) by 1993 c. 34, s. [103\(1\)\(3\)\(4\)](#)
- F22** S. 431(2): word following the definition of "overseas life assurance company" repealed (with effect in accordance with Sch. 8 para. 57 of the repealing Act) by [Finance Act 1995 \(c. 4\)](#), [Sch. 29 Pt. 8\(5\)](#), Note 2
- F23** S. 431(2): definition of "pension business" inserted (with effect in accordance with Sch. 8 para. 57 of the amending Act) by [Finance Act 1995 \(c. 4\)](#), [Sch. 8 para. 1](#)
- F24** S. 431(2): word in definition of "periodical return" substituted (5.1.1998) by [The Transfer of Functions \(Insurance\) Order 1997 \(S.I. 1997/2781\)](#), art. 1(2), [Sch. para. 114](#)
- F25** S. 431(2): definition of "policy holders' fraction" and "shareholders' fraction" inserted by [Finance Act 1989 \(c. 26\)](#), [Sch.8 para.1](#) and repealed (retrospectively) by [Finance Act 1990 \(c. 29\)](#), [Sch.19 Part IV](#), Note 6
- F26** S. 431(2): definition of "reinsurance business" inserted (with effect in accordance with Sch. 8 para. 57 of the amending Act) by [Finance Act 1995 \(c. 4\)](#), [Sch. 8 para. 1](#)
- F27** S. 431(2): definition of "UK distribution income" inserted (27.7.1993 with effect in relation to accounting periods beginning after 31.12.1992) by 1993 c. 34, s. [99\(2\)\(3\)](#)
- F28** S. 431(2): definition of "UK distribution income" repealed (with effect in accordance with Sch. 8 para. 57 of the repealing Act) by [Finance Act 1995 \(c. 4\)](#), [Sch. 29 Pt. 8\(5\)](#), Note 2
- F29** S. 431(2): definitions inserted by [Finance Act 1990 \(c. 29\)](#), [Sch. 6 para. 1\(2\)](#)
- F30** S. 431(2A) inserted by [Finance Act 1990 \(c. 29\)](#), [Sch. 6 para. 1\(3\)](#)
- F31** S. 431(2A)-(6) repealed (with effect in accordance with Sch. 8 para. 57 of the repealing Act) by [Finance Act 1995 \(c. 4\)](#), [Sch. 29 Pt. 8\(5\)](#), Note 2

Modifications etc. (not altering text)

- C2** S. 431(2) modified (31.7.1992 with effect as mentioned in reg. 1 of the modifying S.I.) by [S.I. 1992/1655](#), [regs. 1, 5](#) (as amended (31.12.1993) by [The Friendly Societies \(Modification of the Corporation Tax Acts\) \(Amendment\) Regulations 1993 \(S.I. 1993/3111\)](#), [regs. 1, 5, 6](#); and as further amended (19.3.1997) by [The Friendly Societies \(Modification of the Corporation Tax Acts\) \(Amendment\) Regulations 1997 \(S.I. 1997/471\)](#), [regs. 1, 6](#))
- C3** S. 431 modified (20.3.1997 with effect as mentioned in reg. 1(2) of the modifying S.I.) by [The Friendly Societies \(Modification of the Corporation Tax Acts\) Regulations 1997 \(S.I. 1997/473\)](#), [regs. 1\(1\), 6](#) (as amended by: [S.I. 2001/3629](#), [regs. 1, 156, 165\(2\)\(b\)](#); [S.I. 2003/23](#), [regs. 1, 4](#); [S.I. 2004/822](#), [regs. 1, 6](#); [S.I. 2005/2005](#), [regs. 1, 5](#))
- C4** S. 431(2) modified (20.3.1997 with effect as mentioned in reg. 7(1) of the modifying S.I.) by [The Friendly Societies \(Modification of the Corporation Tax Acts\) Regulations 1997 \(S.I. 1997/473\)](#), [regs. 1\(1\), 7](#)
- C5** S. 431(2) modified (6.4.1999) by [The Individual Savings Account \(Insurance Companies\) Regulations 1998 \(S.I. 1998/1871\)](#), [regs. 1, 5, 7](#)
- C6** S. 431(2) modified (23.3.1999 with effect in accordance with reg. 1 of the modifying S.I.) by [The Insurance Companies \(Capital Redemption Business\) \(Modification of the Corporation Tax Acts\) Regulations 1999 \(S.I. 1999/498\)](#), [regs. 3, 5](#)

Marginal Citations

- M1** Source—1970 s.323(1); 1973 s.40(7); 1982 s.58(7)
- M2** Source—1970 s.323(2); 1970(F) Sch.5 Pt.III 11(4)

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M3 1982 c. 50.

VALID FROM 21/07/2008

[^{F32}**431Z** Election that assets not be foreign business assets

- (1) An insurance company may, in its company tax return for the first accounting period of the company beginning on or after 1 January 2008 in which any of the assets of the company's long-term insurance fund would (apart from this section) be foreign business assets, elect that none of the assets of the company's long-term insurance fund are to be regarded for the purposes of this Act as being foreign business assets.
- (2) The election has effect for that accounting period and all subsequent accounting periods of the company.
- (3) An election under subsection (1) is irrevocable.]

Textual Amendments

F32 S. 431ZA inserted (with effect in accordance with Sch. 17 para. 10(6)(7) of the amending Act) by Finance Act 2008 (c. 9), Sch. 17 para. 10(2)

[^{F33}**431A** Amendment of Chapter etc.

Where it is expedient to do so in consequence of the exercise of any power under the ^{M4}Insurance Companies Act 1982, the Treasury may by order amend the provisions of this Chapter and any other provision of the Tax Acts so far as relating to insurance companies.]

Textual Amendments

F33 S. 431A inserted (1.1.1990) by Finance Act 1990 (c. 29), Sch. 6 paras. 2, 11(2) (with Sch. 6 para. 12)

Marginal Citations

M4 1982 c. 50.

[^{F34}**431A** Relevant benefits for purposes of section 431(4)(d) and (e).

^{F35}

Textual Amendments

F34 S. 431AA inserted (with application in accordance with s. 143(5) of the amending Act) by Finance Act 1994 (c. 9), s. 143(4)

F35 S. 431AA repealed (with effect in accordance with Sch. 8 para. 57 of the repealing Act) by Finance Act 1995 (c. 4), Sch. 29 Pt. 8(5), Note 2

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