SCHEDULES

SCHEDULE 15

QUALIFYING POLICIES

Modifications etc. (not altering text)

C1 Sch. 15 modified by Finance Act 1991 (c. 31, SIF 63:1), s. 50, **Sch. 9 para. 5** (2)

C1 Sch. 15 modified (1.5.1995) by Finance Act 1995 (c. 4), **Sch. 10 para. 4(2)(3)**

PART I

QUALIFYING CONDITIONS

Special types of policy

(i)Friendly Society policies

3 (1) [M1] Paragraphs 1 and 2 above do not apply to a policy issued by a [[F1]friendly society] in the course of tax exempt life or endowment business in respect of an insurance made or varied on or after 19th March 1985, but such a policy shall not be a qualifying policy unless—

(a) in the case of a policy for the assurance of a gross sum or annuity, the conditions in sub-paragraph (2) are fulfilled with respect to it; and

(b) in the case of a policy for the assurance of a gross sum, the conditions in sub-paragraphs (5) to (11) below are fulfilled with respect to it; [F2] . . .

[F2](c) . . . .

(2) The conditions referred to in sub-paragraph (1) above are as follows—

(a) subject to sub-paragraph (3) below, the period (the "term" of the policy) between—

(i) the making of the insurance or, where the contract provides for the term to begin on a date not more than three months earlier than the making of the insurance, that date, and

(ii) 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;

(b) subject to sub-paragraph (4) below, 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;

[F3](c) . . . .

(3) Notwithstanding sub-paragraph (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 12 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.

For the purposes of paragraph (a) above, if the term begins on a date earlier than the making of the insurance, any premium paid in respect of a period before the making of the insurance, or in respect of that period and a subsequent period, shall be treated as having been payable on that date.

(4) Notwithstanding sub-paragraph (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;

(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 **[**[F4](or any predecessor of it)**]** 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; and

(d) may make provision for the waiver of premiums by reason of a person's disability.

[[F5](4A) For the purposes of sub-paragraphs (2) and (4) above—

(a) a friendly society formed on the amalgamation of two or more friendly societies is the successor of each of those societies (and each of those societies was a predecessor of the society so formed), and

(b) an incorporated friendly society that was a registered friendly society before its incorporation is the successor of the registered friendly society (and the registered friendly society was the predecessor of the incorporated friendly society).**]**

(5) Where the policy secures a capital sum which is payable only on death or only on death occurring after the attainment of a specified age not exceeding 16, that capital sum must be not less than 75 per cent. of the total premiums which would be payable if the death of the relevant beneficiary occurred at the age of 75.

(6) Where the policy secures a capital sum which is payable only on survival for a specified term, that capital sum must be not less than 75 per cent. of the total premiums which would be payable if the policy were to run for that term.

(7) Where the policy secures a capital sum which is payable on survival for a specified term or on earlier death, or on earlier death or disability (including a policy securing the sum on death only if occurring after the attainment of a specified age not exceeding 16), the capital sum payable on death, whenever that event occurs, must be not less than 75 per cent. of the total premiums which would be payable if the policy were to run for that term, except that if, at the beginning of that term, the age of the relevant beneficiary exceeds 55, that capital sum may, for each year of the excess, be less by 2 per cent. of that total than 75 per cent. thereof.

(8) For the purposes of sub-paragraphs (5) to (7) above—
- (a) "the relevant beneficiary" means—
  - (i) if the capital sum concerned is payable on the death of the first to die of two persons, the older of them;
  - (ii) if that capital sum is payable on the death of the survivor of two persons, the younger of them; and
  - (iii) in any other case, the person on whose death that capital sum is payable; and
- (b) in determining the total premiums payable in any circumstances—
  - (i) where those premiums are payable otherwise than annually, and the policy is issued by a new society, there shall be disregarded an amount equal to 10 per cent. of those premiums;
  - (ii) where the policy is issued by a society other than a new society, there shall be disregarded an amount equal to £10 for each year for which account is taken of those premiums **[**[F6]or, where those premiums are payable otherwise than annually, an amount equal to 10 per cent. of those premiums if that is greater**]**; [F7]. . .
  - (iii) [F7]. . . . .
- (c) [F7]. . . . .

(9) If the policy does not secure a capital sum in the event of death occurring before the age of 16 or some lower age, it must not provide for the payment in that event of an amount exceeding the total premiums previously paid under it.

(10) References in this paragraph to a capital sum payable on any event include references to a capital sum or series of capital sums payable by reason of that event, but where what is so payable is either an amount consisting of one sum or an amount made up of two or more sums, any reference in sub-paragraphs (5) to (7) above to 75 per cent. of the total premiums payable in any circumstances shall be compared with the smaller or smallest amount so payable; and for the purposes of those sub-paragraphs a policy secures a capital sum payable either on death or on disability notwithstanding that the amount may vary with the event.

(11) For the purposes of sub-paragraphs (5) to (7) and (10) above, in the case of a policy which provides for any such payments as are referred to in sub-paragraph (3) above ("interim payments"), the amount of the capital sum which is payable on any event shall be taken to be increased—
- (a) in the case of a policy which secures such a capital sum as is referred to in sub-paragraph (5) above, by the total of the interim payments which would

be payable if the death of the relevant beneficiary (within the meaning of that sub-paragraph) occurred at the age of 75; and

(b) in the case of a policy which secures such a capital sum as is referred to in sub-paragraph (6) or (7) above, by the total of the interim payments which would be payable if the policy were to run for the specified term referred to in that sub-paragraph.

Textual Amendments

F1 Words in Sch. 15 para. 3(1) substituted (19.2.1993) by Finance (No. 2) Act 1992 (c. 48), s. 56, **Sch. 9 para. 19(2)**; S.I. 1993/236, **art.2**

F2 Sch. 15 para. 3(1)(c) and word preceding it repealed by Finance Act 1991 (c. 31, SIF 63:1), ss. 50, 123, Sch. 9 para. 4(1)(2), **Sch. 19 Pt. V**, Note 7

F3 Sch. 15 para. 3(2)(c) repealed (1.5.1995) by Finance Act 1995 (c. 4), Sch. 10 para. 3, **Sch. 29 Pt. 8(6)**

F4 Words in Sch. 15 para. 3(2)(c)(4)(c) inserted (19.2.1993) by Finance (No. 2) Act 1992 (c. 48), s. 56, **Sch. 9 para. 19(3)(4)**; S.I. 1993/236, **art.2**

F5 Sch. 15 para. 3(4A) inserted (19.2.1993) by Finance (No. 2) Act 1992 (c. 48), s. 56, **Sch. 9 para. 19(5)**; S.I. 1993/236, **art.2**

F6 Words in Sch. 15 para. 3(8)(b)(ii) inserted by Finance Act 1990 (c. 29), **s. 49(5)**

F7 Sch. 15 para. 3(8)(b)(iii)(c) and word preceding para. (b)(iii) repealed (retrospectively with effect in accordance with s. 172(6) of the repealing Act) by Finance Act 2003 (c. 14), s. 172(3), **Sch. 43 Pt. 3(13)**, Note 3

Marginal Citations

M1 Source—1970 ss.334(2)–(4), 337(5)(a), Sch.1 3, 3A; 1984 s.72(a); 1985 s.41(4), (6), Sch.10 Pt.I; 1979/1576

4 (1) The provisions of this paragraph have effect notwithstanding anything in paragraph 3 above.

(2) In determining whether a policy—

(a) which affords provision for sickness or other infirmity (whether bodily or mental), and

(b) which also affords assurance for a gross sum independent of sickness or other infirmity, and

(c) under which not less than 60 per cent. of the amount of the premiums is attributable to the provision referred to in paragraph (a) above,

is a qualifying policy, the conditions referred to in paragraph 3(1)(b) above shall be deemed to be fulfilled with respect to it.

(3) A policy shall cease to be a qualifying policy—

(a) if it falls within sub-paragraph (1) of paragraph 3 above and there is such a variation of its terms that any of the conditions referred to in that sub-paragraph ceases to be fulfilled; or

(b) if—

[F8(i) it was effected in the course of [F9the business of effecting or carrying out contracts of insurance which fall within paragraph 1 of Part I or paragraph VI of Part II of Schedule 1 to the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001],]

(ii) it was issued by a new society, and

(iii) the rights conferred by it are surrendered in whole or in part.

Textual Amendments

F8 Sch. 15 para. 4(3)(b)(i) substituted (19.2.1993) by Finance (No. 2) Act 1992 (c. 48), s. 56, Sch. 9 paras. 19(6), **22**; S.I. 1993/236, **art. 2**

F9 Words in Sch. 15 para. 4(3)(b)(i) substituted (1.12.2001 in accordance with art. 1(2)(a) of the amending S.I.) by The Financial Services and Markets Act 2000 (Consequential Amendments) (Taxes) Order 2001 (S.I. 2001/3629), **art. 47(2)**

5 [M2] Section 466 shall apply for the interpretation of paragraphs 3 and 4 above as it applies for the interpretation of sections 460 to 465.

Marginal Citations

M2 Source—1970 s.337(1)(b); 1985 s.41(7)(a)

6 (1) [M3] A policy which was issued by **[**[F10]any registered friendly society (as defined in section 466)**]**, or branch of **[**[F10]such a society**]**, in the course of tax exempt life or endowment business (as defined in section 466) in respect of insurances made before 19th March 1985 and which has not been varied on or after that date is a qualifying policy notwithstanding that it does not comply with the conditions specified in paragraph 1 or 2 above.

(2) [M4] Notwithstanding paragraphs 3 to 5 or sub-paragraph (1) above, if, on or after 19th March 1985, a person becomes in breach of the limits in section 464, the policy effected by that contract which causes those limits to be exceeded shall not be a qualifying policy; and in any case where—

(a) the limits in that section are exceeded as a result of the aggregation of the sums assured or premiums payable under two or more contracts, and

(b) at a time immediately before one of those contracts was entered into (but not immediately after it was entered into) the sums assured by or, as the case may be, the premiums payable under the contract or contracts which were then in existence did not exceed the limits in that section,

only those policies effected by contracts made after that time shall be treated as causing the limits to be exceeded.

Textual Amendments

F10 Words in Sch. 15 para. 6(1) substituted (19.2.1993) by Finance (No. 2) Act 1992 (c. 48), s. 56, **Sch. 9 para. 19(7)**; S.I. 1993/236, **art.2**

Marginal Citations

M3 Source—1970 Sch.1, 3; 1985 s.41(4)

M4 Source—FSA 1974 s.64(2B); 1985 s.41(1); 1987 s.30(6)

VALID FROM 17/07/2012

[F11 6A Any expression—
(a) which is used in any provision made by any of paragraphs 3 to 6, and
(b) which is used in Part 3 of the Finance Act 2012,
has the same meaning in that provision as it has in that Part.]

Textual Amendments

F11 Sch. 15 para. 6A inserted (with effect in accordance with s. 178 of the amending Act) by Finance Act 2012 (c. 14), **Sch. 18 para. 13(6)**

(ii) Industrial assurance policies

7 (1) M5 A policy issued in the course of an industrial assurance business, 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; or
(e) the policy was issued before 6th April 1976, or was issued before 6th April 1979 and is in substantially the same form as policies so issued before 6th April 1976.

(2) For the purposes 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.

Marginal Citations

M5 Source—1970 Sch.1 4; 1976 Sch.4 12

8 [M6] Where a policy issued in respect of an insurance made after 1st April 1976 in the course of an industrial assurance business is not a qualifying policy by virtue of paragraph 1 or 2 above but is a policy with respect to which the conditions in paragraph 7(1)(b) and (c) above are satisfied, it shall be a qualifying policy whether or not the condition in paragraph 7(1)(a) above is satisfied with respect to it; but where that condition is not satisfied, relief under section 266 in respect of premiums paid under the policy shall be given only on such amount (if any) as would have been the amount of those premiums had that condition been satisfied.

Marginal Citations

M6 Source—1975 Sch.2 7; 1976 Sch.4 19(4)

[[F12]8A (1) Paragraphs 7 and 8 above shall have effect in relation to any policy issued on or after the appointed day as if the references to the issue of a policy in the course of an industrial assurance business were references to the issue of a policy by any company in a case in which—

(a) the company, before that day and in the course of such a business, issued any policy which was a qualifying policy by virtue of either of those paragraphs; and

(b) the policies which on 28th November 1995 were being offered by the company as available to be issued included policies of the same description as the policy issued on or after the appointed day.

(2) In this paragraph "the appointed day" means such day as the Board may by order appoint.**]**

Subordinate Legislation Made

P1 Sch. 15 para. 8A power exercised: 1.12.2001 appointed by S.I. 2001/3643, **art. 2(c)**

Textual Amendments

F12 Sch. 15 para. 8A inserted (29.4.1996) by Finance Act 1996 (c. 8), **s. 167(8)**

(iii) Family income policies and mortgage protection

9 (1) [M7] 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 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.

(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.

Marginal Citations

M7 Source—1970 Sch.1 5