



Finance Act 1996

1996 CHAPTER 8

PART IV

INCOME TAX, CORPORATION TAX AND CAPITAL GAINS TAX

CHAPTER VI

MISCELLANEOUS PROVISIONS

Friendly societies

171 Life or endowment business.

(1) In section 466 of the Taxes Act 1988 (interpretation of Chapter II of Part XII) for subsection (1) (meaning of “life or endowment business”) there shall be substituted—

“(1) In this Chapter “life or endowment business” means, subject to subsections (1A) and (1B) below,—

- (a) any business within Class I, II or III of Head A of Schedule 2 to the ^{M1}Friendly Societies Act 1992;
- (b) pension business;
- (c) any other life assurance business;
- (d) any business within Class IV of Head A of that Schedule, if—
 - (i) the contract is one made before 1st September 1996; or
 - (ii) the contract is one made on or after 1st September 1996 and the effecting and carrying out of the contract also constitutes business within Class I, II or III of Head A of that Schedule.

(1A) Life or endowment business does not include the issue, in respect of a contract made before 1st September 1996, of a policy affording provision for sickness or other infirmity (whether bodily or mental), unless—

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- (a) the policy also affords assurance for a gross sum independent of sickness or other infirmity;
 - (b) not less than 60 per cent. of the amount of the premiums is attributable to the provision afforded during sickness or other infirmity; and
 - (c) there is no bonus or addition which may be declared or accrue upon the assurance of the gross sum.
- (1B) Life or endowment business does 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 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.”
- (2) In subsection (2) of that section (other definitions) there shall be inserted at the appropriate places—
- “(a) “insurance company” shall be construed in accordance with section 431;”;
 - “(b) “long term business” shall be construed in accordance with section 431;”.
- (3) In section 266 of that Act (life assurance premium relief) in subsection (6) (deduction from total income where relief given for part of certain payments to friendly societies) after paragraph (b) there shall be inserted “and
- (c) the insurance or contract is not excluded by subsection (6A) below,”.
- (4) After that subsection there shall be inserted—
- “(6A) For the purposes of subsection (6)(c) above, an insurance or contract is excluded by this subsection if it is made on or after 1st September 1996 and affords provision for sickness or other infirmity (whether bodily or mental), unless—
- (a) it also affords assurance for a gross sum independent of sickness or other infirmity;
 - (b) not less than 60 per cent. of the amount of the premiums is attributable to the provision afforded during sickness or other infirmity; and
 - (c) there is no bonus or addition which may be declared or accrue upon the assurance of the gross sum.”
- (5) In section 463(1) of that Act (Corporation Tax Acts to apply to friendly societies’ life or endowment business as they apply to insurance companies’ mutual life assurance business) after “mutual life assurance business” there shall be inserted “ (or other long term business) ”.
- (6) The amendment made by subsection (5) above shall have effect in relation to accounting periods ending on or after 1st September 1996.

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