



Income Tax (Trading and Other Income) Act 2005

2005 CHAPTER 5

PART 4

SAVINGS AND INVESTMENT INCOME

CHAPTER 9

GAINS FROM CONTRACTS FOR LIFE INSURANCE ETC.

When chargeable events occur: general

484 When chargeable events occur

- (1) The following are chargeable events—
- (a) in the case of any kind of policy or contract—
 - (i) the surrender of all rights under the policy or contract,
 - (ii) the assignment of all those rights for money or money's worth,
 - (iii) the falling due of a sum payable as a result of a right under a policy or contract to participate in profits, if there are no remaining rights under it,
 - (iv) a chargeable event treated as occurring under section 509(1) (chargeable events in certain cases where periodic calculations show gains),
 - (v) a surrender or assignment treated as a chargeable event under section 514(1) (chargeable events where transaction-related calculations show gains), and
 - (vi) a chargeable event treated as occurring under section 525(2) (chargeable events where annual personal portfolio bond calculations show gains),

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- (b) in the case of a policy of life insurance, a death giving rise to benefits under it,
 - (c) in the case of a policy of life insurance or a capital redemption policy, its maturity,
 - (d) in the case of a contract for a life annuity which provides for the payment of a capital sum on death, the death, and
 - (e) in the case of a contract for a life annuity which provides for a capital sum to be taken as a complete alternative to the annuity payments (or any further annuity payments), taking the capital sum.
- (2) Subsection (1) is subject to—
- section 485 (disregard of certain events in relation to qualifying policies),
 - section 486 (exclusion of maturity of capital redemption policies in certain circumstances),
 - section 487 (disregard of certain assignments), and
 - section 488 (disregard of certain events following alterations of life insurance policy terms).
- (3) See also section 490 (last payment under guaranteed income bonds etc. treated as total surrender).

485 Disregard of certain events in relation to qualifying policies

- (1) In relation to a qualifying policy, the events that count as chargeable events are restricted as follows.
- (2) Death or the maturity of the policy is only a chargeable event if—
- (a) the policy has been converted into a paid-up policy before the end of whichever of the following periods ends sooner—
 - (i) 10 years from the making of the insurance, and
 - (ii) three-quarters of the term for which the policy is to run (assuming it is not ended by death or disability), or
 - (b) there is a company interest in the rights under the policy immediately before the event occurs.
- (3) An event specified in section 484(1)(a)(i) to (iv) (surrender or assignment of all rights, final participation in profits and chargeable event where periodic calculation shows gain) is only a chargeable event if—
- (a) the event occurs or the policy has been converted into a paid-up policy before the end of whichever of the periods specified in subsection (2)(a)(i) and (ii) ends sooner, or
 - (b) there is a company interest in the rights under the policy immediately before the event occurs.
- (4) For the purposes of subsections (2)(b) and (3)(b) there is a company interest in the rights under a policy if—
- (a) a company beneficially owns them,
 - (b) they are held on trusts created by a company, or
 - (c) they are held as security for a company's debt.
- (5) An event specified in section 484(1)(a)(v) (part surrenders and assignments: chargeable events where transaction-related calculations show gains) is only a chargeable event if—

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- (a) the time as at which the calculation showing the gain is required to be made under section 498(2) is before the end of whichever of the periods specified in subsection (2)(a)(i) and (ii) ends sooner, or
 - (b) the policy has been converted into a paid-up policy before that time.
- (6) If the policy has been varied so as to increase the premiums payable under it, subsections (2), (3) and (5) apply as if they referred instead to the following periods—
- (a) 10 years from the variation taking effect, and
 - (b) three-quarters of the term for which the policy is to run from the variation (assuming it is not ended by death or disability).
- (7) If a qualifying policy is substituted for another policy in circumstances where paragraph 25(1) or (3) of Schedule 15 to ICTA applies (replacement of a policy issued by a non-UK resident company by a policy which is not so issued), the surrender of the rights conferred by the other policy is not a chargeable event.

[^{F1}(8) This section is subject to sections 463A and 463C.]

Textual Amendments

F1 S. 485(8) inserted (17.7.2013) by [Finance Act 2013 \(c. 29\)](#), [Sch. 9 para. 9](#)

^{F2}486 Exclusion of maturity of capital redemption policies in certain circumstances

Textual Amendments

F2 S. 486 omitted (with effect in accordance with Sch. 14 para. 18 of the amending Act) by virtue of [Finance Act 2008 \(c. 9\)](#), [Sch. 14 para. 13](#)

487 Disregard of certain assignments

For the purposes of this Chapter, an assignment of rights under a policy or contract or a share in such rights is ignored if it is—

- (a) by way of security for a debt,
- (b) on the discharge of a debt secured by the rights or share, or
- (c) between spouses [^{F3}or civil partners] living together.

Textual Amendments

F3 Words in s. 487 inserted (5.12.2005) by [The Tax and Civil Partnership Regulations 2005 \(S.I. 2005/3229\)](#), [reg. 185](#)

488 Disregard of some events after alterations of life insurance policy terms

- (1) This section applies if—
- (a) the terms of a policy of life insurance are altered,
 - (b) the alteration is not itself a chargeable event, and

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- (c) the conditions specified in section 489 are met.
- (2) After the alteration a chargeable event is only treated as occurring in relation to the policy if one would have been treated as occurring had the alteration not occurred.
- (3) If the alteration results in the policy being regarded as replaced by another, this section and section 489 apply as if they were a single policy.

489 Conditions applicable to alterations of life insurance policy terms

- (1) Conditions A to E are the conditions referred to in section 488.
- (2) Condition A is that the policy was issued in respect of an insurance made at least 20 years before the alteration.
- (3) Condition B is that the alteration results from a decision by the insurance company that it will not collect further premiums due from any of the holders under a number of policies of the same description if a particular period of time has elapsed since the contracts were made.
- (4) Condition C is that no premiums are payable or paid after the date of the alteration.
- (5) Condition D is that the benefits to be provided under the policy after the alteration are the same or substantially the same as those before the alteration.
- (6) A deduction from the benefits is ignored for the purposes of subsection (5) if it does not exceed the total net premiums which, apart from the alteration, would have been payable under the policy between—
 - (a) the date of the alteration, and
 - (b) the date on which the benefits become payable.
- (7) In subsection (6) “net premiums” means the premiums reduced by any tax relief which would have been due on the premiums had they been paid.
- (8) Condition E is that the premiums payable under the policy before the alteration—
 - (a) have not been reduced to a nominal amount on the exercise of an option, in circumstances where the reduction is connected with a right to surrender in part the rights conferred by the policy after the date of the reduction, and
 - (b) are not capable of being so reduced in such circumstances.

490 Last payment under guaranteed income bonds etc. treated as total surrender

- (1) This section applies to a payment that would fall within section 500(d) (payments under guaranteed income bonds etc. treated as surrenders of part of the rights under the contract) apart from section 504(5) (which prevents payments comprising the whole of the last benefit to be paid under such contracts from being so treated).
- (2) The payment is treated for the purposes of this Chapter as the surrender of all the rights under the contract.
- (3) A payment to which this section applies is not regarded as interest or as an annual payment for any income tax purposes.

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