



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.

Calculating gains: general

494 The total allowable deductions for a policy or contract

- (1) To calculate the total allowable deductions for a policy or contract for the purposes of section 491—

Step 1

Add together—

- (a) the total amount of premiums paid under the policy or contract before the event, and
- (b) if the event occurs at the end of the final insurance year (see section 499), the amount of any repayment or partial repayment of a loan treated under section 500(c) as a surrender of a part of the rights under the policy or contract.

Step 2

In the case of a contract for a life annuity under which any annuity payments have been made, reduce the result of step 1 by so much of those payments as is—

- (a) exempt under section 717 (exemption for part of purchased life annuity payments), or

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Changes to legislation: There are currently no known outstanding effects for the Income Tax (Trading and Other Income) Act 2005, Section 494. (See end of Document for details)

- (b) determined to be the capital element in those payments under section 658 of ICTA.
- (2) In the case of a capital redemption policy which has been assigned for money or money's worth before the event, the reference in paragraph (a) of step 1 in subsection (1) to the total amount of premiums paid under the policy or contract before the event is a reference to the total of—
 - (a) the amount or value of the consideration given for the last such assignment, and
 - (b) the total amount of premiums paid under the policy or contract after that assignment and before the event.
- (3) References to the policy in paragraphs (a) and (b) of step 1 in subsection (1) and in subsection (2) include any related policy.
- (4) Subsection (1) is subject to—
 - section 495 (disregard of certain amounts in calculating gains under section 491), and
 - section 496 (modification of this section: qualifying endowment policies held as security for company debts).

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