



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

496 Modification of section 494: qualifying endowment policies held as security for company debts

- (1) This section applies if—
- (a) a chargeable event within section 484(1)(a)(i), (b) or (c) (surrender of all rights, death or maturity) occurs in relation to a qualifying endowment policy (see subsection (7)),
 - (b) immediately before the event occurs the rights under the policy are held as security for a debt owed by a company, and
 - (c) the company debt conditions are met (see subsection (4)).
- (2) If—
- (a) the amount of the debt exceeds the amounts referred to in paragraph (a) of step 1 in section 494(1) (the total amount of premiums paid before the event), and
 - (b) the company makes a claim within two years after the end of the accounting period in which the chargeable event occurs,
- section 494 applies as if that paragraph referred instead to the amount of the debt.

Changes to legislation: There are currently no known outstanding effects for the Income Tax (Trading and Other Income) Act 2005, Section 496. (See end of Document for details)

- (3) If the amount of the debt varied during the policy period, it is to be taken for the purposes of subsection (2) as the lowest amount at which it stood during that period.
- (4) The company debt conditions are that—
- (a) throughout the policy period, the rights conferred by the policy have been held as security for a debt owed by the company referred to in subsection (1)(b),
 - (b) the capital sum payable under the policy in the event of death during the term of the policy is not less than the amount of the debt when the insurance was made,
 - (c) any sum payable under the policy as a result of the event is applied in repayment of the debt (except so far as it exceeds the debt), and
 - (d) the debt was incurred to pay money applied for the purposes of the company's trade premises.
- (5) Money is applied for the purposes of a company's trade premises if it is applied—
- (a) in purchasing an estate or interest in land to be occupied by the company for the purposes of a trade carried on by it, or
 - (b) for the purpose of the construction, extension or improvement (but not the repair or maintenance) of buildings which are or are to be so occupied.
- (6) If during the policy period the company incurs a debt by borrowing in order to repay another debt, references to a debt in subsections (3) and (4) include both debts where appropriate.
- (7) In this section—
- “accounting period” is to be read in accordance with [F1Chapter 2 of Part 2 of CTA 2009],
- “the policy period” means the period beginning with the making of the insurance and ending immediately before the chargeable event, and
- “qualifying endowment policy” means a policy which is a qualifying policy as a result of paragraph 2 of Schedule 15 to ICTA.

Textual Amendments

- F1** Words in s. 496(7) substituted (with effect in accordance with s. 1329(1) of the amending Act) by Corporation Tax Act 2009 (c. 4), s. 1329(1), **Sch. 1 para. 633** (with **Sch. 2 Pts. 1, 2**)

Changes to legislation:

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